

Monday 23 June 2008 - Estimates Committee A (Aird) - Part 2

Mr AIRD - Mr Chairman, may I table the major private investment project included in Treasury's 2008-09 budget forecasts, an investment project of over \$20 million, and Mr Challen would like to add some information in relation to Aurora dividend policy.

Mr CHALLEN - I think Ms Forrest asked about the profile of Aurora's dividends through the forward Estimate period. They are the result of the implementation of a new dividend policy methodology which was a response to the adoption of international financial reporting standards. The new policy requires a dividend to be a payment of 50 per cent of the average of the current and previous four years' net profit after tax after some adjustments are made to remove the impacts of mark to market, or unrealised gains and losses for so-called ineffective hedges, a discount rate effect of revaluations of defined benefit superannuation liabilities and the fact that under the ordinary accounting standards customer capital contributions are recognised as revenue so they are taken out. The smoothing effect of this new dividend policy, which is effectively smoothing the dividend against profits over a five-year period, produces that profile that is in the forward Estimates.

Ms FORREST - It is not a complicated formula, at all.

CHAIR - I was going to say that it is a bit of a heavy start straight after lunch.

Mr CHALLEN - It is a tad.

Ms FORREST - You understand that and you can identify easily what the next 10 years' dividends will be, under that formula?

Mr CHALLEN - You will understand, Mr Chairman, while I thought I knew the answer to the question I did want to check before I put it on the record. Thank you for your indulgence.

CHAIR - That was very honest of you. Mr Harriss, had you finished on water and sewerage?

Mr HARRISS - No, I held it over. Treasurer, on the water and sewerage matter, during debate on the legislation it was made very clear that there would be a carryover of entitlements of employees to the new authorities. Does that take account of sick leave? Annual leave and long service leave will always be costed but councils, I understand, do not carry an operating expense for sick leave and it could amount to hundreds of thousands of dollars across the State. My understanding is that councils would carry that on a year-by-year basis out of the operating budget, not as an accumulated fund anywhere. Did you take any account of that possible impact on the transfer of employees, particularly in the scenario of severances?

Mr AIRD - I think it is highly unlikely that there would be any severances but in that event, my understanding is that all matters, including sick leave, would be carried forward.

Mr HARRISS - So you do not see any financial challenge to a council down the track?

Mr AIRD - We have not been advised that there will be, to my knowledge. Have you been advised that there will be?

Mr CHALLEN - I cannot see a problem, to be honest.

Ms FORREST - If the sick leave is transferred to the entity, won't the entity carry the load from that?

Mr AIRD - It will.

Mr CHALLEN - It will just follow the employees around.

Mr AIRD - I thought I had, but thank you for clarifying it for me.

Mr HARRISS - It is just that the issue is not a cash-reserved item for councils - and may be not for many employers - but rather out of the operating budgets. I need to be absolutely sure, because I understand that there may have been but I have not checked the *Hansard* from the House of Assembly debate. I recall your comment on the debate on the bill in the Legislative Council to the extent that remissions for those who qualify will be funded by the Government, there will be financial provision made for the Government in terms of the equivalent rate revisions, if you like.

Mr AIRD - No, no. It is very clear that we will be introducing a bill which will allow for the entities to pick up that obligation.

Mr CHALLEN - No, for the owner councils.

Mr AIRD - Yes, that is what I mean. We discussed that a few times.

Mr MARTIN - I can vouch for that.

Mr AIRD - The honourable member for Elwick had me on my toes.

Mr MARTIN - I was not that happy with the answer I remember, but you are right.

Mr AIRD - It is normal practice for the owners to have the obligation. As owners of our entities we fulfil our obligation. The same will be true of the owners of the entities.

Mr CHALLEN - Prices are here, do not need any CSO; prices go up, need a CSO to deal with low-income households. Prices go up, it means more revenue to owners, owners should pay. That is how it works. The owners meet the obligations for CSOs because they get the revenue that causes them to be needed. It is all widely understood. It was part of a deal right from the beginning.

Mr AIRD - There is no ambiguity in local government about that.

Ms FORREST - I would like to ask a question from that area, on economic policy advice. As Treasurer, do you believe that the size of Parliament has an impact on the financial capacity of the State to manage its business as it seems to have resulted in an additional number of bureaucrats and members of the public sector being employed?

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Mr AIRD - I think that it is a nice attempt to introduce it into this discussion. Really there is a lot of argument about this. I am satisfied with the size of Parliament in terms of fulfilling our obligations. Other may have a different opinion, but I am satisfied that we have the size of Parliament that we need. In fact, if there were fewer members of parliament there would a lesser obligation on the Consolidated Fund.

Mr WILKINSON - I disagree with that.

Ms FORREST - That was the view that was had when Parliament was reduced in size but it has not had a cost-saving effect.

Mr AIRD - If you go back to the history of Parliament and all the developments that have occurred over a number of years, if you analyse the support for Legislative Councillors, that has increased. Has the support for opposition increased? Yes. Has its support for the Greens increased? Yes, it has.

Mr MARTIN - And government.

Mr AIRD - Of course it has. Why would you draw the conclusion that you wanted an increase in the size of Parliament? The fact is that as members of parliament, we require different skill sets. When I was first elected in 1979 the problem was not having enough information. The challenge to members of parliament now is that there is too much and to get it into a coherent form that can properly inform them to make sensible contributions to parliament.

Ms FORREST - Do you think increasing the size of Parliament would have a detrimental effect on the Budget?

Mr AIRD - I do not think it would have any effect, but it would increase the cost. It is axiomatic. If you had more members of parliament it would increase the cost.

CHAIR - I agree with you.

Mr WILKINSON - In relation to economic policy advice, that is obviously the advice given to the Government by whom?

Mr CHALLEN - Treasury.

Mr WILKINSON - Just by Treasury, no other outside sources?

Mr CHALLEN - Not that is paid for out of that.

Mr WILKINSON - How can you gauge that to say it is good advice? Are there any KPIs, as a former member used to ask on a number of occasions in relation to gauging the advice that Treasury gives to government? Does it happen in other States? Is it a measure in other States? It is a fairly broad question, I know.

Mr AIRD - If you go to page 13 and go to table 13.5, performance information of output group 2, you will see the performance measures that are put in place, which may answer your question.

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Mr WILKINSON - The performance measures put in place, not really.

Mr CHALLEN - Yes, really. These are the performance measures.

Mr WILKINSON - They are the KPIs in relation to it?

Mr CHALLEN - Yes.

Mr WILKINSON - How Treasury has gone in advising government, you are saying the best way to look at is to look at these performance indicators in output group 2, table 13.5?

Mr CHALLEN - You have to look at what activities occur underneath that particular item. We do estimates of taxation receipts and estimates of Australian Government papers and we do forecasts of the economy and these are the KPIs that we use to measure our success at those. We provide general advice and the only KPI you can have for general advice is to ask the person receiving it how good they think it is, and that is what we do. We ask the stakeholder how good they think the advice is.

Mr WILKINSON - Is that consistent with other States in relation to this output group?

Mr CHALLEN - Yes.

Mr WILKINSON - Any differences?

Mr CHALLEN - Not that I am aware of.

Mr MARTIN - Treasurer, I have a few questions on fiscal policy, namely the decision to have a large budget surplus, despite the fact that there are many desperate needs in the community and we have often in this Chamber discussed the fact that you have not enough money to do things that I would like to see done.

[2.15 p.m.]

Mr AIRD - Yes, but you have to understand the nature of the surplus and what they do. You make commitments against them. For instance, the funding of the Royal Hobart Hospital is based on maintaining surpluses so we can fund the hospital. There are commitments made against a surplus, and that is what I am getting at. It is not as though you have a surplus and you can spend it all. If you just had a small surplus then you have the wherewithal, you have the cash, to actually make the commitments to future developments, and that has been pretty clearly explained. You cannot spend surpluses twice. If you spend them once they are gone. The idea here is to make sure that we have cash there to ensure that we can fulfil our commitments in terms of funding future infrastructure and the Royal Hobart Hospital is a key point.

Mr MARTIN - So all of the \$120 million surplus is earmarked for specific projects?

Mr AIRD - Generally, yes. The requirement for the hospital I think for this year is \$75 million, then \$125 million and then \$125 million, \$200 million, then \$150 million and \$150 million so we have a projection going out across there to fund it and you have to have surpluses to do it. You cannot just sit there saying that you can spend it on all these other things. There are plenty of budget papers around.

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Mr MARTIN - I have not quite as much space as I had this morning. Regarding the figures in the various infrastructure funds, hospital funds and housing funds, you tell me that adds up to the surplus?

Mr AIRD - No, not all major funds. Some of the major funds have been funded from asset sales but with the hospital we are making sure that there is a cash surplus to maintain those commitments we have made of \$600 million for future use, so we need surpluses to be able to fund it.

Mr MARTIN - The surplus, though, is in addition to the money set aside in the various funds?

Mr AIRD - Some it has come from asset sales.

Mr CHALLEN - Not in 2008-09.

Mr AIRD - No.

Mr MARTIN - What was that?

Mr AIRD - We made \$60 million for the housing and it was from last year. We made that in the supplementary appropriation bill so that was from there. Irrigation - so there are projects which we have funded via asset sales.

Mr MARTIN - Would it not be more transparent then to split the \$120 million up and allocate that to the hospital funds now?

Mr AIRD - We are. That is what we are doing. This is very transparent because if you look under the major funding commitments in table 4.10, budget paper 1, page 4.29, you will see that we made it very transparent. This issue is raised sometimes and I wanted to make it very clear what we are doing here. We are not fudging the issue but you cannot spend it twice. If you do not have these surpluses then you cannot make these commitments in terms of cash balances.

Mr WILKINSON - Under 'Employment' I note the average weekly ordinary time earnings is 92 per cent of the national average. What is Tasmania doing in relation to that? Has there been any study done in relation to under-employment? If not, why not? Are you in the process of doing it? On page 2.23, budget paper 1 it shows average weekly ordinary-time earnings at only 92 per cent of the national average. I suppose an explanatory factor of that is that a high number of Tasmanians are in part-time employment. What I am wondering is whether the Government has done any work in under-employment and, if not, are they going to do any?

Mr AIRD - There has been some work undertaken by the Demographic Change Advisory Council identifying areas where there may be potential productivity increases and the various identifying demographics - and I mentioned before women aged between 25 and 44 particularly, men and women at an older age who could be encouraged into the work force.

Mr WILKINSON - I realise that. It is in relation to under-employment, those that are employed part-time and who want to be employed more.

Mr AIRD - Most of the increases in employment have been in full-time employment.

Mr WILKINSON - I know, but what I am looking at is under-employment to see if any studies have been done in relation to it.

Mr AIRD - I am not aware of any. A discussion paper about work force participation by the Demographic Change Advisory Council would be the best way of identifying things that you are alluding to. In essence, it is about the level of productivity in the State and the capital investment in that. We intend to support those areas where we can increase the level of productivity and hold people in the work force longer beyond normal retirement age - those types of things that may be in part dealing with what you are alluding to in terms of people wanting to work more and not being able to because of lack of opportunity or financial reward.

Sometimes childcare becomes a cost inhibitor for people who want to go back into the work force; the net gain is not worthwhile. So it might not be the direct costs of maintaining people or getting them into the work force or to work longer, or longer hours or what have you, it might be to try to find other avenues where we can improve the level of productivity from labour.

Mr WILKINSON - And how are we going to do that?

Mr AIRD - We are going to try a number of different programs. We have earmarked \$10 million for these programs.

Mr WILKINSON - Have you touched on those programs as yet to the committee?

Mr AIRD - It is not my ministerial role to do that either but I am happy to talk about it broadly, in terms of demographic change, and increasing productivity is an important aspect.

Mr WILKINSON - It is highly important as far as the Budget is concerned.

Mr AIRD - Yes, it is important for the economy.

Mr WILKINSON - What type of programs can you speak about broadly?

Mr AIRD - I have alluded to them and they are in the budget papers too; trying to provide training programs for disadvantaged people who may not have been able to get into the work force. I have to say that one of the hallmarks of our economic growth has been to reduce our long-term unemployed from 8 500 to 2 600. That shows that people are sharing in the economic growth we are having in the State. That is allowing us, I think, to deal with those. A 70 per cent reduction is a pretty amazing result. In terms of targeting people - for instance, if someone is approaching retirement age do you offer an incentive to that person with their superannuation, as they have in Finland? Do you provide a cash bonus system for staying in the work force for another two years? As a State Government, in terms of control over superannuation and taxation - there are other forces at work here nationally, but we will be looking to see how we can provide incentives and we will be trying out a few of them to see if they work. They will be worked through through training and identifying some target areas in local government, building and construction, aged care. There are areas where we might be able to concentrate our efforts to encourage people to get back into the work force. There has been some criticism about reducing the availability of payroll tax rebates, but my view is that these schemes should be available to all businesses whether they qualify for payroll tax or not. Some of the growth sectors might be more involved in small and medium enterprises and we have a right to provide opportunities for them to

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keep building their employment requirements. Basically that is the thrust of what we are trying to do: deal with demographic change, identify the areas of highest priority and provide a level of financial support that will encourage employers to encourage their employees. There is a valuable resource in those approaching retirement age. If you hold people one or two years beyond their normal retirement age there is a productivity lift. In terms of the gap in productivity, that is a significant area that we need to deal with because we have an ageing population.

Mr WILKINSON - That was touched upon, I think a couple of years ago in relation to government employees. The mentor-type system where those people who are reaching a certain age - rather than say, 'Here's your gold watch' and give them a handshake and send them on their way - they were brought back into the work force for a couple of days a week to help mentor the people who were still in employment. Is that going on now and has it progressed?

Mr AIRD - In the State sector?

Mr WILKINSON - Yes.

Mr AIRD - I do not know.

Ms FORREST - I wanted to follow up on some of the points that Jim was raising. I know you have identified women in the 25 to 44 age group as a group that can be falling down a bit on productivity in the workplace. Would the Government consider job-sharing, particularly in the more senior positions? It seems to me that it is considered in the more junior positions but certainly not in the senior positions. You will see benefits in productivity with job-sharing.

Mr AIRD - It is raised from time to time. The avenues of doing it successfully I do not think have been fully explored. I hasten to add that, as a manager, the Secretary might have a different opinion to me about this. Job-sharing at senior levels, managing other staff can be problematic. At senior level, at an operational level, that may be more open for job-sharing. I think it needs to be addressed; horses for courses. There could be avenues of it being done more successfully but we have to ensure that we are delivering a proper service. At the same time, we are accommodating individual needs but we need to know that the output coming from that job-sharing is achieving its desired effect.

[2.30 p.m.]

Ms FORREST - You can measure some of those matters but how are you going to measure increasing productivity? Employee expenses are projected to increase by 6 per cent over the 2007-08 Budget and by an average of 3.8 per cent to 2011-12 and the CPI increase recorded on page 2.2 is 3 per cent for each of these years. How are you going to measure that productivity to ensure that you are getting a positive outcome? Also, when you measure it, how are you going to record it and provide that information to the public?

Mr AIRD - I thought we had had this discussion. I do not mind doing it again but it is a bit repetitive.

CHAIR - We do need to move on so if everybody could be succinct.

Mr AIRD - The fact in measuring productivity is that there are some areas that are easier to pinpoint in terms of productivity gains than others. I think that we are doing well as a State

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service delivering the range of services we are. I say before that the TCCI raised this and I asked them what type of measures they want to put in place, the hard and fast measures.

Ms FORREST - I think it is important to have some measure, though, that is tangible.

Mr AIRD - The managers in the State Service are managing people to deliver a service within the resources that are available. I think it is really difficult to say that there is a hard and fast productivity gain or benefit in how you measure individuals. Sometimes in wage agreements and so on there can be some trade-offs in terms of productivity gains, but they do not occur very often. Nonetheless, an attempt can be made to see if we can get greater outputs from the allocations we make.

Mr MARTIN - Going back to my surplus question, I must be completely misunderstanding table 4.10. Can you explain what the three bottom lines are? You have the cash commitments made to funds in the 2008-09 Budget for this year, \$254.6 million, and then you have allocated money to each of the six funds totalling \$86.6 million. What is the \$168 million at the bottom?

Mr CHALLEN - At the top part of this table, the cash commitments figure shows the amount that is being set aside for various things like the hospital capital fund and the Superannuation Provision Account. Okay?

Mr MARTIN - Yes.

Mr CHALLEN - The bottom part of the table shows you the amount of cash that is being spent either from those funds or from cash in an earlier year, for example, from asset sales.

Mr MARTIN - That is the money being spent in each of those years, so next year \$50 million will actually be spent?

Mr CHALLEN - Yes, on the hospital and \$80 million the following year. The \$86.6 million in 2008-09 is the total amount of cash that is either being spent from those funds in the top half of the table or funded from cash in an earlier year, for example, from asset sales. The net amount between the \$254 million, which is the amount we have to set aside for those commitments, and the \$86.6 million, which is the amount not required to be set aside because it is being spent from this year's cash either from those funds or from other surplus purposes, gives you the \$168 million. That is the net amount that we have to set aside to be sure that we have sufficient to meet the \$254 million that is required for these cash commitments in the top half. The commentary around the table shows you that over the six-year period of the funding for the Royal Hobart Hospital, all of the cash surpluses are required. There is sufficient money being put away but there is not a lot sloshing around.

Mr MARTIN - Why do you not show the \$168 million as money being put aside for that?

Mr CHALLEN - Because this is not the place to do it. This is about a cash surplus. The cash surplus tells you the amount of cash, of financial assets, that is being built up during the year as a result of the Government's activities. It does not tell you what it is being used for. What this table is designed to do is to give you some comfort that the cash surpluses that are projected over the next few years are sufficient to meet the hospital and superannuation provision accounts that the Government has committed to cash back. It also tells you that there is not a lot to spare. If you want to ask the other question about how the amounts coming into this year's Budget are

being committed, you have to go to the Consolidated Fund table at the back of budget paper 2. What you find there is that after putting \$75 million into the hospital capital fund and \$129 million into the superannuation provision account and all the other things that are going on, we end up with a Consolidated Fund surplus of \$14 million-odd. That tells you that everything bar that relatively small \$14 million has been committed. The cash surplus is just the amount by which the cash assets are being built up over the year. It does not tell you what those cash assets are being built up for. If want to answer that question, you have to go to the Consolidated Fund table.

Mr AIRD - We are trying to display all the obligations we have and the commitments we have made against the cash that we are accumulating in the surplus. The key is that we are, by providing this table, assisting people so that they do not misconstrue what we are doing. This is a table that explains exactly what is going on and it should satisfy any doubting Thomases. We have made these commitments in terms of the cash, that is true, that is a policy decision that we have allocated and that is a fact of life. If you disagree with that, that is fine, but in our policy framework we have made a decision about these. There has not been any argument or push-back about what we are trying to do in how we are funding these commitments. I think we have been very candid about our obligations to the future.

Output group 3
Revenue and regulatory management services

3.1 Tax administration and revenue collection -

Mr MARTIN - Treasurer, I have some questions on the tax system. The Federal Government is currently looking at the tax system and whether improvements and efficiencies can be found. With relation to our State taxes at the moment, do you think they are fair and equitable?

Mr AIRD - It is not about how fair and equitable I think they are. People know what type of taxation system we have. What are you alluding to? If you were providing a taxation regime which was 100 per cent fair and equitable, what would it look like? What we have said is that there is a range of taxes and that is why we have set up a taxation regulation review group to make some calls about whether it is fair and equitable and if we are taxing the right areas.

State governments generally have an indirect tax regime and that in itself can be seen to be not equitable. There are transaction taxes and a range of taxes that some would argue are not equitable or efficient, nor are they particularly effective. There are differences even within the business community. The business community disagrees about payroll tax, is that fair and equitable? Some in business want to flatten the threshold and lower the rate; some want to increase the threshold and lower the rate. There is a range of measures here. The reason the timing is right for this review is the fact that there is a Federal Government review, the Henry review, and I want the State Government's input into that review to at least understand the arguments going on within the business community generally and other stakeholders as well. Most businesses in terms of land tax, payroll tax and other transaction taxes need to have an input into our reply.

Whether it is identified there that they are not fair and equitable, how do you address that? It is a very narrow sphere here and only 35 per cent of our revenue comes from our own sources.

Mr MARTIN - Are you saying that there is not much room to move there?

Mr AIRD - It is going to be difficult. My argument has been that we should try to maintain our own source and share of revenues as much as we possibly can to determine our policies and our frameworks. The more control you have over your own source of revenue the better the direction you can take, independent of any other influence. There is some movement occurring federally in terms of reducing the number of specific-purpose payments down to around about five. That should assist us and those relationships should be about outputs not inputs.

The past 10 years have been about trying to direct us in terms of the inputs and have been controlling government policy so that we have had to fall into line with some policies just to attract the dollars. Hopefully we can get a mature relationship with the Federal Government. We have an opportunity to do that -

Mr MARTIN - A better chance now.

Mr AIRD - Well, there is a better chance now. But whether it is a Liberal or a Labor Federal government there will always be tension. There are always going to be some arguments. There are not too many of us left who were ministers under the previous Labor Government maybe Mike Wran and myself - and I can tell you that it was pretty tough going. I remember some of the ministerial council meetings when John Dawkins was Minister for Education and it was not terribly easy and, I have to say, not altogether his fault.

Mr MARTIN - Some of the State taxes have seen a large increase. The real estate boom, for example, has led to some windfalls from land tax, property taxes. Even in the past two years it has gone from \$61 million to \$84 million. Has there been any discussion about the burden that places on the community such as the rental market and so on?

Mr AIRD - Of course there is discussion about all these things. You can go through every single range of State taxation and say it places a burden, by the sheer fact that there is a taxation regime. In the scheme of things, is the ability to pay these duties fair in terms of the overall cost of real estate? Is it built into the system? Generally, yes. When you are buying a house you factor it into your total commitment.

Mr MARTIN - I suppose, given the housing affordability issue the country is grappling with.

Mr AIRD - The issue is your entry point, is it not?

Mr MARTIN - It is.

Mr AIRD - Tasmania is still the most affordable area to buy your first home in Australia. We do have the lowest entry point. You can make arguments about whether it is fair, whether it equitable and all those arguments and is it a burden. Well, those who pay it say they would prefer not to pay it, but we all have an obligation to make commitments to the taxation system and pay our tax.

Mr MARTIN - There was a lot of information on this in the *Financial Review* last Thursday. There is a quote from an article entitled 'Land tax has killed the goose' by Robert Harley:

'Property can be taxed too much, to the point where real people suffer. Renters, home buyers, independent business and, of course, small investors.'

Would you agree with that?

[2.45 p.m.]

Mr AIRD - I have not read the article about rent increases. You as a landlord would probably know more about this than I would. I do not know what percentage increase that would be to rents. I have not seen that analysis. I will be interested to read the article.

Mr MARTIN - There is a lot of information. There is one table that shows that Tasmania is the second-highest residential land-taxing State after South Australia.

Mr AIRD - If you go through it is cherry-picking various areas of taxation. In terms of overall taxation per capita we are the lowest-taxing State. It is an important point.

Mr MARTIN - I am looking at specifically the affordability of housing issue.

Mr AIRD - You start unstitching the seam and you reduce that. Well, how do you generate the same amount of net income if you are going to reduce that area? Where else do you pick up -

Mr MARTIN - Look at increasing other taxes to make up for the shift, for changing the balance.

Mr AIRD - If you are advocating new taxes then that is your fiscal policy; it is not ours.

Mr MARTIN - What is the use of the review?

Mr AIRD - Let us see what comes out of the review, but we need to protect Tasmania's position. We do not know the range of propositions that Ken Henry is going to come up with yet, and it may well relate to all States. Not everyone will agree with our arguments but we want to be as well informed as we can be from the reference group about what the arguments are and what we should be considering. There may be some trade-offs, I do not know, but I am not anxious to get into an area of just dealing selectively with one tax without knowing the implications of another and trying to maintain our revenue at 35 per cent of our own source of revenue for the State.

I just make the point that according to the Commonwealth Grants Commission we are the second-lowest taxing State in Australia and on a per capita basis we are the lowest, so in the overall framework of things we are in a very good position here. People will argue from a particular perspective about this tax not being fair - it might be land tax, payroll tax, transaction tax or it might be a range of areas. People do not like them because of whatever sector they are working in at a particular time.

Mr MARTIN - I noticed a statement by the HIA last week, I think, saying that the State has become very reliant on charging stamp duty on several steps of the sale of land and housing and in fact it is triple-taxation which makes land and houses far more expensive than what they might be otherwise. Do you have a view on that?

Mr AIRD - We basically put out an argument rebutting that. The HIA have a particular sector that they want to look after; that is their job and I do not blame them. They will target the

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areas they think directly affect them but, in the overall scheme of things, our taxation regime is pretty good and we have provided assistance to home owners and so on before.

Mr MARTIN - Do you agree with the statement that it is triple-taxing?

Mr AIRD - What does that allude to?

Mr MARTIN - The stamp duty on several steps in the sale of the process; that you are taxing the same property three times.

Mr AIRD - It is a transaction tax and it will be applied at the various stages of the transaction.

Mr CHALLEN - There is no stamp duty on building a new house so if you pay stamp duty on buying a block of land and then you build a house on it you will not pay any more stamp duty. On the other hand, if you buy a house sitting on a block of land you will pay stamp duty on the transaction cost which is the combined value of the land and the house. That is how it works. I do not think it is fair the describe it as multiple taxation.

Mr AIRD - I did create a press release. It did not get a run in the *Financial Review*, shame, horror.

CHAIR - You are going to abolish stamp duty for first home buyers, was that the one?

Mr AIRD - It has a typo, so I am not going to give it to you at this stage.

CHAIR - Are you going to table that for us?

Mr AIRD - I am happy to supply you with the argument.

Mr MARTIN - I have one final question. Have you announced the make-up of the reference group yet?

Mr AIRD - No. Keith Stacey will be the chair and I will be having some further discussions with him about the other people who may be in the reference group.

Mr MARTIN - Does it have terms of reference yet?

Mr AIRD - No member of parliament will be on it.

Mr MARTIN - That could be an interesting invitation.

Mr AIRD - It could be interesting, but I do not think you will go on it.

Mr MARTIN - I did not think I would be asked.

Mr AIRD - Just to make sure, no member of parliament will be asked and Keith Stacey will be involved in the finalisation of the terms of reference and also the composition. A statement will be made at a later date. We anticipate that the first meeting should be in July.

Mr MARTIN - Completion date?

Mr AIRD - I do not know if there will be a completion date per se, but I do want the reference group to be able to provide a level of advice to the Government in the shorter term so we can slot in with the Henry review.

Mr MARTIN - To clarify what you said before, if it is a review that recommends one tax needs to be reduced to maintain your same level of revenue and you are going to have to increase some other taxes, is that a possibility or not?

Mr AIRD - Our fiscal position is no new taxes, no increase in taxes and I do not see any reason to change that fiscal position.

Ms FORREST - I have a question about the reference group which has basically been answered. On your point of your fiscal position of no new tax and no increased taxes, how do account for 5 per cent increase in the fire service levy?

Mr AIRD - This comes up every time. It is not a tax. It is raising financial support, like the road safety levy of \$20, you know where it is going, a legitimise exercise. It is not a general taxation revenue measure. It is not as though these other matters we have been talking about go into the pool and are redistributed out. With the fire service and potentially the ambulances, if it was there it would designated. It is not a general taxation measure. It is a raising of funds for a direct purpose, which is different from having a general provision. If we said we were going to increase the rate of payroll tax, for instance, that is a general taxation measure. We are not going to do that. With the levy system, I think the community are satisfied about aspects of government revenue raising, as long as there is a direct understanding about where it is going. Quite frankly, we always have to have a capacity to raise money at various stages to provide the services that are required.

3.2 Regulation and administration of liquor and gaming -

Mr WILKINSON - A study was going to be done in relation to gambling and I think it was under way last year. The due date for completion was March of this year. Have I gone around with my eyes shut? Is it there? I have not seen it.

Mr CHALLEN - No, it is not.

Mr AIRD - A letter was sent out by Michael O'Neil who is undertaking the study to say there had been a delay, but it is not far away. By the end of this month it should have be concluded and should be passed to the Government. Then we have an obligation to put it before Parliament within 20 sitting days of receipt of that.

Mr WILKINSON - That is putting the whole report before government?

Mr AIRD - Yes. We will put the whole report out, warts and all. I notice the Premier used that line yesterday about some other matter.

We believe that it is going to be a very important study because it is the first of a number which will be conducted every three years. This will set the foundation of information and we will release the report. I anticipate that it will be released for public discussion for a period of

time and then the Government and others will have to form an opinion about how they respond to that report.

Mr WILKINSON - In relation to administration, I know the line item relates to supporting the board, the majority of it anyway. In relation to liquor licensing, are there any studies being done in relation to that, talking about whether it is going to open up the liquor licensing or alternatively keep it the same, restrict it?

Mr AIRD - My view is that the legislative regime is satisfactory. There is some argument about the number of off licences and so on, and assertions have been made at various stages. I think the Liquor Licensing Board and the Licensing Commission are performing their functions. We have introduced a regime now of on-the-spot fines. You were party to the discussion in terms of legislation that went through not so long ago. I think we are, in terms of our legislative framework, in a good position to manage the issue. This whole area of alcohol consumption is very complex. It does not just relate to licensing regimes or policing. I think we have lost sight of what binge drinking actually means now.

Anyhow, we know alcohol is a very powerful drug and it is one of two drugs that can completely obliterate - heroin being the other - if taken to excess. There would be very few of us who have not been in some way or another affected indirectly or directly by someone with an alcohol abuse problem. In terms of trying to find solutions, it is not just about licensing regimes or policing, it is about community aspirations and, again, we know what is going on in the community. I have a 24-year-old son, I have a 15-year-old daughter. I know what pressures are going on and that it is not very healthy. Parents, I think, have to accept responsibility for their kids and ensure that we are educating them in the best possible way.

Mr MARTIN - That is assuming that all parents are responsible.

Mr AIRD - I notice there is a national program where some TV advertising targets the parents. I have not seen the full suite of ads but I think that is heading in the right direction.

Mr WILKINSON - It has become a real issue over the last three or four months, hasn't it, with the press talking about binge drinking and other problems, especially in Salamanca. Are any studies being done, or is anything different being done as a result of the, I suppose, press and it being out there for everybody to see, more so now than it was five or six months ago?

[3.00 p.m.]

Mr AIRD - I think the fact that we changed the legislation, in terms of the regulatory role and law-enforcement and compliance regime that is in place, we can promote the penalties that are now facing licensees in licensed premises - and that is what we are talking about. I also think perhaps there is more work we can do.

Mr WILKINSON - A significant amount of work has been done. There are a lot of courses out now, responsible serving of alcohol et cetera, and that has been ongoing for some time. Despite those extra things that the community and the Government have done to increase awareness, there do not seem to have been any steps forward. It seems to be either steady as she goes or, alternatively, we are still slipping backwards.

Mr AIRD - It is really hard. There are other parts of Australia that have been dealing with the alcohol problem for 20 or 30 years.

Ms FORREST - And they are still not succeeding.

Mr AIRD - The Northern Territory and other parts of Australia.

Ms FORREST - It is a bit of a different situation there, though.

Mr AIRD - I am just saying that they have tried a number of strategies. It seems to me that society's attitudes - this level of violence and aggression has always been there but it is so much more manifest now in public places. It gets wider media exposure and therefore we are made more aware.

Ms FORREST - Are we blaming the right drug, though?

Mr AIRD - Alcohol?

Ms FORREST - Yes.

Mr AIRD - Alcohol can be a pretty awful drug when used to excess.

Ms FORREST - It can also enhance the action of other drugs.

Mr AIRD - That is true.

Mr WILKINSON - It seems it has been an area of concern for many years and it is obviously going to continue to be an area of concern. One way that it would seem might assist - not solve, but assist - would be for a wide-ranging advertising program, letting everybody know the problems that can occur. There are plenty of horror stories and that might be of assistance. Has the Government put aside any moneys for that?

Mr AIRD - To be quite frank with you, I have had some informal discussions about what we can do. If we do announce a program we will find the resources to assist it, but I am inclined to be drawn by your line of questioning that we have to do something to raise the level of awareness. Perhaps we can slot in with the Federal Government's publicity as well. I think it is not going to address all the issues. There could be a range of school programs. This peer pressure on alcohol did not exist as early as it does now. There is a whole lot of social interaction; young girls now have older boyfriends who are of drinking age.

Mr MARTIN - That has always happened.

Mr AIRD - Yes, it has, but perhaps it is more relevant to me now than ever. It has always existed but not quite to the extent it does now. There are things that we need to do, I agree with you. I am going to progress this with other ministers. There needs to be some coherence to it, not just about compliance, but also about a healthy lifestyle, promoting other things to do in terms of having a good time. Do we restrict the nature of alcohol advertising? The Archbishop raised it the other day. Regarding the lifestyle ads, I saw one on the weekend, which I have to say I was pretty appalled with. It was really neither edifying nor appropriate. I think that perhaps we might have to address this issue of alcohol advertising at a national level, in terms of lifestyle and glamorising alcohol.

UNCORRECTED PROOF ISSUE

Ms FORREST - It is the same with cigarettes and smoking.

Mr AIRD - That is similar. Cigarettes are ubiquitous being sold in many outlets, whereas alcohol is a more regulated product in some ways. But we still allow the advertising to glamorise it and make it attractive to younger people. If that is going to prevail we have to say these are the negative effects. Anyhow, further work needs to be done on this but I think some of the responses have to be at a national level.

CHAIR - I was about to say that it is an important matter. I have to note that the honourable Treasurer was much more succinct before lunch. He has been very verbose since lunch; perhaps he had a couple of sherries, I am not too sure.

Mr AIRD - No, I do not drink during the day.

Mr MARTIN - I have a couple of questions on this issue. We have discussions over the years about non-hotel availability of liquor.

Mr AIRD - Off licence.

Mr MARTIN - Yes. Have you changed your view or not?

Mr AIRD - No I have not.

Mr MARTIN - They seem to be becoming more prevalent.

Mr AIRD - These are the off licences that have been issued since 2003, one in Legana, one each in New Norfolk, New Town, Burnie, Invermay, Kingston, Launceston, Upper Burnie, Sorell, Arthurs Lake, Blackmans Bay, Kingston, Burnie, North Hobart, Huonville and Lorinna.

Mr MARTIN - That is a lot more than I thought.

Mr AIRD - No. The interesting thing is that the first ones that I mentioned - at Legana, New Norfolk, New Town, Burnie, Invermay, Kingston, Launceston and Upper Burnie - are just separations of the bottle shop from the hotel. Before they were licensed as the one operation. There was a determination made that they ought to be separate entities and that is what has happened. Eaglehawk Inn Wine Cellar is another one that was an off licence when it was associated with a hotel. The Club Hotel is another one.

Mr MARTIN - They are not adding to the problem. How many new off licences?

Mr AIRD - This is the point - not very many. There were 12 new ones.

Mr MARTIN - Twelve liquor outlets.

Mr AIRD - Listen to this; some of them are very small like Nude wine in Launceston. There is another small one in North Hobart. A lot of them are very small, so when you peel it back there are not very many new outlets at all.

Mr MARTIN - How many have you knocked back?

UNCORRECTED PROOF ISSUE

Mr AIRD - Six have been knocked back. I can get you a breakdown of this.

Mr MARTIN - I would be interested if that could be tabled.

Mr AIRD - I will not table this one but I will get you the information. There have been very few. There have been some small ones, like Arthurs Lake, Lorinna.

Mr MARTIN - A breakdown showing the major ones.

Ms FORREST - You would not want a very big one there, would you?

Mr AIRD - Exactly. But there has been this assertion that there has been a proliferation and there has not.

Mr MARTIN - It would be really good if we could have a breakdown showing the difference.

Mr AIRD - I will break them down into the ones where there has been a separation of the off licence from the hotel licence. Then I will break it down into what I would consider to be the middle range and then there would be Nude Wine and so on, and then another section of those that have been rejected. Quite frankly, I am doing the work for you because you can work it out from public information.

Mr MARTIN - I appreciate it. I have one other question on licensing. There was a story in the *Sunday Tasmanian*, and it was suggested by the AMA that Treasury should be stripped of its liquor licensing responsibilities and the job given to Health and Human Services on the basis that it is a health issue.

Mr AIRD - It was a Greens' policy, too. Treasury and Finance's role is to support an independent body to deal with this issue.

Mr MARTIN - I do not have an opinion on it.

Mr AIRD - No, I am just telling you. There are no conflicts of interest here. I was offended by that in the sense that our obligations are to a healthy lifestyle. We know that there is an independent board, the commissioner is independent, Treasury and Finance provide the administrative support for it. There is no policy position per se of the Government; we do not interfere. We provide support for that to occur. I will save this for tomorrow because I am sure the Greens will have a go. Tell me one thing in terms of outcome which would be beneficial for Health to provide the regulatory support that is required. I think they are just using it as a bit of symbolism, trying to portray Treasury and Finance unfairly, in my opinion.

Ms FORREST - I had some questions on gaming and I am happy to put them on notice because time is of the essence here. It is about the matter of the gaming machines on King Island. How is the number of gaming machines in Tasmania allocated? Is there an upper limit? Is there a limit as far as machines per population is concerned in a particular area? How are the decisions made to allow extra gaming machines to be installed, particularly where there is not a requirement under the Gaming Control Act to consider the public interest?

UNCORRECTED PROOF ISSUE

Mr AIRD - There is a limit per venue of 40 for hotels and 30 for clubs. Network gaming can make an assessment about those machines and venues and can come underneath that. There is the overall cap of 3 680 and that will not be changed.

Ms FORREST - Where are we up to then in that big scheme of things?

Mr AIRD - There were 3 659 as at 4 June. In essence there are 1 280 gaming machines in casinos and 2 379 in hotels and clubs.

Ms FORREST - So as far as allowing extra machines into any one venue is concerned, obviously there is a limit to how many more can be put anywhere in the State because of those limits. How were those decisions made? The Gaming Control Act does not give the commissioner any right or need to consider the public interest.

[3.15 p.m.]

Mr AIRD - There was a deed signed that put a cap on the number of machines that can be allowed in the State. The number has been set for hotels and clubs.

Ms FORREST - The consideration of the public interest is the issue, not so much the numbers.

Mr AIRD - That is a legislative requirement, those limits per premise -

Ms FORREST - My question was, because there is no capacity within the act for the commissioner to take into consideration the public interest, does that mean that that issue - the potential harm to small communities such as King Island which is very isolated obviously - is not taken into consideration when a decision is made regarding increasing the numbers of machines in that one location?

Mr AIRD - This is a point which may come out in the gambling study, I do not know. I do not believe that because you live in a low socioeconomic area -

Ms FORREST - It is not a low socioeconomic area.

Mr AIRD - I am just saying - just using it as an example - that in that circumstance people should not be denied an opportunity to engage in a legal recreational pursuit. Those are choices that have been made. It is hard to single out any great social disadvantage. There may be. I do not know what you are referring to but in any event I think that the fact that we do have a cap shows that we take this area seriously.

Ms FORREST - The question I raised was: does that cap extend to the number of machines per population in that region, for example? Currently on King Island the existing level of machine relative to head of population is one for 125 people.

Mr AIRD - It is only 12 machines.

Ms FORREST - Yes. If you increased the numbers as planned, there would be one for every 75 persons on King Island. That is man, woman and child. That is not just adults.

Mr AIRD - There are 12 machines.

Ms FORREST - They have requested to expand that number.

Mr AIRD - Again, that will be determined not by my interference or yours. It will be determined by those who operate the machines.

Ms FORREST - Purely by a number cruncher, not by concern with the public interest. That is the question.

Mr AIRD - To make these things work you need to have some critical mass to make sure that there is some efficiencies in terms of how they operate. That will be up to those determining where those machines will go. What do you propose? That we do not allow the regime of transferring various machines? If they are operating within a cap they move machines around from area to area. That is what happens within the cap. Some will be more profitable than others and they will make decisions about that.

**Output group 4
Community assistance**

4.1 Bass Strait islands community service obligation -

Ms FORREST - I do acknowledge the community service obligation related to the electricity prices. Earlier today a question was asked about the rising fuel cost and the impact on the economy. King Island certainly relies on diesel but it is changing with the wind turbines and the solar generators. Do you think that this level of increase that has been allocated will be enough to manage that if we do get to the terrible \$200 a barrel price that has been predicted by some?

Mr CHALLEN - It is true that this is one of those items in the Budget where we just have to pay whatever it costs. If the price of oil goes up, the people on King and Flinders islands will not pay any more for their electricity. That is effectively capped and just the cost of this CSO will go up so the Budget will take effect.

Ms FORREST - The fact that it has dropped in the next financial year would suggest to me that you do not believe the price of fuel is going to go up, in fact it might drop. I know that it does take into account some of the changes to the power generation.

Mr CHALLEN - In fact, as the footnote says, some new turbines have been installed which are more efficient and the cost of running them is lower.

Ms FORREST - The diesel turbine, you are talking about?

Mr CHALLEN - Yes.

Ms FORREST - There is a new diesel turbine as well as the other measures for power generation?

Mr CHALLEN - Yes. We just get these estimates from the Hydro which runs it. At the end of the day the CSO is just the difference between the price that is set for the consumers of

electricity and what it costs to supply the electricity. We get a bill quarterly and we pay it. It is as simple as that.

Mr AIRD - The reality is that we will do what we have to do and support the community.

4.2 Public Trustee community service obligation

CHAIR - I noted in a footnote an amount of \$300 000 because of a new agreement with the Public Trustee. What was the rationale behind that, Treasurer?

Mr CHALLEN - It reflects that these community service obligations are contractual arrangements between the Crown and a GBE, the Public Trustee in this case. They are generally speaking written for three years and at the end of each three-year period the costs of providing the services that are subject to the CSO are reviewed. A judgment was made that those costs had gone up since the last review and they are reflected in the costing which is working its way through.

CHAIR - Although in the 2011-2012 forward Estimates that is out to the four years. Will they be reviewed before that or -

Mr CHALLEN - That reflects what we now know so in the three years, when it runs out and if it goes up, it goes up.

CHAIR - Yes, a known quantity.

Mr AIRD - More a contractual arrangement.

CHAIR - Okay. Are there any other questions on 4.2?

Ms FORREST - Just one thing, but it might be a question for Justice, about the operations of the Public Trustee. Is that more a question for Justice?

CHAIR - Yes.

Mr WILKINSON - I understand there is going to be a review in relation to the community support levy and the TCF review.

CHAIR - We are about to get to it. You jumped the gun.

Mr WILKINSON - I thought that was the one.

CHAIR - No, we just had the Public Trustee.

Mr WILKINSON - Sorry, I thought we had finished. I am anxious.

CHAIR - Keep going.

Mr AIRD - You are allowed to go now.

Mr WILKINSON - When is that review starting?

Mr AIRD - It is on now.

Mr WILKINSON - How will you see this review being of benefit and how is it proceeding now?

Mr AIRD - It just seemed to me that it was timely. There is a larger pool of money, \$10 million, and the legislation surrounding this is dated. I think there is a way of providing some greater flexibility in terms of allocation of resources. I think there are avenues that may be used to leverage other philanthropic aspects nationally and internationally. There are other organisations so there might be some leverage. There may be some avenues where you might fund a program or service over a longer period than just a year and having it renewed so you might trial something for a bit longer. There may be some flexibility in terms of funding some of the arts programs. At the moment it is really prescriptive. The intention would be to have a head of power piece of legislation which was open and I, or the Treasurer of the day, might table in Parliament the level of expectations about the distribution, a certain percentage for gaming research or gambling problems, so as to take care of the obligations that we have now, but maybe

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Mr WILKINSON - That is done now under that act as it now stands.

Mr AIRD - Yes, that is right, but I want to give a flavour of how it would work. We do not want to ignore our obligations in terms of supporting organisations supporting problem gambling, we do not want to ignore our obligation to provide resources for research, but we might work out a different framework of percentages in allocating the balance.

We might for the next 12 months say that we want the emphasis to be on services provided by neighbourhood houses, perhaps. It may be allocated to some other area of support for the arts community such as community arts programs. Or it may be a range of things which could be openly discussed. I think Parliament should be involved in the framing of it, that is why I said that members of parliament should be involved in how we go about reviewing the legislation. I think the Government should at least show what it intends to do in terms of distribution of funds, in general, as a percentage of the available resources.

You might say that x per cent is to be used for leverage in the other funds. We do have some interesting funds in Australia that I do not think people know enough about - Myer Foundation comes to mind straightaway, but there are others - and we may be able to work in concert with them.

Mr WILKINSON - Will the present TCF board, as I will call it, or people who say where money is to be allocated, remain because as you know, this all arises from the sale of the bank?

Mr AIRD - I know the history of it and I was party to it. I would not make any judgment about the overall governance at this stage. I have spoken to the present chairman to explain the idea behind the review before we announced it publicly and he said that he would be supportive of a review process.

Mr WILKINSON - One of the issues has been that it is fairly complex to make application, and normally the people who can apply and are more expert in making the application benefit

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more than, let us say, the amateur bodies that probably deserve it just as much and sometimes more so.

Mr AIRD - Yes, I think the social inclusion unit may be able to provide some support for those. Making a submission is not that easy for those without experience and I think that sometimes we need to provide the wherewithal to assist those organisations so it is not dependent upon their ability.

I think one of the challenges in this is that it would be good to initiate some new organisations, some new ways of doing things to foster new organisations where there may be gaps. Sometimes the beneficiaries of these programs are existing organisations which do have the administrative skill to be able to make proper applications.

Mr WILKINSON - Can I ask what the present amount is in this fund?

Mr AIRD - Combined there is about \$10 million for both funds, about \$5 million each, I think.

Mr WILKINSON - I know we had some discussion, as we probably do each year, about this.

Mr AIRD - Well, there is a budget of \$4.75 million -

Mr WILKINSON - Is that allocating moneys, because there was some talk a while ago in relation to I suppose -

Mr AIRD - The TCF budget is a bit more than \$5.2 million.

Mr WILKINSON - There has been some talk and I have heard the debate too, where people say it would be more beneficial to accumulate some of that money so we can do more for other bodies the following year. I suppose the review would take that into account as well as opposed to making the allocation each year.

Mr AIRD - Yes, it could do that.

The committee suspended from 3.30 p.m. to 3.46 p.m.

Economic and Social Infrastructure Fund -

Mr AIRD - Mr Chairman, Craig Jeffery is with us as an adviser.

Mr WILKINSON - I understand that the funding under ESIF for the Hawthorn Football Club has been tabled by the Treasurer and is in the budget papers..

Mr HARRISS - We had a list from the Treasurer last year of the historical stuff so we just tack this on, do we?

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Mr CHALLEN - In last year's budget papers I think we only provided the budget year and you asked us at Estimates for all the forward Estimates, so to save you the trouble of asking, we have put them all in the budget paper.

Mr HARRISS - Yes, and we also asked last year for a consolidated list of historical expenditure and allocations from ESIF, and I think we got that. I am not saying we need it again.

With regard the Hawthorn footy funding approaching \$900 000 per game, is it true that the club also picks up gate takings as well as the proceeds of the hire of corporate boxes?

Mr AIRD - I cannot recall the detail of the agreement. I do not have that detail.

Mr HARRISS - You do not have it available with your interchange?

Mr AIRD - It is not really a Treasury matter, it is with the Minister for Economic Development.

Mr CHALLEN - I do not think that it is even a government matter. This is between the owners and operators of the stadium and the football club. It has nothing to do with us.

Mr WILKINSON - But would it not be a situation where if the Government paid approximately \$900 000 whether there was any offset against that - that is, do the Government get any money back by way of gate receipts?

Mr CHALLEN - The agreement with the Hawthorn Football Club, I am pretty sure, is in the public domain and all it does is set out how these amounts of money are determined. I will be corrected if I am wrong but I do not think that it mentions anything about gate takings.

Mr AIRD - If you want more information, there might be some commercial-in-confidence stuff, I do not know. For the sake of the committee, though, I think that it should be identified to go to the minister. Does the minister come to this committee?

CHAIR - No.

Mr AIRD - We will see what we can do to at least get the information one way or the other via the minister or via this committee but we will need to sort that out. It is not strictly our bailiwick here.

Ms FORREST - Through you, Mr Chairman - I know it is under that same heading, but when you look at \$16 446 000 allocated, it was always a figure of \$15 million over three years, so why is it \$16 500 million almost?

Mr AIRD - I would imagine it is probably indexed but I do not know that. They have not changed from last year and it is part of the indexation.

Mr HARRISS - So you clearly indicated to the committee that indexation was part of the original deal and not just the flat \$15 million deal.

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Mr AIRD - Our role has been to provide here according to the arrangement. I do not know the detail of that arrangement but, as I indicated, I will find out and give you as much as we possibly can.

Mr MARTIN - Who is the relevant minister for it?

Mr AIRD - Economic Development.

Mr WILKINSON - Can I ask Treasury's role in it, if anything?

Mr CHALLEN - None. Economic Development advises us what the numbers are to fulfil the Government's obligations under the agreement and we write them in the budget papers and send the department a cheque and the department pays the Hawthorn Football Club.

Mr HARRISS - One matter under the ESIF that is listed under Finance-General is the tourism promotion plan to the tune of \$16 million. Is that an issue that you can answer questions about because it is under Finance-General or -

Mr CHALLEN - It depends on the question, I think.

Mr HARRISS - What is the breakdown of the anticipated spending under that particular -

Mr CHALLEN - I can't answer the question.

Laughter.

Mr AIRD - You will have to go to the minister.

Mr HARRISS - Okay.

Ms FORREST - I will send a question to the minister regarding that.

Mr CHALLEN - Sorry.

Mr WILKINSON - Do they send you the figure and you pay them and they pay you?

Mr CHALLEN - This was the \$16 million in the aftermath of the *Spirit of Tasmania III* and all we have done is we have been given figures from the department about how the \$16 million was allocated over a period of time and that \$2.882 million is just the balance that is left.

Ms FORREST - You do not have a say on how that is spent? That is all up to the Minister for Tourism.

Mr CHALLEN - No. The \$16 million was allocated to the minister and it was for her to determine how it would be spent.

CHAIR - Any more questions on ESIF?

Mr WILKINSON - Just quickly, if I might, just touching on the Launceston Aquatic Centre. I noted \$5.3 million, next year \$1.3 million is to be spent. That is the same, I take it, that is

because it is going to be built over the next couple of years, is that right, and there is only another \$1.3 million to be spent next year but the rest -

Mr CHALLEN - I think rather it is that the Government made a commitment to a total amount of money and it has been paid in a number of tranches so \$4 million has been paid already and there is \$1.3 million to be paid this year. There is an agreement with the Launceston City Council in relation to that, which governs when the funding is to be passed over.

Mr WILKINSON - And likewise the Northern Tennis Centre?

Mr CHALLEN - I do not know much about that but I imagine it is the same.

Mr WILKINSON - There is going to be an increase, I understand, from what is there at the moment. There is going to be an upgrading of the Northern Tennis Centre, if my information is correct.

Mr CHALLEN - Again, we just have an obligation to pay money out.

DIVISION 4

(Finance-General)

Output group 1

Debt servicing and management

1.1 Debt servicing -

Mr HARRISS - This question goes across both 1.1 and 1.3. We are all well aware of the good net-debt situation of Tasmania's Budget. Treasurer, have you taken up with the Federal Government any negotiations with retirement or better treatment of the Commonwealth-State Housing Agreement as part of your debt portfolio?

Mr AIRD - Yes, we have taken up the issue and it is not yet resolved. There are a couple of different ways of looking at the historical debt. One is to deal with the principal and the interest and extinguish that. You have to understand that this is part of, I think, a total level of indebtedness in relation to housing around the various jurisdictions, which is in the vicinity of \$3.5 billion, so we are pretty small fry in the level of indebtedness. I think Victoria has totally extinguished their debt. Not all jurisdictions are in the same -

Mr HARRISS - That was by an internal measure, was it not?

Mr AIRD - Yes. There are a number of different ways you can treat it. One is by extinguishing the principal and interest and the other is that, and it could be part of a negotiation with the new agreement on housing, we could seek to get an extra - in the context we do not know the quantum - but you could say, 'This is our interest bill. Will you pay for that?' and effectively it would be an interest-free loan and it would just sit there. There are different ways of approaching the level of debt. I am interested in trying to get to a net situation by a means which would satisfy the Tasmanian taxpayer that we are getting a good deal in any agreement about Commonwealth-State housing.

Mr MARTIN - When would you know something on that?

Mr AIRD - It is hard to put a time line on these things because there are so many things rolling through, but probably this time next year. There are some COAG discussions that have to be concluded and then there have to be some discussions about the COAG working groups, which are separate again from the ministerial council. There is going to be a range of discussions about this and about housing generally. As you would be aware, there is a COAG working party and Tasmania has a deputy chair position. I am not sure who will be fulfilling that in the longer term because there has been a change of secretary in DPAC.

Mr HARRISS - I have an overarching question with regard to debt. Has the Government given any consideration to some level of debt funding for the Royal Hobart Hospital?

Mr AIRD - What we have said is that if we need to, depending on the final price, we would have the capacity to borrow towards the total end if need be. We will wait and see what the final outcome is and how we go, but we do have the capacity to do it. I have said that we would do it if need be.

[4.00 p.m.]

CHAIR - In the same vein of questioning we have questions for the Infrastructure minister, but if a new private rail operator is found, and a public subsidy is needed to make the whole job work, will you be in a position to do that? Would that be the Government's intention to put public moneys into that?

Mr AIRD - We have signed a deed already with the present operator. The Premier has said that he is prepared to dust that down if need be, but that does not mean to say that we are going to open up the chequebook to support it. I do not want that to be misconstrued but we are determined to see rail work properly and that there be an operator who wishes to be in Tasmania, support Tasmania and support the freight task that we face.

The sheer fact of that \$250 million investment in rail infrastructure is going to lead to some efficiencies in any future operator of rail in the State and that should, hopefully, be incentive enough. I was heartened to see that PN said that they had five potential buyers of their asset and hopefully they are serious. It would be good to have some competitive tension in terms of the future purchaser to make sure that it operates properly.

CHAIR - If the chequebook was opened, would the money come from the Treasurer's Reserve or out of the infrastructure budget?

Mr AIRD - That would depend on the nature of the obligation negotiated with the State. I think the present deed is a fair commitment, in any event, and no further investment has been sought. Certainly no-one has approached us as a potential buyer of the asset to provide any further support, so hopefully the negotiations will continue on the basis of the existing deed. If there is any change to that, of course we will make an announcement about it.

Ms FORREST - Looking at table 5.12, on page 5.23, the gains and losses at the bottom of the income statement, there is a loss of \$5.6 million for the current financial year. When did that actually occur and what is that related to?

UNCORRECTED PROOF ISSUE

Mr CHALLEN - It likely reflects a whole lot of very small outcomes of sales of cars from the car fleet, buildings being sold, those sort of things. It just represents the difference between the book values and the disposal values for a whole lot of assets that were sold during 2007-08.

Ms FORREST - It does not reflect one big sale or loss on a sale, or anything like that?

Mr CHALLEN - No, just a whole lot of little ones.

Mr AIRD - If anything needs to be added to Mr Challen's answer we will provide it.

Ms FORREST - Looking at page 5.35 under cash flow statement, I would like an explanation of some figures. You have cash at the beginning of the year, the second-last line, and cash at the end of year. There is a significant difference between the cash at the end of this financial year 2007-08 of \$640 million and to the cash at the beginning of the next financial year, the very next day, of \$1.13 billion. Why is there such a difference?

Mr CHALLEN -It just reflects the fact that the 2007-08 numbers are budgeted for a year ago and we now have a much better idea of what the 2008-09 starting number will really be than we did a year ago. So a year ago our cash-flow statement said that we were going to finish 2007-08 with \$640 million odd, where now -

Ms FORREST - It is almost double.

Mr CHALLEN - Yes, it is just the reality that we have sold the airport -

Ms FORREST - That comes into that?

Mr CHALLEN -Yes - That is \$300 million worth of cash from that source that we did not know about a year ago, and there will be a few other things that have happened. It just reflects the fact that when we went to print on the budget papers we were a bit over a month away from the end of the financial year, so we have a much better idea of the opening balance for our 2008-09 year than we had a year ago. You will see, if you follow the rest of the numbers through -

Ms FORREST - You say \$300 million accounts for the sale of the Hobart airport, there is another \$300 million there that is not accountable to the sale of the airport, so what other major items make up \$300 million? It is a fair difference.

Mr CHALLEN - I think it is about \$200 million, but let's not argue about the odd \$100 million.

Ms FORREST - It's still a fair bit.

Mr CHALLEN - Again, it would mostly reflect that we have a much healthier revenue outcome for 2007-08 than we expected at budget time last year. You can see that because you have recently passed a special appropriation bill that has put money to purposes we did not anticipate at budget time last year.

Ms FORREST - Are you talking about greater income from taxes and things like that?

UNCORRECTED PROOF ISSUE

Mr CHALLEN - GST revenue, stamp duties, payroll tax, asset sales, all add up. But it is all those sorts of things that lead to the 2007-08 outcome being better than we thought it was at budget time last year, and the details of that are in the outcome chapter of budget paper. 1, which is chapter 8. If you go there you get a very detailed account.

For instance, at budget time last year we were projecting a fiscal balance of a deficit of about \$31 million and we are now projecting a surplus of \$122 million, so it is all what is behind that that is driving that cash outcome.

Ms FORREST - Thank you.

Mr CHALLEN - Could I just add to what I said before on the gains and losses on sales of assets that you raised a moment ago - it turns out that it is virtually all losses on sales of motor vehicles from the motor vehicle fleet.

Mr WILKINSON - I do not know whether the question was answered. I know Paul touched on it briefly in regard to the State and Federal governments in terms of \$230 million in relation to the housing loans. Last year, Don, I noticed you said you did not believe there was going to be any joy in getting them to forgo that loan, which would have freed up around \$17 million each year. Are we able to say how that is going at the moment? I know what the Treasurer said he said he would be looking into it and things like that, but I do not know whether anything concrete is being done to endeavour to free up that \$17 million.

Mr AIRD - I did indicate - I went into quite a lengthy answer -

Mr WILKINSON - Negotiations are proceeding, are they?

Mr AIRD - Yes, we are having discussions and I went through this. - I do not want to waste the committee's time but did you hear my answer?.

Mr WILKINSON - I say this because last year it was a no go.

Mr AIRD - We will be having discussions around it and there are various options available to us to try to deal with it.

Mr WILKINSON - The reason I ask is that last year when I read the budget papers -

Mr CHALLEN - There has been rather a significant change in the environment since last year. There has been a Federal election and there is a new party.

Mr WILKINSON - I understand that, so that it opens up doors.

Mr AIRD - We will just wait and see. As I indicated before, there is always a bit of tension about in terms of roles of national governments and roles of State governments. We are having a go to try to get something done with it.

Mr WILKINSON - Is there a time line on that?

Mr AIRD - As I indicated earlier on.

Mr WILKINSON - I am sorry, I must be short of hearing.

Mr AIRD - Short of something.

Laughter.

Mr AIRD - Probably by this time next year we ought to know something.

CHAIR - Both I and my secretary have hearing aids, if you need a hand there at all.

Output Group 2
Employee related costs

2.1 Superannuation and pensions -

Ms FORREST - Looking at the superannuation area, with the windfall from the sale of the Hobart airport, was any consideration given to transferring any extra into SPA to offset some of the unfunded superannuation liability costs or was that not a consideration?

Mr AIRD - It was a theoretical option.

Ms FORREST - Was it considered, though?

Mr AIRD - There was no formal consideration. It was always clear that the background to us divesting was to reinvest and that is what we are doing. It was not really an option, as far as the Government was concerned.

Ms FORREST - Are other investment opportunities in a better position?

Mr AIRD - Again it is a policy decision but we think that by investing in the areas of infrastructure which are going to lead to productivity gains and so improve the economy generally, that we are investing in the future. I do not think that just putting the proceeds into SPA and possibly shortening the date would have led to any great economic stimulus.

Ms FORREST - Does the fact that Tasmania's unfunded superannuation liability is significantly greater than the other States relative to the State's economy pose an issue or a concern for you, as Treasurer?

Mr AIRD - It is being managed and we have indicated how we are managing it. There is a whole range of liabilities that you face in the future but this is, I think, manageable and there is a regime around it. I am satisfied that it is being managed properly. Are you not?

Ms FORREST - I think it is certainly an option that could have been considered. I am interested to hear why other options were chosen and you have basically answered that.

Mr AIRD - It was a policy decision.

Ms FORREST - Yes, and you are entitled to do so. Looking at the SPA, what is the rate of return of return on the funds that are held in SPA and how does that compare with other superannuation funds?

Mr AIRD - We will take it on notice.

Ms FORREST - And the comparison with other superannuation funds?

Mr AIRD - I will try to get to the point of the question. This is not a superannuation fund.

Ms FORREST - It is an account.

[4.15 p.m.]

Mr AIRD - It is an account but I think the point of comparison is it is not a superannuation fund. This is a cash account -

Ms FORREST - To fund superannuation.

Mr AIRD - Yes, but it is an account and it is not part of a superannuation fund. Therefore, I think your point of comparison is not relevant.

Ms FORREST - I hear what you are saying. We will get the rate of return and we can look at that.

Mr AIRD - Yes.

Mr HARRISS - This is a general question in regard to SPA. In table 6.8 on page 6.17, we have the forward Estimates for Finance-General contributions out to 2012. The question really is, because you have set your target at extinguishing the debt by 2033, I presume you would have -

Mr CHALLEN - It is not a debt. It is an unfunded liability. It is definitely not a debt.

Mr HARRISS - I understand that, wrong use of term. I am familiar with the unfunded superannuation liability. Because the target is to extinguish that by 2033, I presume you have the modelling over the whole of that period for Finance-General contribution to the SPA.

Mr CHALLEN - We do.

Mr HARRISS - That, plus the agency contributions and interest et cetera, is it tracking for extinguishment before 2033 or is it still on target for 2033?

Mr CHALLEN - It is on target. What happens is that every year the actuary gives us a revised estimate of the unfunded liability and we revise the Finance-General contributions to make sure it extinguishes it by 2033. We are adjusting these numbers to make sure that target is met.

Ms FORREST - I think in other years we had a graph of that in the budget papers or somewhere.

Mr CHALLEN - Yes we have.

Mr Aird - A long time ago.

Ms FORREST - I have not been here that long.

Mr HARRISS - I have an overarching question to the Treasurer. Has Treasury undertaken any analysis at all on the merits of establishing an equity-based future fund to help eliminate the liability?

Mr AIRD - There has been some assessment made on an equity fund, yes.

Mr HARRISS - What has the outcome of that been?

Mr AIRD - If you did it over the past 12 months it would project a loss of \$70 million.

Mr HARRISS - Yes, given the volatility of the recent past. You could go back in history to when the markets were favourable as MAIB have discovered with their investments. It may be that, down the track, we have a bounce again and such a process would be of benefit notwithstanding volatility.

Mr AIRD - It is true, you can have an investment regime on cash asset which can potentially generate higher returns but, at the same time, generate higher risk. What we are keen to do is not put cash at risk and therefore, if you are looking at some longer-term investment strategies, such as superannuation funds and so on, there is usually a package of investments. Even then you need to see their levels of return over a longer period of time. Our investment strategies in terms of cash are shorter term and therefore, should not be exposed to any high risk. It is just not good management in the shorter term?

Mr HARRISS - The assessment which you made was based on what base contribution into such an investment?

Mr AIRD - As an example of potential risk, as at 30 June 2007, the Department of Treasury and Finance had \$674.7 million invested in the cash index fund with Tascorp, which generated \$48.1 million in interest revenue to 31 March 2008. Had the Government invested the entire amount in equities the equivalent of the S&P/ASX 200 in July 2007, it would have made a loss of \$71 million. The average earnings for this financial year on the S&P/ASX 200 was negative 11.01 per cent, compared to positive 7.01 per cent in the cash index fund.

Mr HARRISS - Is that the only assessment you have made of the benefits or detriments of such a pursuit? You have only done that with the current circumstances as of June 2007?

Mr AIRD - I understand the secretary can speak further on this, but that is the example I have seen, to the relative returns of investing in equities or getting a return on cash. In the present market the rates are good.

Mr HARRISS - I would say by his silence that I understand the secretary does not want to comment any further.

Mr CHALLEN - I do not think it is necessary to.

Mr HARRISS - Okay. That is the only assessment that has been made. There was no other modelling, no other projections undertaken by Treasury about the possibility of an equity -

Mr AIRD - That is the only example I have seen.

**Output group 3
Government businesses**

3.2 State Fire Commission -

Ms FORREST - I have a Dorothy Dixer for the Treasurer. Can I have an update on where the review of the collection of the State fire levy is at, the time frame and terms of reference? He told me he would have those ready for today. What measures will he undertake to engage key stakeholders in that review?

Mr AIRD - I should be able to release the terms of reference in a few days.

Ms FORREST - I thought you were going to have them for me today. I am very disappointed.

Mr AIRD - I would have liked to because it would have helped everyone, but I have not given them the final tick. It might not be physically on my desk but it is not far away. When it is I will release it and let the honourable member know, given that she generated the interest in this area.

Ms FORREST - At the bequest of others. The time frame for the review? When do you anticipate or hope to have it completed?

Mr AIRD - As I said, I would like to have some review completed in this calendar year. That is still the aspiration.

Ms FORREST - In time to strike next year's rates then.

Mr AIRD - I would like to be in a position to have information this calendar year. I am aware of the issues surrounding the setting of rates and the aspects of consideration of local government. I am aware of those time frames and will try to work within them.

Ms FORREST - What measures will be undertaken to engage key stakeholders in the process?

Mr AIRD - We will be going through a process of engaging the key stakeholders, including local government. By way of interjection, my advice is it is Anton Voss. We will see how he travels.

Laughter.

Ms FORREST - Will it be way of notification in the newspapers to engage other stakeholders or do you believe you know who all the stakeholders are? How are you going to make sure that you get input from the relevant interest parties?

Mr AIRD - I had not really considered advertising. I think the key stakeholders are pretty obvious.

Ms FORREST - The insurance companies are another, obviously.

Mr AIRD - There will be a range of stakeholders, yes. If I can be persuaded that it is worthwhile advertising, we will, but I think we have pretty much all the avenues covered in terms of the stakeholders. To be quite frank, in dealing with the issues, I do not think it is going to be so much a submission-based review as engaging the stakeholders. I do not want it to be an unduly lengthy process, and a lot of the arguments the stakeholders have already prepared, one way or another. Once you call for submissions, and so on, you are starting blowing out time lines and I do not know if it would assist the process, but I will consider it.

Mr MARTIN - This actually goes back a few output groups.

Mr AIRD - It is catching over there, is it? It is down that end of the table.

Mr MARTIN - We have not been on this issue yet, but I had a discussion with the secretary at afternoon tea, and I understand the surplus issue now.

Mr CHALLEN - Another one.

Mr AIRD - Can I just counsel the secretary not to have so many conversations.

Mr CHALLEN - I was just trying to be helpful, Treasurer. I did not expect to be put on the record again.

Mr MARTIN - It just raised another query for me. In our debates with the \$60 million allocation for housing, last week you said the reason for that was the capacity to build properties to the value of only \$10 million this year. There is some dispute there. It is not this output group, you could close me down on it.

Mr AIRD - No. I think there is an avenue later on to discuss this.

CHAIR - Well, yes that could be.

Mr AIRD - It may take a little while to answer, just to make it clear.

Mr MARTIN - To finish the question, I was going to ask if you could table any advice or research you had about the capacity to build this financial year.

Mr AIRD - I do not know if that is readily available, but I am not hiding anything here. On the supplementary appropriation bill we allocated the \$60 million to housing fund, so it is locked in that fund. It is there. If there is a capacity for us to spend more than that \$10 million this financial year, we will do it. I have said that, and this nonsense about us holding it back is not true, in fact we have a submission from the Master Builders Association whereby they seek an amount, and in turn they would build x number of houses, employ so many apprentices. That would require a large transfer from the \$60 million, and they have also asked for \$15 000 to build a business case.

I want this on the record so you can see my thinking, and that the Government is trying to do the right thing here. We are prepared to give the MBA \$15 000 to prepare a business case around their being able to assist in the management of some funds which will lead to houses being built.

UNCORRECTED PROOF ISSUE

If, say, an amount of \$20 million is required for that, the \$15 million to the MBA, I hasten to add, would not be just designated to the Master Builders Association, it would obviously have to engage other stakeholders like the HIA.

[4.30 p.m.]

The point I am trying to establish is the principle that if there is a quicker way. Say they come back with a business plan which suggests giving them \$20 million to build 130 houses in a particular time frame, and employ this certain number of apprentices, to the benefit to the public housing stock, or they come back with another business proposal asking for \$20 million to leverage that to build 260 houses, of which half will be public housing. You would get some subdivisions going; you would get some economies.

Mr MARTIN - The HIA are saying there is capacity to spend \$60 million this year, they are publicly saying that. If that is the case, if that can be proven, is the \$60 million available?

Mr AIRD - They say that. To get \$60 million spent on housing in one year I think is not possible.

Mr MARTIN - The peak group is saying it.

Mr AIRD - The peak group may say it but they need not be right. Sometimes the peak groups are not right.

Mr MARTIN - But in theory if they are right, are you saying the \$60 million is available?

Mr AIRD - Theoretically the \$60 million is available. We are talking about practicalities, about physically building houses on the ground, properly titled, properly released all the proper processes going through in terms for all the aspects in terms of design, tender et cetera. They have to be considered. We have to be practical about this.

Mr MARTIN - As a former real estate agent and member of local government I would differ with your opinion. As long as the tradesmen are available, I do not see why not. I do not think that there are regulatory reasons to prevent this.

Mr AIRD - Well, we do not know. But we are prepared to explore ways to get houses built as quickly as they possibly can be. We will be exploring various avenues. The Master Builders Association have to involve other stakeholders, such as the HIA, in terms of understanding the capacity argument. There appear to be constraints within the industry now.

I am sure that others would argue from an industry perspective. Of course they would like \$60 million released now because if they do not meet it then they have still had a good go and their industry would be doing well.

Mr MARTIN - But is that not good?

Mr AIRD - That is exactly the point. We will release the money according to how we are convinced that these houses can be built, not the other way around.

Mr MARTIN - So there is \$60 million available if the case can be proven that they can be built this year.

Mr AIRD - If people can start building the houses within that \$60 million then we will go ahead.

Mr HARRISS - How many houses do you think \$60 million will build?

Mr AIRD - It depends on what prices you want to use.

Mr HARRISS - About 250.

Mr AIRD - It is interesting, depending on who you listen to, about the average cost of a house. Some indications are that they might not have included the price of land in some of their forecasts so we will need to be pretty careful how many we estimate can be built. Most builders have forward programs, it is still a pretty buoyant market, very buoyant in fact. If you are running a business you need forward orders and you might not be able to find within the forecast of the builders the capacity to build all the \$60 million worth. That is what we are arguing. But anyhow we will wait and see.

CHAIR - That was going to be a short question.

Mr AIRD - But let me emphasise one last time that if there is a capacity we will release the money.

Output Group 4 Miscellaneous

Mr WILKINSON - I notice a big drop from last year, presumably due to no further expenses for the Monetary Enforcement Unit and the winding up of the motor registry system, is that correct? You see it dropping from \$6.2 million to \$1.6 million.

Mr CHALLEN - That is just that program running down, so that those two projects you mentioned are just about finished.

Mr WILKINSON - Just about finished therefore there will be no further claimants after next year.

Mr AIRD - None is planned. The principle behind the SPIP, I think, can be a useful program but as it stands at the moment there is no policy intention to use that fund.

Mr WILKINSON - It might be a Justice matter but in relation to the outcomes as a result of funding for these programs, obviously the outcomes are going to be, you would hope, quite substantial. Have they been looked at as yet or is it too early in the piece?

Mr AIRD - We have sought to ensure that there will be benefits but that is more appropriately addressed to those who are in charge of the program. It does cross agencies generally in terms of who would benefit but they would probably be in a better position than we are at the moment to explain the benefits across the agencies. I have high hopes that it works well.

Mr WILKINSON - I would hope so.

UNCORRECTED PROOF ISSUE

Mr HARRISS - It is getting very close to the end of the financial year. Is there any run on the Treasurer's Reserve?

Mr AIRD - I will halfway get through the next two days. I will be looking at a range of recommendations from Treasury and probably spend some time signing off on some requests for additional funds.

Ms FORREST - But you cannot let the cat out of the bag just yet.

Mr AIRD - I do not know. I have not seen them. I know there is one emerging from Legislature-General for security here, swipe cards, and the fact that the system is not working very well.

Ms FORREST - Here?

Mr AIRD - Yes.

Ms FORREST - It let me in today.

Mr AIRD - It might let you in but some people have not been able to be let out, including the Treasurer.

Laughter.

Mr HARRISS - Would Mr Burch's payout have come from the Treasurer's Reserve? Are you aware that he is quite happy for the details of that to be made public? Are you intending to make some details of the settlement public and is it coming from the Treasurer's Reserve?

Mr AIRD - I do not know whether that payment has been made. It would be DPAC, I should imagine.

Mr HARRISS - It is not coming from the Treasurer's Reserve?

Mr AIRD - No.

Ms FORREST - It will not drain the Treasurer's Reserve then, we can rest assured of that?

Mr WILKINSON - In relation to the Treasurer's Reserve, that is overseen also by the Auditor-General, is it not?

Mr AIRD - Everything is overseen by the Auditor-General.

Mr CHALLEN - He does not have a direct role in it.

Mr WILKINSON - I thought he did.

Ms FORREST - I noticed under Miscellaneous it includes funding for the performance and compliance audits and the printing of the *Government Gazette* and acts of parliament. Can the

Treasurer inform the committee why the *Government Gazette* is not available on the Internet? We would be the only State in Australia, I believe, where it is not available on the Internet.

Mr AIRD - I think DPAC would be more appropriately asked about that. It is a good question, though.

Ms FORREST - I have been trying to get an answer for three or four months. It is a very complex question, apparently.

4.5 Tasmanian Risk Management Fund -

Mr HARRISS - Can I have an update on contingent liabilities? There are usually some with regard to health claims, outstanding unsettled matters.

Mr AIRD - Bridgewater High seems to be the most significant claim.

Mr WILKINSON - The fire?

Mr AIRD - Yes.

Mr WILKINSON - If I can touch on fleet management services, does that encompass the fuel costs of the government fleet?

Mr CHALLEN - No.

Mr WILKINSON - Where would that be?

Mr CHALLEN - Each agency meets the cost of the fuel.

Mr WILKINSON - Does Treasury have a forward Estimate and have they studied how this is going to affect their budget at some later stage?

Mr CHALLEN - It sounds a little bit like a question we had this morning.

Mr WILKINSON - I was not here this morning so I can't be blamed for lack of hearing. In relation especially to fleet management is what I was looking at.

Mr CHALLEN - No, we do not. The reality is that fuel costs in most agencies are such a small proportion of their total budget that it is not worth worrying about really. It is just a standard cost that they will have to absorb within their overall budget and forward Estimates. The big issue which I did mention in a response to a question about this this morning was that the cost of the Bass Strait Island electricity subsidy arrangements are heavily influenced by the cost of diesel. So while we have a bit of an improvement because of improved technology there in the plant -

Ms FORREST - I am sorry, I cannot hear you down here.

Mr CHALLEN - But you have heard all this before.

Ms FORREST - Just in case there is something really interesting and different.

Mr CHALLEN - That is the major place where we will see it. Apart from that, agencies will have to absorb it within their budgets.

Grants and subsidies

Ms FORREST - The workforce participation program is on page 5.30 in Grants and subsidies. It about the Tasmanian Trainees and Apprenticeship Incentive Scheme which is ceasing at the end of this financial year to be replaced with a new workforce participation program, encouraging greater work force participation and providing incentives to businesses to take on new apprentices and trainees, and on it goes with its objectives there. I am wondering how outcomes from this program will be measured and what time frames there are in the development of the programs. When can we expect some reporting on the outcomes of the program?

Mr AIRD - You are best taking that up with the minister. The key policy difference here is that these programs will not just be available to those paying payroll taxes, they will be available to all businesses - small, medium and large businesses - and it will be a more flexible arrangement to assist those who need assistance. In terms of the measures and how the programs will work you will need to ask the minister.

Special capital investment funds -

[4.45 p.m.]

Ms FORREST - Are these new funds under Capital investment? Four or five new funds have been set up. The on for the Royal Hobart Hospital is not a new one but the infrastructure Tasmania fund is a new one, is it not?

Mr AIRD - Yes, but they are not CIP programs; they are capital in nature. Do they fall under this heading?

Mr CHALLEN - Yes.

Mr AIRD - What is the broad heading?

Mr CHALLEN - Special capital investment funds.

Mr WILKINSON - There is an allocation of funds for the tourism promotion plan. How is that going to be expended?

Mr AIRD - I suggest you ask the line minister.

Mr HARRISS - Or me.

Mr AIRD - Why you?

Mr HARRISS - Because you told me a while ago.

Mr AIRD - In terms of the allocation?

Mr HARRISS - Yes.

Mr AIRD - The allocations are there but that is not how it is going to be spent.

Mr WILKINSON - That is one of those areas as well, is it, where the application is made to Treasury, Treasury pays that amount of money to the department. Treasury obviously sees whether the money is spent in accordance with what it was given for - correct?

Mr CHALLEN - It is the responsibility of the head of agency to make sure that the expenditure is properly acquitted.

Mr AIRD - If there is a problem with that, the Auditor can say something about it.

CHAIR - We are just about finished with Treasury. Is there anything else you would like to add, Mr Treasurer?

Mr AIRD - I have a briefing note relating to off licences which I seek to table for the committee. The number of significant new off licences issued since 2003 is two - one is at Kingston and the other is at Sorell. They are the two major ones. The briefing note is there for everyone to read - and I include the whole briefing note.

Mr WILKINSON - And they were the two that caused the contention with hoteliers?

Mr AIRD - Yes.

DIVISION 6

(Department of Infrastructure, Energy and Resources)

Output group 5

Racing policy and regulation

5.1 Racing regulation -

5.2 Racing policy -

CHAIR - I am going to lead off on 5.1 and 5.2. First, it seems that there is a severe jockey shortage in the State at the moment, resulting in a lot of horses being scratched from races. What is being done by Racing Services or TOTE to try to address that? There has even been talk about subsidising and bringing jockeys in from the mainland so that we can actually race on race day.

Mr MURRAY - It is not really a Racing Services issue, but I will try to address a couple of those issues. There is very much a training regime being brought in for the apprentices, apprentices are going across to Racing Victoria to get state-of-the-art training there. The chairman of stewards of Racing Services has entered into an agreement with the chairman of stewards of the Hong Kong Jockey Club for an apprentice regularly to come across and ride in Tasmania to go to Leon Wells, who has had the Hong Kong apprentices before. We have one here at the moment and as soon as he finishes his term, another apprentice will come from Hong Kong. That is beneficial as well.

UNCORRECTED PROOF ISSUE

Some of the shortage over winter is due to suspension of jockeys, some of the jockeys take breaks over winter because it is a quiet time. There is a number of issues. The Thoroughbred Racing Council in recent times has, from time to time, subsidised jockeys coming from the mainland to ride on a Sunday, so everything is being done. The jockey shortage is a general issue throughout the country; it is very difficult to attract people into the system these days, as opposed to previously.

CHAIR - Is there any other way that we can, as a State, encourage people into that sport? Are there any programs that are available?

Mr MURRAY - When younger people see the training available, I think that is where we need to be moving with it to encourage them to enter into apprenticeships just to see whether they like that type of work, and they have some skills in that particular area. As I said, the association with Racing Victoria and the training being provided there has certainly been a plus over the last twelve months.

Mr AIRD - It is not as though the Tasmanian Thoroughbred Racing Council or TOTE or anyone else in the industry does not know about the problem, it is a challenging occupation and it is not without its risk. What we have to do is try to ensure that there is adequate training. Again, trying to get some critical mass in Tasmania as far as jockeys are concerned is a problem for -

CHAIR - The insurance issue has been sorted out pretty well with them. They are happy with that, are they not?

Mr AIRD - Workers comp, yes.

CHAIR - Yes, the workers comp side of it.

Mr AIRD - That has been sorted, so there was expected to be some lift from that, but we are still suffering from shortages.

CHAIR - There are certainly a lot more horses in training in the State at the moment, and it seems there is a demand. I have had people in my office looking for additional stables in the State, and they are from mainland trainers and locals alike. I suppose it is really a question for TOTE, is it not. What do they have in regard to that? Do you have an answer there?

Mr AIRD - It is a question for TOTE.

CHAIR - Yes. So are you not going to answer that?

Mr AIRD - TOTE are doing their best to provide the right resources to the racing industry so as to get good training. Again, you cannot satisfy everyone's desire to train in their own local area as they may have done historically. There is some readjustment going on as we go through these changes in building the infrastructure and trying to provide avenues for the racetracks to develop so that they can be premium tracks. That is why we are investing in them so heavily.

CHAIR - I was thinking about that shortage of jockeys again. If we are talking about training centres and the Brighton training centre was set up as a centre of excellence and yet it does appear to be struggling to hold trainers, is that an issue to do with rents there or a planning issue? Is it one for TOTE?

Mr AIRD - It is for TOTE but now you have raised it here I will raise it with them.

CHAIR - Another question and it was brought in last week - and I think the honourable member for Windermere talked about it - was the concerns of the Thoroughbred Racing Council and the fact that there is a capacity in this State to I think rival New Zealand, as some entrepreneurs have discussed, but they are saying that really we have not enough. In 2004-05 there were 70 thoroughbred race meetings scheduled in the State and yet in 2007-08 there are 68, which does not make much sense to the industry participants. There is a feeling that there are new owners and breeders who are falling out of the market because they cannot race the product that they are producing.

Mr AIRD - There is a range of arguments about this. There are a lot of horses in training. There is some discussion about the quality of those horses and whether they should get run or not, and the types of races that they can run in.

Ms FORREST - It is that one called Gerrity that they are most worried about.

Mr AIRD - What is it?

Ms FORREST - A horse called Gerrity. Have you not heard about that?

Mr AIRD - Is it named after the good mayor?

Ms FORREST - Absolutely. What else would you expect?

Mr AIRD - Where is it running?

Ms FORREST - Slowly, I think, but I am not too aware.

Mr AIRD - I am not aware of it.

Ms FORREST - It could be a stallion perhaps, I am not sure.

Mr AIRD - There are always contentions. Some owners are investing quite heavily - millions of dollars - well known to us and they are serious about building up the blood lines in Tasmanian thoroughbred racing.

CHAIR - Yes, Paice.

Mr AIRD - He has made a significant contribution. Generally, I would expect others to follow in his stead and others. There are others historically who have made a contribution as well. Again, I do acknowledge that we provide the maximum number of races per meeting that we can. There were 10 races yesterday and every horse got a run. I just think there is some question about the quality of fields.

Mr MURRAY - Yes, and it comes down to slots on Sky Channel, for example. We are limited to the number of races we can run, say, on a Sunday. There has been talk about running race meetings midweek and my understanding is that a number of participants do not want that to happen because their availability to race on midweeks as opposed to Sunday is restricted so you

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have to weigh that up again and, as the minister said, you are talking quantity versus quality. You could perhaps run more race meetings and spread the money around more but then the quality races are not rewarding those horses that are running at the premium race meetings and giving them maximum prize money. It is certainly a balancing act.

Mr AIRD - I have mentioned this before; I have encouraged TOTE to put in a conduit which will allow for the establishment of lights at Tasman Park because I believe that there could be some openings for thoroughbred night racing. There are about five other tracks I think in night thoroughbred racing now, including Moonee Valley. I think if we are to grow the level of races that can be covered by Sky, if you are not going to go to midweek or fall into some other slots which Sky might identify, then I think we have to invest in the opportunity of Friday night or some other night racing which will give us, hopefully, net another 20 or 25 meetings which will be quality meeting covered by Sky, and that will be of benefit to everyone.

[5.00 p.m.]

There is a lot of discussion about the quality of fields here. All of us can have a bit of a dabble in this and it is a bit of a recreational pursuit and a lot of us do not expect to make any money but it is fun and we all like to see our horses running around but if they are not performing well you do not worry about the quality of -

CHAIR - But, as you said, there is a serious side there and there are a couple of entrepreneurs who are actively seeking horses in New Zealand, bringing them across and there is going to be quite a lot of development in the north of the State, as I understand, by a couple of those entrepreneurs - they are spending a lot of money, millions - therefore if you think about Ireland and New Zealand as being best models of practice, particularly in the country areas, in the way they go about their racing, has Tasmania looked at a business plan to emulate something like that?

Mr AIRD - That would be TOTE's bailiwick. Mr Murray's area really is probity and integrity. Maintaining the high standards that we have and the level of investment that we have committed to ensuring that we get compliance in the industry has been very important and we have made investments in that area to ensure that we do have improved probity and integrity, which is fundamental to our racing and all codes.

Mr WILKINSON - Of course that breeding has been spoken about now for 10 or so years, has it not, on the north-west coast especially. I think the previous Premier spoke of it quite a lot.

If I can just touch on your racing policy, the output delivers high-level research, analysis and policy advice to the Minister for Racing. Can I ask what you delivered over the last year in relation to the high-level research, analysis and policy advice?

Mr AIRD - I get that every day of the week, Mr Wilkinson.

Ms FORREST - Which horses to back?

Mr AIRD - No. In terms of policy, last year we set up the office, which took a while, and the position was filled in February of this year.

Mr WILKINSON - For the office?

Mr AIRD - For the policy unit.

Mr WILKINSON - I see.

Mr AIRD - It was really only up and running in February and I have been satisfied. In the scheme of things it is a small unit but it was the first one and I thought there was gap in the level of advice coming to the Government.

Mr WILKINSON - How many people are involved in it?

Mr AIRD - One person. Obviously, there will be more tasks and more requests made of the unit to provide advice and I would imagine that by the end of the year I will be in a position to make some statements about some of that research and some of that advice.

Mr MARTIN - What is the story with greyhound hurdles?

Mr MURRAY - I conducted a review during the year of greyhound hurdle racing and came to the conclusion that hurdle racing should cease. The review itself highlighted a significant number of injuries in hurdle races and from an animal welfare viewpoint I formed the opinion that it should be ceased immediately.

Mr MARTIN - And that has happened?

Mr MURRAY - That has happened. A local rule has been introduced in Tasmania making hurdle racing no longer able to be conducted. The decision of my review received acclamation at a national level from Greyhounds Australasia and there is no hurdle racing being conducted in any jurisdiction in Australia in terms of greyhound racing.

Mr MARTIN - Did we lead the way in that?

Mr MURRAY - We were the last ones allowing greyhound hurdle racing and, as I said, as a result of my review it is now prohibited in Tasmania as well.

Mr MARTIN - Very good.

Mr AIRD - I think it was this time last year I made a statement that I did not support it as a policy position.

Mr MARTIN - Similarly, I think I saw some media coverage about hurdle and steeplechase races. There was some speculation some time ago and it certainly would affect Deloraine. What is the status of that? Was a report done?

Mr AIRD - No. Well, the chairman of the committee knows better than most that the Government made an allocation of \$200 000 to assist in the development. It was on the condition that a business case would be put together and that it could be shown to be a viable longer-term investment. There have been some hiccups on the way at a local level, it is fair to say.

I have told the chairman of this committee that I am prepared to leave the money sitting to develop that area, but probably on the basis of a community facility rather than as an operating track in terms of steeple racing.

It is problematic and, quite frankly, the level of interest is very limited but I think the Deloraine track does have some interest in terms of facilities for community use - picnic races maybe -

CHAIR - And training.

Mr AIRD - And training. I do not know what their intentions are.

CHAIR - There is work in progress.

Mr AIRD - The training facility itself again would be another aspect of involving TOTE, but I do not know if they would be forthcoming.

Mr MARTIN - Are there traps races at other tracks now?

Mr MURRAY - Yes, but not in Tasmania.

Mr AIRD - No, on other tracks in Australia.

Mr MURRAY - The Thoroughbred Council conducted a review, I think earlier this year on the viability of jumps racing in Tasmania and they made a decision to cease it in Tasmania. They are continuing in Victoria and also South Australia.

CHAIR - In regard to Betfair, the returns have been a bit less than what would have been desired. Can we have provided to us the cumulative amount of the shortfall since the introduction of Betfair?

Mr AIRD - What do you mean, the shortfall?

CHAIR - In return to the State from Betfair.

Mr AIRD - In terms of anticipated revenue?

CHAIR - Yes.

Mr AIRD - Yes, I do not have it here now, but we could find that for you. You might forward the question on so that I can answer it specifically, but generally our expectations are for it to improve because the West Australian restriction on trade was overturned by the High Court, which is a great thing for Betfair. In terms of internet activity generally it is a bit of a landmark decision, which we were party to with Betfair to ensure that we protected the State's interests.

Mr WILKINSON - Betfair's advice from the start was that that would be the case.

Mr AIRD - Yes. Legal opinion varied, but it was obviously a contestable decision, as you know. The judgment really leads to reassurance that the probity and integrity aspects of Betfair that were brought into question at the time are absolutely nonsense, and therefore really provided some satisfaction to other jurisdictions that the full court made a decision. They heard testimony from all those involved and they were satisfied with that.

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Hopefully Betfair will be able to advertise nationally and promote the product, which will give a greater exposure. They have evidence that when there has been exposure of Betfair on national television the number of people registering has increased quite markedly.

CHAIR - In regard to TOTE, are you happy that they will be able to afford that \$3 million dividend from 2009 onwards?

Mr AIRD - Yes.

CHAIR - It is a special dividend, is it not?

Mr AIRD - Yes, a special dividend. I gave them a holiday for a couple of years to let them regather. I am confident they will be able to do it. The fact that Betfair has an agency agreement with TOTE has opened TOTE up to a potential \$1.4 million active punters around the world.

Ms FORREST - You might have to increase the special dividend.

Mr AIRD - There are a number of things that I want to do. As I said, I would like to see lights installed at Tasman Park in Launceston. I think we will have to give further consideration to investing in an all-weather track at a location to be determined. That would provide some security to race meetings, given our climate. Some meetings have been abandoned and some have not proceeded.

Mr MARTIN - Not very many, though.

Mr AIRD - Only because it has not rained very much lately.

Mr MARTIN - But over the years there would not be that many.

Mr AIRD - They have raced in circumstances which are less than ideal. I think if you can provide some certainty, security and safety it would be a good result for the industry.

Ms FORREST - You could put that track on the west coast. That would be a good spot for it.

Mr AIRD - I would not be promoting that.

CHAIR - I understand they are laying that new artificial turf at Tasman Park.

Mr AIRD - No, it is not artificial; it is Strathayr. It has a proven good all-weather track but it does not have the same virtues as a synthetic track. The drainage and testing are the same as Moonee Valley. I have managed to check out Moonee Valley quite closely. They could do with it in Alice Springs.

CHAIR - I have another question in regard to TOTE. Do you have any thoughts that you might sell that at some stage? Is that an option for the Government to dispose of it?

Mr AIRD - There have been a number of potential suitors of TOTE and I have told them it is not for sale. That is a policy decision of the Government, and I am not in a position where I think that that is necessarily a good idea at this stage.

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Mr MARTIN - I have a Racing Services question. Does to the safety of tracks fall under your department?

Mr MURRAY - The safety of the race tracks that conduct a race meeting comes under the jurisdiction of the stewards.

Mr MARTIN - There was a lot of talk during the planning stages of the Elwick upgrade and I tried to deal with them in my previous capacity. Given the experience, have there been any problems?

Mr MURRAY - Stewards assess the track before each race meeting and there have been problems. Racing has been conducted on the new tracks for a considerable period and has been conducted in a safe manner.

Mr MARTIN - Are jockeys and trainers happy with the safety?

Mr MURRAY - Yes. There has been extensive consultation with the jockeys right through the process in developing the track. Subsequently there is a strong relationship between the Jockeys Association and the stewards. They meet regularly and talk about issues and where they are identified they are addressed.

Mr MARTIN - So there are no outstanding issues?

Mr MURRAY - Not that I am aware of.

Mr AIRD - I have had some issues raised. TOTE has been encouraged to undertake some remedial action but it has all been done with the cooperation of all parties.

Mr MARTIN - Are there performance indicators for the stewards?

Mr MURRAY - Yes.

Mr MARTIN - So there are no outstanding issues that stewards have been investigating?

Mr MURRAY - As I said, with the race tracks the stewards inspect them before each racing meeting and deem it safe to conduct race meetings. As the minister stated, from time to time issues do come up which, in conjunction with TOTE, are rectified. There are no outstanding issues which would prevent a race meeting being conducted at Elwick. There was a race meeting there yesterday.

[5.15 p.m.]

Mr WILKINSON - I have a question in relation to appeals. There were 12 appeals in the Tasmanian Racing Appeals Board where convictions were quashed. I notice your target is coming down to 6.5. There were 12.5 in 2005-06, 12 in 2006-07, and there is target reduction of nearly 50 per cent. I understand that is going to be the case because of the extra training of stewards. Is that right?

Mr MURRAY - That is right, we are certainly upskilling the stewards. They are doing a certificate IV in racing administration through Racing Victoria. Part of that is doing an

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investigators course where they learn how to conduct inquiries. They can do it, obviously, but we want to upskill them at all times. Certainly, I believe that the projections in subsequent years will be very directly related to the upskilling of the stewards.

Mr WILKINSON - Do you believe that is going to be an improvement of 100 per cent virtually, in the space of 12 months?

Mr MURRAY - I believe the course is such that we will achieve this; it is a 12-month course and they are probably halfway through it now. They get training from police officers, forensic officers, professional investigators and that must assist them. Until now, much of their training has been conducted in house, so this course must increase their skills to a level where I believe that they will be able to reflect that in the conduct of the inquiries and the outcomes of the appeals.

Mr WILKINSON - Have there been any major investigations in relation to anything concerning integrity over the past 12 months?

Mr MURRAY - Not really. There have been some positive swab cases but that will happen all the time. There was one in harness racing in terms of a product called HPC resulting in a number of convictions, but nothing out of the ordinary. We continue to monitor Betfair at race meetings and there have certainly been no issues with Betfair. The information provided by them has been outstanding, to put it bluntly, and there have been no issues in relation to integrity.

Mr MARTIN - I just notice, and it is a little bit disturbing, the percentage of positive swabs to swabs taken has almost doubled from 0.64 to 1.21.

Mr MURRAY - That was in relation to the matter that I just spoke about the HPC in harness racing; there were six or seven positive swabs all to do with one drug in a particular period. Hence it went up in 2006-07 and it has gone back down in the current year.

Mr AIRD - You could say it spiked.

CHAIR - Are there any more questions on racing? If not, I thank you, Minister, and your advisers. I have a note here that Madam President has issued an invitation to members, the minister and minister's staff to join her for a drink in her rooms at the end of today's sitting.

Mr AIRD - That is very nice of her. I thank you for the demeanour, the atmosphere and the intelligence. I appreciate it.

The committee adjourned at 5.20 p.m.