



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Hon. Eric Abetz MP

Monday 17 November 2025

MEMBERS

Hon Ruth Forrest MLC (Chair)

Hon Dean Harris MLC

Hon Sarah Lovell

Hon Cassy O'Connor MLC

Hon Bec Thomas MLC

OTHER PARTICIPATING MEMBERS

IN ATTENDANCE

HON. ERIC ABETZ MP

Treasurer, Minister for Macquarie Point Urban Renewal.

Treasury

Ministerial Staff

Matt Hochman

Chief of Staff

Jon Gourlay

Senior Adviser

Megan Hickey

Senior Adviser

John Wise

Senior Adviser

Department of Treasury and Finance

Gary Swain

Secretary

James Craigie

Deputy Secretary, Budget and Finance

Dean Burgess

Deputy Secretary, Economic and Financial Policy

Jonathon Root

Deputy Secretary, Revenue and Regulatory Services (where required)

Abigail Shelley

Corporate and Governance (where required)

Macquarie Point Development Corporation (Output 91.885)

Craig Limkin

Secretary

Anthony Reid

Acting Deputy Secretary, Strategy, Housing, Infrastructure and Planning

Matt Healey

Deputy Secretary, Strategy and Delivery - Department of Premier and Cabinet

Anne Beach

Chief Executive Officer - Macquarie Point Development Corporation

James Avery

Chief Executive Officer - Stadiums Tasmania

Andrew Smythe

General Manager, Policy, Strategy and Projects

Andrew Johnson

Director, Office of the Secretary

Angela Conway

Deputy Secretary, Business Services

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The Government Budget Estimates Committee A met in the Legislative Council at 9 a.m.

CHAIR (Ms Forrest) - Welcome, Treasurer, to the budget Estimates scrutiny for your portfolio areas. We're starting off with Treasury and finance, going into finance general, and then to your responsibilities as the Minister for Macquarie Point Urban Renewal later today.

I invite you to introduce the members of your team for the purpose of *Hansard*, and then if you want to make a brief introductory statement - you don't? You want to go straight to questions? That'd be great. But if you could do that, that'd be really appreciated for *Hansard*.

Mr ABETZ - The gentlemen sitting with me have specific titles. Dean Burgess, your title is?

Mr BURGESS - Deputy Secretary, Economic and Financial Policy Division.

Mr ABETZ - Gary Swain I know is Secretary. James Craigie?

Mr CRAIGIE - Deputy Secretary, Budget and Finance Division.

CHAIR - Okay. Treasurer, you didn't want to make any comments to start?

Mr ABETZ - No. Let's get into the questions.

CHAIR - That's fine. Well, I will lead off; I'm sure other members will have questions to follow.

Treasurer, you said in your budget speech:

Our goal is simple and measurable: to reach peak debt, the point at which annual borrowings stop increasing by the end of the forward Estimates, and to begin paying debt down thereafter.

If I can take you to your cashflow statements on page 209 and 210 in Budget Paper 1, in particular, last year of the forward Estimates. I'll give you a moment to get your papers.

Mr ABETZ - Thanks, Chair. What page?

CHAIR - 209.

Mr ABETZ - Yes, 209. Here we go.

CHAIR - From my reading of your figures there, operating produces surplus cash of \$322 million net purchased -

Mr ABETZ - Just bear with me. Which section are you -

CHAIR - In your cashflow statement.

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Mr ABETZ - Yes. At the top? No. There are various sections of it, that's all. There we go. Yes.

CHAIR - Yes, at the end of the forward Estimates. Toward the end of the forward Estimates.

Mr ABETZ - Yes, thank you.

CHAIR - Net purchase of non-financial assets requires \$740 million in cash, and financial assets takes a further \$409 million, which all means a borrowing of \$735 million is required. Can you explain to me how this implies peak debt will be achieved in 2028-29?

Mr ABETZ - Well, that is what our ambition is, and that is what we're going to be working towards.

CHAIR - But you've told the people that we are reaching peak debt then. I'd like to see the modelling and the assumptions that sit behind that, when you're still paying the net borrowing cost of \$734.8 million in the 2028-29 year, that's when you claim the surplus. So, can you tell me how peak debt is achieved at that point and we can start paying down debt?

Mr ABETZ - Through the initiatives that we've already announced, but more announcements will be made, as I indicated in the 2026 Budget.

CHAIR - What initiatives have you counted and what are they worth?

Mr ABETZ - We have - well, some of them haven't been exactly costed as yet, but the efficiency and productivity unit, the right -

CHAIR - How much is that unit expected to save?

Mr ABETZ - We don't have an exact figure on those things. It might save more or less than people might anticipate, so we're not putting exact figures on it.

CHAIR - In finance general, there's \$150,000 a year.

Mr SWAIN - Yes. There's the existing 2023-24 BED that's now fully allocated. There was the productivity and efficiency measure which in Finance-General commences in 2027-28, which is a further \$150,000. There are the election savings around communications and procurement and property, which are about \$12 million in a year. In relation to the cashflows from financing activities, we have started discussing, with the Treasurer, the 2026-27 Budget repair. Those cashflows are taken into account in those discussions in relation to the 734 that's in the final year you identified already.

CHAIR - Treasurer, what modelling have you got that shows that the so-called surplus is actually achievable? What modelling have you got that shows the savings you will need to make and how you're going to achieve them to get there? It's misleading to tell the people that you will get there if you can't demonstrate to the parliament how you will do it.

Mr ABETZ - With respect, I don't agree with the terminology you employed. You can set yourself goals and ambitions and then work towards those goals without knowing the exact

PUBLIC

amounts in each particular area. What we're doing is we've set ourselves the pathway and that will require a very close analysis of all the different portfolio areas and agencies to right-size them to ensure that we can get to the aim of having a balanced budget.

CHAIR - Have you done modelling?

Mr ABETZ - No.

CHAIR - You don't have any modelling that would demonstrate that this is achievable?

Mr SWAIN - As the Treasurer has said, at this point there are discussions on what the level of ambition should be over what time frame, and the specific pathway is to be worked up in the next Budget in part in discussion with the multi-partisan budget panel.

CHAIR - So, we really have no idea how we're going to get there. What I'm hearing you say, correct me if I'm wrong, is that it seems that the Budget in May next year will reveal all, is that right?

Mr ABETZ - It will basically be revealing the detail of the pathway. We have set our goals knowing we were sent to an early election on the basis of the need for budget repair. Everybody talked about the need for budget repair. A no-confidence motion got carried on that basis to an election. Therefore, it stands to reason that the parliament would want budget repair to occur. We have set a pathway to budget repair and said, 'Right, if we are to achieve a balanced budget in the forwards, then these are the steps to get there.' Then the detail of that is being worked out as we speak.

As I indicated in the budget speech when I officially became Treasurer, no longer caretaker, on 20 August, there was the second no-confidence motion, so I could only be fully briefed by Treasury as of 20 August. The day that Cabinet locked away the budget figures was 15 September that were delivered on 6 November. The window of opportunity for me to get things together for this particular Budget was about as limited as you can get.

CHAIR - A number of the decisions you've put into this budget push out capital expenditure, particularly in the school space. I note several of them have been pushed out for a year or two years. Some call it reprofiling - call it what you like - as well as other infrastructure projects. That doesn't mean that need goes away. They've been pushed out to help this year and next year look not so bad. When we go to the policy and parameter statement and other financial reporting there, we see significant falls in dividends from the government businesses, particularly Hydro and TasNetworks. There are others - TasPorts as well - and we all know the that problems TT-Line has at the minute.

When you look at that and then suddenly in the forward Estimates for those years, suddenly their profitability seems to turn around. On what basis have you assumed that there will be a huge uptick in dividends and income tax equivalents from our government businesses?

What's the basis, what modelling have you from them or yourselves that show there will actually be a significant uptick in the profitability of Hydro Tasmania and TasNetworks in particular? That's both demonstrated in your budget papers. I am not making it up.

Mr SWAIN - Every year we go through a corporate planning process with the businesses and provide advice on that to the Treasurer, through the Treasurer, to the portfolio minister. Hydro this year in particular had a lower result partly around hydrology but has in its corporate plan a return to more significant returns to the government anticipated through its corporate planning cycle.

TasNetworks, of course, does have a very significant project afoot, which will need to be managed carefully in the north-west transmission project as well as its normal business as usual work. But it is a regulated business with regulated WAC that should allow it to provide more returns than it did in this year -

CHAIR - Only if it passes the cost on to consumers.

Mr SWAIN - I was going to say this year was also affected by some flood events and some unusual events.

CHAIR - How can you put figures like that in your budget papers that show a significant increase in the profitability of both Hydro and TasNetworks to rely on those to prop up the budget in the out years - that you've been relying on ensuring the people of Tasmania - the ambition you are now calling it - is surplus in the out years.

Mr SWAIN - Out of the corporate planning process, there's a statement of corporate intent where performance measures, fiscal and otherwise, are agreed effectively between the board and the government and that's what's being relied on here.

CHAIR - You're relying on a corporate plan?

Mr SWAIN - The statement of corporate intent is effectively a compact between the board and its owners as to what performance the business will deliver.

CHAIR - Can I just be clear because we'll have GBEs next week and we'll have Hydro and TasNetworks in front of us. If I ask them across the table, Treasurer, because you won't be there, it'll be another minister at the time, that they stand by the estimates that are in your budget papers in return to their profitability and they'll be able to tell me how those figures have been arrived at. Will they be able to tell me that?

Mr ABETZ - You'll have to ask them.

CHAIR - You put them in your budget papers?

Mr ABETZ - Yes, because of the information they provided to us.

CHAIR - TasNetworks and Hydro have provided those figures to you in the forward Estimates as related to their profitability, is that correct?

Mr ABETZ - Yes, that is as I understand it.

CHAIR - I will ask them for the modelling that sits behind those figures, and they should be able to provide it because it's fed into the corporate plan. Is that correct?

PUBLIC

Mr ABETZ - One, you will have to ask them, but with Hydro, as we know, they had lower than anticipated returns because of the extra dry two years that we've had. September, as I understand it, has been a lot better. The heavens have opened and Hydro is looking forward -

CHAIR - In October, the heavens opened, but anyway.

Mr ABETZ - Is looking forward to a better return.

CHAIR - Your budget papers, though, say the expectation is with that improvement, particularly in Hydro's profitability, is returned to average rainfall. Have they modelled that, or have you modelled that?

Ms O'CONNOR - No, they haven't modelled that.

CHAIR - I am asking the Treasurer, have you modelled that?

Mr ABETZ - No, we haven't.

Mr SWAIN - ReCFIT and State Growth are responsible for energy security policy advice to the Minister for Energy and Renewables. I think Hydro has over 100 years of hydrology records and will have certainly a hydrological view. I can't talk to the detail of that.

CHAIR - I will ask the minister for energy tomorrow.

Ms O'CONNOR - Treasurer, when Will Hodgman was elected Premier in 2014 within three months, he came back in with a fully formed state budget. You had three months or more to form an actual budget that dealt with the PEFO (Pre-Election Financial Outlook).

There are lots of blank lines in the out-years of your Budget. It feels like it's an act of subterfuge, basically, to get through the stadium vote, and then next May the real pain will be delivered and subsequently felt.

Why didn't you prepare a fully formed budget? Was there any political consideration in your mind at all when you decided to bring in an interim one?

Mr ABETZ - I was waiting to see how long it would take for the stadium conspiracy to be raised -

Ms O'CONNOR - What's the conspiracy?

Mr ABETZ - That we have deliberately withheld information in relation to the Budget. As I indicated to you, you can do the maths, I had from 20 August to 15 September to lock away the figures.

CHAIR - David Crean did it in 1998 in exactly the same amount of time, with a change of government, I might add.

Mr ABETZ - If I can answer, I don't know what David Crean may or may not have done in 1998; I do know the advice I was given by Treasury, very strongly and firmly, was that they need exactly two months -

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Ms O'CONNOR - To do what, sorry?

Mr ABETZ - To lock away the figures for quality assurance, et cetera, after the Budget Cabinet. From 15 September to 6 November was an exceptionally tight timeline for Treasury officials, and to the best of my ability, that is what I was advised, and I had no reason to doubt that advice. When I said, 'Can we make it a week shorter, with a lot of hard work?', it was agreed and, hence, we got a budget on 6 November rather than 13 November.

Mr SWAIN - Treasurer, if I may, I note that the context was that we had a supply bill in place, and the supply bill, of course, has estimates of expenditure that go through to the end of December, but we were also very conscious of the need to bring in a proper full budget in advance of the supply bill coming to an end.

Ms O'CONNOR - The Budget that we have has no sign of the explicit policy choices that were recommended in the PEFO, so it's hard not to form the view that this Budget is a sort of 'softly, softly' approach to get us through the stadium vote. Perhaps you could point us to any explicit policy choice in the Budget that leads us towards fiscal sustainability?

Mr ABETZ - The stadium issue was never discussed and never considered -

Ms O'CONNOR - That's a worry.

Mr ABETZ - As part of the Budget timetable.

Ms O'CONNOR - Oh, I see.

Mr ABETZ - Your view on the stadium is well known, but we believe that the stadium is a very important part, as an economic enabler for our state, and that is why we want to see it progress; but I can assure you that the stadium considerations had nothing to do with the timetable for the Budget.

Ms O'CONNOR - Are you able to tell the committee what your projection is for public sector job cuts over the forward Estimates from May?

Mr ABETZ - We are looking at right-sizing the public service, and that will be 2800 public service jobs that we are looking at to see whether they will need to be refilled when and as they fall vacant.

Ms O'CONNOR - On that point, are we likely in May next year to see a different set of numbers for public-sector job cuts from what we've got in the interim Budget, given that Treasury's advice to you in the PEFO was that you're going to have to make some explicit policy choices, including potentially raising state revenue? What sort of different numbers are you looking at for May, in broad terms - just to give us some sign, at this point?

Mr ABETZ - I'm not going to speculate other than to say we have indicated the pathway that we want to take to ensure that we reach a balanced budget, and in those circumstances decisions will need to be made, and one of those decisions is in relation to the size of the public service, keeping in mind 46 per cent of the Budget goes towards public service salaries, so that is a fair whack of the Budget. If you want to right-size the budget, it stands to reason that the

size of the public service will need to be right-sized as well, given the substantial proportion that it takes.

Ms O'CONNOR - Just the last question on this line of questioning, we heard before from Mr Swain that some of what's impacted the Budget to date has been flood events and unusual events. You've projected a little over a \$5 million surplus in this interim Budget in the out years. Do you agree that it's meaningless really because we're in an age of accelerating climate change and those extreme weather events are likely to more increasingly impact on budget sustainability and spending?

Mr ABETZ - The impact of that which you talk about, I'm not -

Ms O'CONNOR - Can you not say the words? Say 'climate change' - see how it goes.

Mr ABETZ - Can I finish the sentence without interruption, but I'm sure the Chair has noted and would not seek to encourage? The matters that you note are part-and-parcel of government advice through ReCFIT and that gets fed into all the government agencies.

Mr SWAIN - I did say a flood event I should have, if I could correct it, have said storm event.

CHAIR - I did think that it was more the storm that was the issue blowing everything down.

Ms THOMAS - It comes back to some of the opening questions that the Chair asked you, Treasurer, in relation to where to from here with budget repair and long-term reform. The budget papers, in the overview on page 7, talk about this Budget establishing the foundation for a renewed and sustained approach to long-term reform, and say the government is committed to embedding structural changes that enhance the efficiency, transparency and sustainability of public finances.

Can you give us any indication of what these structural changes will be, and will they include measures that have been recommended in the PEFO or in Saul Eslake's independent review of government finances, particularly with regard to new revenue streams?

Mr ABETZ - For what it's worth, I've met with Saul Eslake and intend to meet with him again and discuss his views. In economics there is no such thing - it's not an exact science. Different economists with different views come to situations with different perspectives and therefore come with different conclusions.

In relation to revenue, that is a matter that instinctively I don't like increasing the tax burden. But that said, as I've previously said, you never say never. We're looking at a whole range of the policy decisions to get us to the point where we need to be and want to be at the end of the forward Estimates.

Ms THOMAS - The government has clearly announced there will be no new taxes. Will the government consider other new revenue streams and what might they consider or are you saying there will be no new revenue streams implemented as part of the structural reform?

Mr ABETZ - What we've said at this stage is no new taxes. We are mindful of the fact we're a minority government and therefore there may be alternate views put to us, and we will have to take them into account. We are looking at the short-term stay tax which is anticipated to raise \$11 million to start as of 1 July next year. We are looking at those measures, and we've already announced those.

Mr SWAIN - Treasury's position is on the record through the PEFO, but I would note in discussions with the multi-party panel we have gone through the mathematics of the Budget where there is a greater level of control for the government over expenditure than there is over revenue - given that two-thirds of the revenue comes from the Commonwealth. In terms of the thing that the lever which the government has the greatest control over, it is expenditure.

CHAIR - Picking up a point that Cassy raised previously, you have confirmed the figure that the government plans to reduce the State Service by 2800 through vacancy control and natural attrition. I'd suggest this is not feasible to get anywhere near the sort of number that won't require compulsory redundancies, if you're trying to achieve it over the period that you're suggesting. How has the proposed reduction in the public sector of 2800 FTEs been calculated?

Mr ABETZ - Just trying to do the maths as we think, but if we've got a 30,000 public service in very round figures, 1 per cent would be 300, 5 per cent would be 1,500 over the forward Estimates, and I think they might be a bit low, but even at 5 per cent natural attrition over the forward Estimates, that 5 per cent per annum should be achievable.

CHAIR - That presumes every position is not going to be filled, though.

Mr ABETZ - No, it doesn't. 5 per cent would be 1500 per annum over the forward Estimates, which would give you a figure of 4500, and it's 2800 that we're looking at. So, there is a lot of space there.

Mr SWAIN - That number was also calculated off measure 10 in the current fiscal strategy, which assumes a ratio between the number of public servants and the population of Tasmania, and it applies - which we now have gone over that ratio - the ratio came from 2022-23, which is, I think, the first, if you like, 'normal' year post-COVID, and that has been applied to say what reduction would be required to the current number of paid FTEs to get you back within that fiscal strategy measure.

Mr ABETZ - And look, it would be good if there was some recognition of the need to right-size the public service. If that is recognised, then we might be able to have a discussion about the numbers, but if there is not that recognition, and it represents 46 per cent of the budget, then those who talk about the need to get to a balance in the budget - talk which I fully support, but if you're not willing to look at that substantial expenditure, then you're never going to get there.

CHAIR - I think the people you refer to, perhaps, Treasurer, are willing to look at all things, whereas you've ruled out some things, and that's the problem here. But anyway, I will move on.

Mr ABETZ - Well, there is nothing, with respect, Chair, in your questioning as to an acceptance -

PUBLIC

CHAIR - We will get to that. We're talking about the staff reductions at the moment.

Mr ABETZ - An acceptance that there has to be - there is just a questioning of the numbers. You know, if I can rhetorically say, 'Well, what would your suggested number be?' Because, with respect in your opinion piece, I didn't find a suggested number - an accepted number by yourself - just an opposition or a belief that we couldn't achieve 2800. So, we, as a government, are looking for solutions, and everybody's talking budget repair -

CHAIR - And we are here to hold you to account for your solutions.

Mr ABETZ - Everybody's talking budget repair; nobody's providing any suggestion as to where -

CHAIR - That's not true, but anyway, I will move -

Ms O'CONNOR - You are the Treasurer.

CHAIR - If I can just ask -

Mr ABETZ - I am. I fully accept that.

Ms O'CONNOR - You're the one here to give the answers.

CHAIR - Can I ask whether there are any plans to introduce a redundancy program at all?

Mr ABETZ - Look -

Mr SWAIN - No, not at the moment.

Mr ABETZ - No.

CHAIR - So, without a redundancy program, and potentially compulsory redundancies, how does the government intend to ensure public sector reductions are targeted to areas where there will be limited service delivery impacts?

Mr ABETZ - Look, that will be up to each departmental secretary and head of agency to make those calls and determinations, and we are working our way through that, and each and every departmental head will need to make his or her decision.

CHAIR - So, if we ask that same question to each departmental head, they should be able to respond to that question?

Mr ABETZ - I would suspect that they will tell you that they're getting on with it to ascertain how they're going to achieve targets.

CHAIR - Has each department got a particular target depending on their staff level, or are some not -

PUBLIC

Mr SWAIN - That work is ongoing. As you mentioned, the work on the next budget has commenced, but only relatively recently. There's a level of aspiration that is being discussed with the government, but the detailed work on how that will be allocated is ongoing. Obviously, in relation to the attrition option, the level of turnover in different departments will differ; but I can say in Treasury's case we were about 17 per cent about a year ago, and now we're at about 12 per cent, so the attrition -

CHAIR - I did notice there's been a reduction in spending in Treasury.

Mr SWAIN - Yes. I was just going to - that will be different in different departments. With a degree of difficulty, under the State Service arrangements, secretaries can move people between positions. It's not done that much, but it can occur, and the Premier can move people who are in the SES (Senior Executive Service) between positions.

The ongoing policy position in relation to employment obviously comes through DPAC (Department of Premier and Cabinet) and SSMO (State Service Management Office) to the Premier. What I'm saying is there's a lot of work to do on the allocation of targets, and some of the policy positions may be discussed through that process. That's a matter for the Premier.

Ms LOVELL - On that answer, you talked about how a level of 'aspiration' has been discussed. Can you elaborate on that a little more? Have targets been discussed? Have departments brought that to you, or have you brought that to departments? What kind of discussions have happened around that?

Mr SWAIN - I don't want to get ahead of the Treasurer. I'm simply saying what the Treasurer has already said: if you look at the cash borrowing requirements and the cashflow statement, that gives you an indication, and what the Treasurer has said publicly in terms of arriving at peak debt, that says to you that the government understands the quantum of the challenge, but there's more work to do on how that is allocated.

Ms LOVELL - Allocated across departments, okay. When would you expect to have that work done? Would we see that in next year's Budget, or in the May Budget, or sooner?

Mr SWAIN - As the Treasurer has said, there's typically about two months required to put the budget together post the finalisation of the numbers, so you can back-calculate from May.

CHAIR - Has Treasury provided an estimate, then, of the proposed reduction in costs associated with the 2800 FTEs you expect to not fill the positions of, that actually leave the public sector?

Mr SWAIN - No, because we won't know which 2800; we are not at that point.

CHAIR - I'll rephrase the question. Is there an amount that needs to be achieved to facilitate the expectations that are embedded in the Budget in terms of the amount - not the numbers because they do depend on the positions that are not replaced, but what's the amount we are looking at?

Mr SWAIN - You can see the residual challenge in that cash deficit that you identified. I would say that that number, if you take the average cost of a public servant at about \$135,000

PUBLIC

and multiply that by 2800, that won't fully address the budget challenge; so there will need to be other measures including looking at the way capital and equity decisions are made in next year's Budget as well.

CHAIR - Cassie, you had one on this particular matter.

Ms O'CONNOR - I do. Treasurer, in the last three financial years we've seen supplementary appropriations in the order of hundreds of millions of dollars. It's become a strategy of your government - in fact, this precedes you - to under-budget for key services to make the budget look better, only to have to make enormous supplementary appropriations to make up the shortfall.

This Budget makes some headway in accounting for under-budgeting identified in the PEFO, but most matters are not addressed. This includes \$24 million in out-of-home care costs; \$5.6 million for Ashley Youth Detention Centre costs; while \$1.3 million is provided for community corrections and Magistrate Court cost complexities. That's only for two years. The PEFO says the actual cost is in the order of \$10 million. The reality is just one of these costs would make your notional 2028-29 surplus disappear.

If the glide path to surplus is based on fabricated data, the plane will still crash and burn, Treasurer. When will you start making the budget to reflect the actual cost of services?

Mr ABETZ - Look, lots in that question. Can I start at the beginning with your assertion that there was a strategy in the Budget and then with supplementary appropriations later on. I think we all know, and if we don't we should know, that the biggest area was health. Thankfully, finally, we've been getting it out to the public, and I've banged on about this a few times at Question Time that we have 100 people that are referred to - I'm not sure it's the most dignified way of referring to them - but as bed-blockers -

Ms LOVELL - That's actually an offensive term. I think it's highly inappropriate.

Ms O'CONNOR - But also, it's a diversion from the question.

Mr ABETZ - It is used by others.

Ms LOVELL - That doesn't mean you have to use it though.

CHAIR - It is something that you probably shouldn't use.

Ms O'CONNOR - It is used in the hospital unfortunately.

Ms LOVELL - That doesn't mean that you have to use it.

Mr ABETZ - It is used among professionals. We know what we're talking about. Eighty of them cannot find aged-care places. Twenty of them can't find disability care places. We all know federal government responsibility. We are backfilling that cost; three wards of our hospital are full with people who are medically ready to be discharged but can't be discharged because we have a lack of support from the federal government and, if I might say, federal governments.

PUBLIC

I don't want to make this into a federal-Labor or whatever issue - this is federal governments over the years - have not funded aged and disability care as they should. As a result, we are backfilling and so that is a huge cost that we are bearing in the medical area.

Ms O'CONNOR - That's one agency though. I accept at some level what you're saying -

Mr ABETZ - Yes, but with the supplementaries, somebody can -

Ms O'CONNOR - but with each agency, right down to corrections, for example -

Mr ABETZ - Yes, but somebody can help me out of the supplementaries. The health bit contributed what?

Mr SWAIN - I think it was \$345 million.

Mr ABETZ - Yes, out of?

CHAIR - Four-hundred-and-nintey or something, I think.

Mr ABETZ - Yes, just under half a billion. It was about - what - three-quarters in very rough terms or thereabouts. That is the lion's share of it. Look, with the other areas, what it tells me, and hopefully informs other agencies as well, is they have got to restrain their spending and ensure that they keep within the budgets that they are provided.

Ms O'CONNOR - Thank you, Treasurer, the PEFO notes that the under-budgeting for injured workers support in the Department of Police, Fire and Emergency Management was about \$14.5 million. The Budget has accounted for the full \$14.5 million across the forward Estimates, but it's not so pleasing to note that this appears to be the only example of under-budgeting identified in the PEFO that this Budget fully and consistently addresses. Why hasn't this Budget, why haven't you, as Treasurer, addressed all the other examples of under-budgeting identified in the PEFO?

Mr ABETZ - What that would suggest is that you would want to see increased budgeting in all those areas at the same time that -

Ms O'CONNOR - Maybe more honesty in the numbers.

Mr ABETZ - At the same time as your party voted with others to send us to an election because we weren't engaging in budget repair. You can't, with respect, have it both ways: demand budget repair and then demand extra expenditure in a whole host of areas.

Ms O'CONNOR - Cute deflection.

CHAIR - If you could just restate the question.

Ms O'CONNOR - Lack of courage manifests - lack of courage in this Budget. Why haven't you addressed all the other examples of under-funding that were identified in the PEFO? Will they be addressed in May?

PUBLIC

Mr SWAIN - There are some true-ups in this Budget. Health is nearly an extra billion dollars coming off the sub-appropriation. There are uplifts in corrections, there are uplifts in at-home care, there are uplifts in parks. I'm trying to think where else, but they're the front-of-mind ones. We have -

CHAIR - Education, one might think.

Mr SWAIN - Yes, we have gone through and looked for patterns and sub-appropriation, additional funding, and tried to address some of those in individual budget items. It is still the case that the overall expenses are aggressive, and a lot of work needs to be done to achieve those forward expenditures.

Mr ABETZ - Can I just, if I may quickly, Chair for Ms Lovell's benefit in particular, your colleague Ms Haddad has used the term bed-blocker.

Ms LOVELL - Well, I will raise the same issue with her. It's not a term that we should be using. I do have a question.

Treasurer, you said that agencies have been advised they will need to constrain their spending to within the Budget provided. Does that mean we won't be seeing any supplementary appropriation bills this year for health or any other departments?

Mr ABETZ - Look, I get into trouble from time to time for saying never say never, but I think anybody that has heard what I've said and seen what's being printed knows that there will be a very strong imprimatur that will be frowned upon most seriously. But you can never foretell certain events. Therefore, to say that there won't be any supplementary payments or appropriations - you can't, in the real world, rule it out. I know people like the black-and-white of politics to say that, 'It definitely won't happen'. Unless you've got a crystal ball and you know exactly what's going to happen in the future, you can't rule it out. That said, if the extra expenditure is just because of loose budgeting or loose administration of an area, that will be frowned upon most severely, I can assure you.

Ms LOVELL - Okay, so the - we will explore this further with the health minister, but the health annual report showed that there was significantly more money spent in the last financial year than is allocated in the Budget for this financial year, in particular for operational expenditure. Have you had conversations with the health department about what level of cuts they can sustain without cutting services to bring that in line with what's been allocated? Where has that number come from, the number that you've allocated? What discussions were had around that?

CHAIR - Forty-eight million dollars.

Ms LOVELL - Twenty-eight million dollars?

CHAIR - Forty-eight million dollars.

Ms LOVELL - Forty-eight million dollars.

CHAIR - Forty-eight between what was spent this year and what's budgeted - sorry, spent last year, budgeted next year.

Ms LOVELL - I mean, we're not talking about extraordinary - we're not talking about a pandemic or any kind of extraordinary circumstances like that. There was nothing like that in the last financial year that would have boosted blowing that spending out. What cuts are you expecting the health department to have to make to meet that budget? Have you had conversations with them about -

Mr ABETZ - This Budget?

Ms LOVELL - This Budget.

CHAIR - The 2025-26.

Ms LOVELL - Yes, this financial year.

Mr ABETZ - This Budget shows an increase in expenditure on health.

Ms LOVELL - No, it doesn't. Not compared to what they've spent in their annual report.

Mr ABETZ - Budget to Budget, there has been an increase.

Ms LOVELL - Can I take you back there? I'm not disagreeing with that.

CHAIR - I think the question was -

Ms LOVELL - That's not the question. Budget to Budget means very little at the end of the day. It actually means nothing because what was allocated in last year's Budget was not what was spent and that's clear in the annual report.

Mr ABETZ - Yes, and I've outlined why.

Ms LOVELL - Yes. What I'm talking about is the amount of money that was spent in the annual report. There is a significant shortfall between what was spent in health in the last financial year and what's been allocated in this financial year's Budget. You've just said that agencies are expected to constrain their spending to within the Budget provided. My question is: What conversations were had with health about meeting that reduction in spending?

Mr ABETZ - Look, the major discussion that we have had - might I add that I'm not alone in this. All treasurers, all health ministers and all chief ministers -

Ms LOVELL - But I'm specifically asking -

Mr ABETZ - No, no, no.

Ms LOVELL - I'm just mindful of time. We've got limited time today. We've got a very long day.

Mr ABETZ - But this is vital for the health budget that we understand the underfunding from the federal government -

PUBLIC

Ms LOVELL - We've already covered that.

Mr ABETZ - That we are trying to deal with.

Ms LOVELL - That's not what this is about though. This is about their operational expenditure. You're talking about underfunding, people are going to be kicked out of hospital with nowhere to go, if that's what - that's the bottom line. We've covered the Commonwealth funding -

Mr ABETZ - Ms Lovell, as we know, people aren't being kicked out with nowhere to go -

Ms LOVELL - We've covered that extensively.

Mr ABETZ - - and that is why we've got 100 people that are ready for discharge, could be discharged, but because -

Ms LOVELL - That's not my question, Treasurer.

Mr ABETZ - But that is three wards of people -

CHAIR - Can I try re-phrasing this question?

Ms LOVELL - I don't think we need to rephrase it. You've heard the question. The question is very clear. You've spoken extensively about the issue with people being stuck in hospital with nowhere to go. We all understand that's an issue, so we can put that aside. My question is what conversations have you had with the health department about meeting that target, about how they're going to constrain their spending within the budget that's been allocated to them?

CHAIR - Which is less than what they spent last year.

Ms LOVELL - My follow-up question was going to be: do you know how they're going with that so far, this financial year? I expect they're probably pretty close to blowing that budget already.

Mr ABETZ - Look, the Department of Health has identified the following proposed strategies to meet the efficiency requirements. There's a whole host of areas: reducing consultancies, improving contract management, consolidating corporate and policy functions, consolidating office accommodation, reduction in operating costs, including areas such as supplies and consumables, communication costs, postage and freight, staff travel, vehicle expenses, improving pathology test-ordering practices, consistent use of prosthesis and reviewing and standardising rostering practices to decrease overtime and agency staffing costs.

Ms LOVELL - In the absence of a pandemic or any extraordinary circumstances, say we have another fairly normal year in the health system and they're not able to confine \$48 million worth of savings amongst that list, what will happen then?

Mr ABETZ - That is hypothetical, if what will happen then? I don't have a crystal ball and there are some -

PUBLIC

CHAIR - Supplementary appropriation, you don't need a crystal ball.

Ms LOVELL - That's my question, will more money be allocated?

Mr ABETZ - Chair, I was asked about savings. I've read out a whole list and then I'm asked if this whole list somehow doesn't deliver that which is being sought, what will happen then? Well, this list is part and parcel of delivering that.

Ms LOVELL - If they're not able to deliver those savings, will more money be allocated to the health department through supplementary appropriation?

Mr ABETZ - We have confidence that they can, and your question is hypothetical. If they can't, then what? You could ask that about every single budgetary and expenditure item contained in the Budget and the forward Estimates.

Ms LOVELL - It's a Budget into the future; there are a lot of hypotheticals.

Mr ABETZ - Of course there are, and that is why you cannot give a specific answer that something is going to cost in the second year \$1.10 as opposed to \$1.09 or \$1.11. Chances are we're dealing with bigger numbers than that.

Mr SWAIN - On agencies managing within budget, obviously that's the core responsibility of the secretary and their executive, but I just wanted to note that under the *Financial Management Act*, there are powers to move funds between outputs. You would expect the agency, if all of those measures were not delivering the savings, to look at any output that was underspent and use the powers under the FMA that are available to the secretary and the minister and if you need to move money between portfolios with different ministers, then there's also an opportunity to talk to the Treasurer about that with his powers under the FMA.

Ms LOVELL - You would be lucky to find anything underspent in the health budget. But yes, I appreciate that. Thank you.

Mr SWAIN - I suppose I was making the point it's a very big Budget.

Ms THOMAS - The budget overview talks about the election commitments on page four - talks about consistent with the approach - the 2025-26 Budget includes only some of the 2025 election commitments. Could you tell us which ones it does include and how they were determined or prioritised for inclusion in this Budget when others weren't?

Mr ABETZ - That I may have to take on notice because there are a number of -

Mr SWAIN - Going to budget paper 2, volume one, page 10 there is a table that gives the election commitments that are funded in this Budget via agency. There is a breakdown table 1.4 on the following page by agency as to what those election commitments are.

Ms THOMAS - My question was: there are a number of election commitments that weren't included in this Budget. Can you tell me how the ones that were included were chosen over the ones that weren't and why?

PUBLIC

Mr ABETZ - They would have been done on a case-by-case basis and our representations to most of them were that we had a budget in May, and therefore under normal circumstances, that Budget would have gone through and then promises made would have been included in the following Budget in May 2026. And so, that is where we will be looking at the others. But as to the exact decision as to why one was in, one was out, or one has been deferred, I can't -

CHAIR - Can you provide a list of those that aren't in there, so we can easily see which ones are in.

Mr ABETZ - Yes.

CHAIR - Can you -

Mr ABETZ - That must be possible, so I'll take that on notice.

CHAIR - A list of the election commitments that aren't included.

Ms O'CONNOR - Also an indication of whether they will be in the future.

Mr ABETZ - Yes. I can take -

Ms THOMAS - Yes, that was my next question. I note that the list is included in the Budget of those that are funded. It would be helpful if you could provide on notice a list of those election commitments which weren't funded in this Budget.

It would be also helpful if you are able to provide some more information on how the ones that were funded and why there was a sense of urgency to include those in this Budget but not the other ones, and how the government intends to commit to including them in the next Budget in May.

Mr SWAIN - Obviously, I can't speak for the government on this, but the election commitments that aren't in the budget papers would be dealt with through the next budget cycle.

Ms THOMAS - So, there can be no guarantee that they will actually be included in the 2026-27 Budget?

Mr ABETZ - Our intention is that they will be, but until we're there, circumstances might change or whatever. So, I don't want to commit 100 per cent, but that is our intention.

Ms O'CONNOR - Just getting back to the sort of subterfuge that is in this Budget -

Mr ABETZ - Hah.

Ms O'CONNOR - But it is. It is. Sort of underfunding across the forwards, blank lines -

We have an example here of Tasmanian prison services, and there's a line item in the Budget that talks about cost pressures. The purpose of only funding this for one year is solely to preserve the forward Estimates' bottom lines. This is really clear, because the cost pressures in the prison system are not going to go away. What is your spin is on this one.

PUBLIC

Are you actually suggesting there is a world where corrections staff pay cheques come due and the government doesn't pay? And if not, why does your Budget keep this option open other than for the purposes of deceiving people about the bottom line?

Mr ABETZ - OK, 'subterfuge', 'spin', 'deceiving' - all those are words that are conducive to getting objective information, but I will take that on notice, unless somebody's got some. Yes, I will -

Ms O'CONNOR - Just on this line of questioning: the line item reading health demand allocates \$231 million. The Pre-Election Financial Outlook Report puts the actual cost at \$345 million. Can we look forward to a supplementary appropriation, for example and this goes to Ms Lovell's question to cover that extra \$114 million shortfall in the future?

Mr ABETZ - Well, I have answered in relation to my approach to supplementals, but-

Ms O'CONNOR - Well, what we're trying to get to the bottom of here is just consistent underfunding to make the bottom line in the budget look better - then we end up with the supplementary appropriation.

You claim a flimsy \$5.6 million surplus in the final year of the Budget. So far in the questions that I've asked you, we've discussed about \$179 million in expenses per year that your government will accrue but hasn't budgeted for. How do you explain that and how are you going to cover it?

Mr ABETZ - Well, it's interesting with all this that we were sent to an election on the basis of budget repairs -

Ms THOMAS - You weren't sent to an election.

Ms O'CONNOR - This is a deflection.

Mr ABETZ - No - and each and every time, all I'm being told about is 'underfunding', which would suggest you want extra money in the Budget, which would be for -

CHAIR - Can you reframe - just re-pose the question? Just the question.

Ms O'CONNOR - The question is: given that in this Budget it is clear that there is consistent underfunding in order to make the bottom line look better and I've just given you some examples of an extra \$179 million in costs -

CHAIR - The question?

Ms O'CONNOR - Well, the question is: why are you trying to hide the true costs of government operations in this Budget?

Mr ABETZ - I don't accept the premise of your question and I reject that which you asserted at the end. This is a Budget that is interim. I have indicated that the interim Budget is the foundation on which we are going to build for the future sustainability of our budget. Let's be clear: that will require some tough decisions. Nobody likes doing that which will be

PUBLIC

required; but if you want budget repair, I would just look forward to some genuine examples of how we can get the budget back into shape, keeping in mind that two-thirds of our revenue we aren't the masters of. One third is ours, so the real area for us to deal with is on the expenditure side.

Ms O'CONNOR - It would be fair to say, though, wouldn't it, that the forward Estimates in this interim Budget lack credibility?

Mr ABETZ - I've just been assisted: after the 2024-25 supplementary appropriations, we have put that there for everybody to see, and we are now doing a re-calibration exercise. I think the secretary, in fact, spoke to that.

Mr SWAIN - Yes. There are a couple of things going on in the Budget. There's true-ups of individual line items, which I did speak to. There may be some where there's further work to do. There are also global savings measures that have to be applied and have to be transferred into outcomes. Just if I could, the PEFO is a statement of Treasury's view, applying a particular methodology of what outcomes will occur without intervention. From a Treasury point of view, what we want to see is -

CHAIR - Intervention.

Mr SWAIN - a credible diversion from PEFO numbers in future budgets.

Ms O'CONNOR - Treasurer, do you acknowledge that that flimsy \$5.6 million fourth-year surplus relies on the supposition that your government will elect not to continue funding for a wide range of commission of inquiry recommendations, as well as your own election promises like the school lunch program?

Mr ABETZ - No, I don't.

Ms O'CONNOR - That's what the numbers indicate in the interim Budget: all those dotted little flat empty lines.

Mr ABETZ - Yes, and the full picture, as we said in the interim Budget, will be painted in May.

Ms O'CONNOR - It's likely to be an ugly picture, though, isn't it?

Mr ABETZ - It's not going to be as rosy a picture as one would like, but it's a task that we should be, and need to be, committed to, and we, as the government, are up for it. We look forward to the support of all those that have been talking about budget repair actually coming up with some suggestions of budget repair.

Ms LOVELL - With all the advisers we have.

Mr SWAIN - In relation to improving the accuracy of expense forecasts, that does go two ways. There are the adjustments that I've talked about, but there are also situations where the money can't be spent, and Treasury will be advising the Treasurer that where that is demonstrable, that funding should be reallocated to other things. That is particularly the case

in capital, where there's been a significant under-delivery this year, for example, about a 30 per cent under-delivery, so there are funds that are not going to be spent.

I'm picking up the part of your question relating to the commission of inquiry in a very general sense. There are also changes to budgets that are not about a change in position; they're about a recognition of what agencies can actually get out the door.

Ms O'CONNOR - The powers under the *Financial Management Act* to reallocate funding - we were talking before in the context of the health budget, for example - have they been exercised by government before, where you use the funds from one agency to top up or complement -

Mr SWAIN - Yes is the short answer.

CHAIR - That's reported department -

Mr SWAIN - Mm.

CHAIR - If I could go, Treasurer, just for a couple things related to the PEFO. Acknowledging the format under which it's developed, what advice have you sought, Treasurer, on the matters that are referred to in the PEFO which shows extensive work needs to be done as part of the development of this interim Budget, and obviously the work that's going on already on the 2026-27 Budget. What advice have you sought about mitigating or responding to those challenges identified in the PEFO?

Mr ABETZ - Look, I'm not going to go into the specific advice that I am given by the departments. Suffice to say that on becoming Treasurer, taking a very detailed look at the finances and the fact that we had a vote of no confidence in us -

CHAIR - I'm asking what advice you got. That's got nothing to do with it. What advice have you sought in relation to responding to the risks and problems identified in the PEFO?

Mr ABETZ - If I can finish - and being sent to an election on the basis of the need for budget repair, you can be assured that one of my very first questions of Treasury was, how do we come to a position where the budget is once again sustainable and how quickly can we achieve it? Can we make all the savings, for example, in 2026-27? Of course the answer was no because the shock in the economy would be too great. It would be sensible to wean ourselves off deficit budgeting, and then at the forward Estimates -

CHAIR - Let me narrow the question down. When seeking that advice, acknowledging the problem, did you ask for advice around all areas of possible budget repair or just reducing expenditure? We did talk about it earlier, that's the easier lever for the government, but did you seek advice around all other options?

Mr ABETZ - Look, I have sought advice in a whole host of areas. Until the May Budget comes down, I don't want to sort of speculate on that -

CHAIR - I'm not asking you to speculate.

PUBLIC

Mr ABETZ - But I don't mind saying that in the time that I had with an economist I asked, 'What's your advice in relation to', and -

CHAIR - I'm asking about Treasury advice, Treasurer.

Mr ABETZ - Yes. Look, Treasury advice - I'm continually seeking advice and getting -

CHAIR - Did you ask for advice around all measures that are possible to influence budget repair, noting that other economists have said you need to pull all levers, not just one.

Mr SWAIN - Treasurer, if I may just add one thing: one thing with the PEFO is that it is a projection, not a forecast, which is important for the reason I said before.

CHAIR - I'm asking about advice, which areas of advice.

Mr SWAIN - I was going to move to that. I was just going to say that the Treasurer has supported, through the multi-partisan panel, detailed presentations from me on the PEFO and its aspects, and its various recommendations to the multi-partisan panel.

CHAIR - Just to go to that then, if I might. In the Legislative Council recently, the Leader of Government also stated that the intention being that the panel will be involved in working with the government as it develops a new fiscal strategy to be included in the 2026-27 Budget, and that there would also be consultation with members of this place.

The Leader for Government did, however, also state that under Tasmania's Westminster system the executive is accountable to parliament for financial management decisions. Ministers sit in the parliament precisely so they can be questioned and held to account. However, parliament's role is one of scrutiny and oversight, not one of co-decision-making in this context. It was the Leader on behalf of the government who said that.

Could you, Treasurer, clarify then the role of the panel and other members of parliament in the development of the government's new fiscal strategy and when this involvement will take place?

Mr ABETZ - The involvement is, if you like, an iterative process with the panel that continues from meeting to meeting. The panel itself, I think quite rightly, wants to understand the issues, understand the opportunities, the difficulties, et cetera. In serving or being part of the panel they don't want to be - what's a term I can use - get onto the sticky paper of then it being asserted that they formulated the Budget.

CHAIR - Well, there's no public process around that. How could anyone be asserted of that? It's all behind closed doors.

Mr ABETZ - Well, I think, for example, Mr Bayley, the member on the panel, might have something to say if I were to assert that this is a Budget fully endorsed by the Greens. Of course it isn't - and that is why at the very beginning, with that panel discussion, it was about informing as much as possible, retaining the importance of the Westminster system, about the executive government, but also being very mindful - as I said at the first - I think it was the first or second budget panel - we are very mindful of the fact that we are a minority government, and, therefore, a minority government that just sort of 'blinkers' itself and doesn't want to take

PUBLIC

into account the views of other members in the parliament, that may not necessarily be a very good and conducive strategy for either budget repair or for the long-term -

CHAIR - So, it's entirely the executive's job to deliver the budget and the measures, you're saying, and whatever the members of the panel might think or say has no bearing?

Mr ABETZ - No, no, no. That is exactly not what I said, Chair. It is for the executive to determine the budget. I think we accept that, especially in the Westminster system. In the scenario of being a minority government, I think it would be an ill-advised government not to take into account some views or suggestions that may be made during the discussions in the panel - which I suppose I've got the right to accept or reject, but I've got a funny feeling if I were to sort of dismiss them all and reject them all, the parliament, in which we don't have a majority, might have something to say. Therefore, this will be the art of putting things together - as has already happened, might I add, in this parliament, where one day we're accused of being in bed with Labor by the Greens, and then the next day we're accused by Labor of being in bed with -

CHAIR - Okay, we're getting off the point, I think. We might come back to the budget matters.

Mr ABETZ - Yes, but I'm just explaining to you that in a minority government, that is how it works - and whilst we have the responsibility of delivering the government, we will be informing ourselves of the views of other members of the parliament without any official duty, if you like, of accepting those views, but it might be wiser of us to be cognisant of those views.

Ms O'CONNOR - It's an encouraging expression of humility and reality we're hearing from you, about dealing with the reality of minority government.

Mr ABETZ - I have always been of that view of the minority government scenario. I've said it a number of times. You'll go watch Question Time down our way, a bit more.

Ms O'CONNOR - Oh, I sometimes do.

CHAIR - Let's just go back to the Budget that we are scrutinising in here. Can I just ask, Treasurer, how regularly does Treasury provide reports to the Treasurer on the Budget, and how things are tracking?

Mr ABETZ - Well, look, I have weekly meetings with Treasury officials, so I get -

CHAIR - I'm asking about actual reports. Do you get - are you provided with reports from Treasury on how the Budget's tracking, and how often?

Mr SWAIN - Can I say - on specific matters, we obviously deal with those in the regular weekly meeting and through our advice, but the budget committee also has regular reporting every time it meets.

Ms O'CONNOR - Of Cabinet? The budget committee of Cabinet?

Mr SWAIN - Yes.

PUBLIC

Ms O'CONNOR - Right.

CHAIR - So you get weekly reports, is that what you're telling me? I just want - I'm interested in how often you get a formal report about how things are tracking, as Treasurer.

Mr ABETZ - Well, the weekly meetings -

CHAIR - No, I'm asking about a report, not a meeting. I'm asking about some output from a meeting or a process that gives you something that you can look at and see how various departments are tracking against budget.

Mr SWAIN - The formal reporting is through the budget committee, and it is a committee of Cabinet, so I'm not sure how far -

CHAIR - Well, how often does that occur? How often is there a formal report out of that process?

Mr SWAIN - Typically - bearing in mind we haven't been in a normal situation for a little while, but typically it would meet monthly at a minimum and potentially more through the lead-up to the Budget. Of course, outside of that, there are a range of meetings with the Treasurer to supplement the budget committee.

CHAIR - For the budget committee reports, how many - which months have they been delivered in the 2025-26 year to date?

Mr SWAIN - We're not in a normal budget situation. Normally the budget mightn't change but [inaudible] authority. Normally you would have eight to 10 months to put a budget together, there'd be a lead-in process -

CHAIR - I'm talking about tracking against budget, not about that. Let's stick with the question.

Mr SWAIN - In the context of a budget that's being put together in 11 weeks. There's been August and September reporting. There's been an August report and a September report that's about to occur.

CHAIR - The reports indicate then that we're on track for spending in the departments? And you mentioned previously, the reason I asked this is about, are we tracking against the expenditure against the supply bills?

Mr SWAIN - We're tracking okay against the supply bills overall, but we do obviously the parliament has an important task to get the budget, but there are overs and unders.

CHAIR - When you look at the tracking against the supply bills, where are the overs? Which departments have overs already?

Mr SWAIN - I'd say risks; there are known risks in some departments.

CHAIR - Which ones, I'm asking.

PUBLIC

Mr SWAIN - One of those is DCYP, and that is the relating in part to the out-of-home care and child services area; there's a range of risks in that area.

CHAIR - Any others?

Mr SWAIN - That's the front-of-mind risk, I have to say.

CHAIR - Sorry, I'm just interested in that we've got a supply budget that runs out in December, hence we're here with the Budget as is right and proper. I'm just interested in what reports you get, Treasurer, in relation to the tracking of against appropriation in the supply bill across each department.

Mr ABETZ - I expect to be told in the event that things are off track.

Mr SWAIN - If I could just say, as well as the formal reporting that I have had through secretary's board and with a number of the secretaries who are of the larger agencies just had an informal arrangement to request that they advise me if they become aware of any significant realisation of over-expenditure risks, and there's been nothing raised outside of what's being reported to the budget committee.

CHAIR - Is health tracking online with their supply bill.

Mr SWAIN - I believe health is tracking okay at this time.

Ms O'CONNOR - We know that Marinus has been identified as a risk in the Budget - future funding for Marinus. Do you have the modelling that was undertaken for the whole-of-state business case? It shows that Hydro will return about \$470 million to the state budget in future years, and the question was asked of the minister for energy in the other place, and we thought, Treasurer, you might be in a better position to answer it.

Mr SWAIN - The whole-of-state business case was Treasury advice. It obviously contains a range of very sensitive information including noting the fact that the Commonwealth also has ownership of Snowy Hydro, which is a direct potential competitor to Hydro. That number that you mentioned is a nominal on-average return, so it just needs to be understood on that basis.

Ms O'CONNOR - Based on what?

Mr SWAIN - A whole range of modelling that we did. We effectively started with the modelling that the businesses had done and then we got some independent modelling done around that and looked at a number of different scenarios.

Ms O'CONNOR - Is the committee able to see any of that modelling?

Mr ABETZ - I doubt it.

Mr SWAIN - It's set out in the whole-of-state business case, which I believe is redacted.

Mr ABETZ - Nothing has been provided of that.

CHAIR - Lots of the modelling redacted?

Mr SWAIN - There are some commercial sensitivities in it because Hydro doesn't want to signal to its competitors what its future trading strategy will be to maximise its profit in the national market.

Ms O'CONNOR - Was the modelling inclusive, for example, of any climate projections, any of the information that's provided in the state climate risk assessment or the National Climate Risk Assessment which shows that there'll be - over the next century - significant impacts on hydro storages.

Mr SWAIN - Treasurer, I'd have to take that on notice. I believe hydrology was considered in the hydro modelling which we then reviewed, but I would have to confirm that.

Ms O'CONNOR - Okay. I would have thought it was a given and understood that was factored into the model, if you want to have accurate modelling.

CHAIR - He said he would take it on notice.

Ms O'CONNOR - No, but it sounds like there's an uncertainty about whether climate was factored in, which would surprise me. Particularly, for Hydro.

Mr SWAIN - Well, I mean, just remember -

Mr ABETZ - Just take it on notice.

Mr SWAIN - Obviously within limits, if there's extremely dry years for year after year that would be problematic, but that modelling is about maximising financial outcomes. One of the reasons that - I mean it's quite intuitive - one of the reasons that whole-of-state business case says that Marinus is likely on average to produce returns is that you have installed capacity already that you don't have to spend capital on -

Ms O'CONNOR - In the dam?

Mr SWAIN - No, in the generation plant with Hydro and you have a fuel cost which has an opportunity cost but has a financial cost of \$0. You're paying \$0.00 for the capital and \$0 for the fuel and you're releasing the installed capacity that's in the Hydro system already. A lot of that is about being able to trade the energy into the market at the right point of the day, week, month and year. It's not just supply. Physical supply is clearly important, but it's not the only determinant of value.

Ms O'CONNOR - Has Treasury tested Hydro's projections and assumptions?

Mr SWAIN - Yes.

Ms O'CONNOR - OK, and so you're comfortable with that number \$470 million returned from Hydro in the out years.

Mr SWAIN - That number came from the whole-of-state business case, so yes. It's a nominal average return. The key point is it will vary year-to-year and there are some important

assumptions. One of them is that the national market's design is not fundamentally changed. There are some important assumptions in it.

I can't stress enough that it is an average return. The importance of that is - Treasury's advice will be that the return shouldn't be spent in advance. They need to be - I suppose from Treasury's perspective - they need to occur and then be managed through the budget process when they've actually occurred, not pre-committed, because in a given year they may not emerge.

Ms O'CONNOR - In terms of unfunded costings. There's a whole range of them associated with the Macquarie Point stadium project which has been identified by Treasury. Including, for example, the \$75 million for the northern access road, the rapid transit, pedestrian access infrastructure, the two-storey car park into the mud of the river. Should the stadium be approved, how does the government plan to fund those extra costs, given that there's no allocation for them and we're churning towards \$13 billion net debt within a few years?

Mr ABETZ - The northern access road is funded already and that was under the Hobart City Deal 2019 or 2018.

Ms O'CONNOR - That money is in the bank?

CHAIR - It's in the Budget.

Mr ABETZ - Yes, it's in the Budget, and as I had occasion to say the other day: no stadium, no team, but the northern access road, yes. It's going to happen irrespective. That said, the stadium will of course leverage off the benefit of the northern access road should it be built. It will be built in any event, irrespective of the stadium's approval.

Ms O'CONNOR - Getting back then to all those unfunded extra costs associated with the stadium which have been identified by the Planning Commission and by Treasury. What's the plan for that, should parliament make the mistake of approving the order?

Mr ABETZ - It won't be a mistake. It'll be a very positive thing.

Ms O'CONNOR - We're talking your budget disaster; it will be a mistake.

Mr ABETZ - That aside. With the footpath, as I understand it, that is not a requirement -

Ms O'CONNOR - Keep pulling out little bits.

Mr ABETZ - Well, you mentioned individual items. I debunk each individual item and then you accuse me of pulling out individual items.

Ms O'CONNOR - There's a whole suite of unfunded extra infrastructure and works that are required.

Mr ABETZ - Out of that list, two of them I've already debunked in relation to the car park and we have Macquarie Point Development this afternoon.

CHAIR - Would you rather that question be posed then?

PUBLIC

Ms O'CONNOR - I think he should be able to answer it. This is a Treasury question.

Mr ABETZ - We and the Macquarie Point Development are confident and satisfied that the figures that have been provided and put forward will allow the stadium to go ahead. As to the so-called extra costs, I debunked them during the stadium debate in the other place -

Ms O'CONNOR - Are you saying they don't exist, or that they'll be funded by debt?

Mr ABETZ - They don't exist, like the northern access road is already funded. The footpath is not necessary. The car park - I don't have my head around that.

Mr SWAIN - The car parks would have to be a question to Macquarie Point Development. I think they're looking at the extent to which they can get commercial funding into that.

Ms O'CONNOR - They've had such great luck with private interest in the stadium project so far.

CHAIR - That's a statement. Can I go to unfunded things, Treasurer. I am sure you're very aware, as a shareholder minister, of the challenges facing TT-Line. You say they're not insolvent; the Auditor-General says they are. On what basis do you make that claim they are solvent?

Mr ABETZ - On the basis that they're able to pay their debts as they fall due. Let me preface my remarks by saying I have full faith and confidence in the Auditor-General. If I may quickly divert, when I was a lawyer I had full confidence in the Chief Justice, but the Chief Justice sitting individually sometimes made a decision which the full court would overturn -

CHAIR - Can I go back to the question, Treasurer? The question is about the solvency of TT-Line. You say they're solvent; you disagree with the Auditor-General, who has formed an opinion based on their capacity to pay not just their debt this year, but also looking forward. Clearly they have debt to finish berth three, and debt associated with running the four vessels at the moment, with *Spirit V* being currently in Leith in Scotland. On what basis do you say they're solvent without additional government injections of equity to keep them going?

Mr ABETZ - That's the important point isn't it; that as shareholder ministers - and I don't think any Tasmanian, irrespective of the hue of the government that might be in place, would ever allow TT-Line to fail.

CHAIR - That's not the question.

Mr ABETZ - No, but it's an underlying foundation. And if that is the underlying foundation, that no government irrespective of its hue would allow it to fail, it means that it will continue to be able to pay its debts because the government will ensure that is the case.

CHAIR - How do you do that? How do you as government ensure they have the money to pay the debts? Not just this year as they have a bit of headroom in their borrowing at the moment, and they have \$75 million which will tide them over for a short period. How do you ensure their solvency in the out years, because we're talking about this Budget here, which goes out to 2028-29. How do you claim that they'll be solvent in 2028-29?

PUBLIC

Mr ABETZ - The government will monitor TT-Line on a regular basis, and as in this Budget, if there were a requirement of \$74.5 million equity injection, that is what you do, if I can use the term, to 'keep the show afloat'. The board of directors -

CHAIR - Isn't it likely that they'll need that in the years beyond just this year?

Mr ABETZ - The board of directors, with each one of them highly qualified and experienced, are very mindful of the consequences to them personally if they were found to be running an insolvent company.

CHAIR - Treasurer, I'm asking you.

Mr ABETZ - No, you asked me whether I was satisfied that they were solvent, and sure, we have the Auditor-General, who found -

CHAIR - No, I asked you how you are going to maintain that solvency in 2026-27, 2027-28, and 2028-29, without any further allocation of funding to assist?

Mr ABETZ - When and as, if it is required. As I said, a government of any hue will make that capital injection -

CHAIR - How likely is that needed for TT-Line, in your view? Looking at their projects on foot, their capacity to increase revenues, and the value of the vessels.

Mr SWAIN - If I could just add a bit of process to this discussion? Treasury and TASCORP, which I wear another hat in relation to, will meet with TT-Line - I think we have not actually put it in place yet, but it will be during December - to go through where TT-Line has got to in terms of their capital review and financing review work that they've been progressing for two or three months. That will translate into ongoing discussions between TT-Line and TASCORP, as their lender, about what their lending limit is in the context of that report, and the \$75 million of equity.

In relation to Treasury, Treasury is likely to give some advice - likely will give some advice to the government in the lead-up to the next Budget informed by those discussions. So, we haven't worked through that process and haven't yet given the Treasurer advice on that matter, but we fully intend to.

CHAIR - Looking at the work - project of TT-Line, is it likely that there will need to be further equity injections to keep TT-Line afloat - with every pun intended there?

Mr ABETZ - Look, I'm not going to speculate on that. Suffice to say we will monitor it, but can I go back to the original question? The full board of directors - they have a lot riding on their reputation and their future saleability in the marketplace. If they were trading in an insolvent company, there would be huge consequences for them personally. That said, just to make sure that they weren't misleading themselves, they have got independent advice as well, which has reassured them that their assessment is correct. And so, look, is the Auditor-General's commentary on this valuable? Yes, it is. But is it the be-all and end-all? With respect, no it's not, and what we -

PUBLIC

CHAIR - But it does rely on the government being willing to provide extra additional equity to enable them to continue to meet their commitments as and when they fall due, which is insolvent?

Mr ABETZ - And the government is willing, of course - as I said, a government of any political hue would be willing to do that which is necessary to keep the show going. The TT-Line board, new CEO, new management, and can I say, the outfit we have now running the TT-Line to that which was in place before - sort of chalk and cheese, I've got to say, and I'm sure -

CHAIR - There's no indication in your Budget here that it's likely that additional funding will be needed, because if it is, it's going to create another pressure on an already-stretched Budget, where we've seen other expenditure pushed out and an expectation of cutting a lot of employees from the public service.

Mr ABETZ - And they are, as a board and CEO, et cetera, looking at how they can run a more efficient enterprise, and so -

CHAIR - But their concern is not with the state Budget; that's your concern. I'm asking you as Treasurer. We can ask them in a week what they're doing about it. I'm asking you as Treasurer: if there's additional funding required, which is highly likely, additional equity transfer - and Mr Kanofski said himself that it would be - \$75 million would last 12 to 18 months. The forward Estimates go a lot longer than that.

Mr ABETZ - But as a government looking at what might need to be put in, we are comforted by the fact that the board and the CEO and that management realise that they need to ensure that it becomes a more viable organisation, and, therefore, the demand on the state budget will be limited.

Mr SWAIN - Just a couple of points. There are a couple of timing considerations here that are important. When the Auditor-General responded to the requirement that he form a view on this matter, obviously the Budget hadn't been brought down, so he had no visibility of whether there would or wouldn't be anything in the Budget to deal with this matter, and when Treasury gave the Treasurer advice about the quantum of funding to put in for equity this year, we had imperfect information, because that capital financial evaluation process had begun but wasn't concluded. There was a provision recommended that the government adopted -

CHAIR - It may not be enough in the long term.

Mr SWAIN - We have recognised in the risks section on page 86 that the TT-line is a specific risk. Just to your point globally, if you think about TT-line's key capital items, its two ships are its biggest items and its berthings -

CHAIR - Two new ones.

Mr SWAIN - are the next biggest, so you have an entity that was recapitalising all its major capital items which -

CHAIR - Under the watch of this government.

PUBLIC

Mr SWAIN - then had a well-discussed increase in costs, and a delay in additional revenue because of the delay with the boats, so it's not surprising that it is experiencing some financial challenges.

CHAIR - I'm just going to go to another area. Just going back to the point that you've talked about, Treasurer, in that you've had a compressed time frame for this Budget and so-called interim Budget. How has the compressed time frame affected the quality and rigour of the Budget development? What normal processes were truncated or omitted in its development?

Mr CRAIGIE - Well, the budget papers are a full set of budget papers. The government had the benefit of having a May Budget not passed, so there was a lot of work done. A normal budget process has a significantly longer time frame where you get agency submissions, presentations from agencies to the budget committee and then time for the budget committee and the Treasurer to look at those submissions and what's funded and not funded. That happened in the lead-up to the May Budget, but the election disrupted that.

CHAIR - Was that work fed into this Budget or was it redone? I'm asking you what was truncated about this process.

Mr CRAIGIE - No, that was not redone. We did not go back to agencies and ask for a new round of submissions. We leveraged off the work that was done. We did go back to agencies for risks and other updates, but not for budget submissions.

CHAIR - So the only part that was truncated, then, was -

Mr CRAIGIE - Well, there was a significantly shorter time frame and there is some, I guess, decay in the value of information from May.

Mr ABETZ - And the outcomes - there were all the outcomes within the annual reports tabled on 31 October -

CHAIR - But they're not included in the budget papers, I might add.

Mr ABETZ - No, no. They're not in the budget papers because the Budget was delivered after 31 October, so that was a truncation as well. The gender statement which was delivered with the May Budget was still relevant to the interim Budget -

CHAIR - You didn't mention that in your speech at all - the fact that it was still relevant. It just disappeared altogether.

Mr ABETZ - I could have banged on for an hour. I went for - what was it? 32 minutes and 5 seconds, I think I was told.

CHAIR - Wasn't it important enough to mention that we didn't redo it because it's still relevant?

Ms LOVELL - You could've gone to 35 minutes and mentioned it.

PUBLIC

Mr ABETZ - Because it's still relevant, it remains relevant. I could have gone through a whole host of issues and said, 'This remains relevant, this remains relevant, this remains relevant.' If I didn't point out the obvious, that it remained relevant, then I apologise. It was like the key performance indicators. They're there on the public record.

CHAIR - I have another one for this line item, but Cassy, did you want one on this line item? I'm going to move on to 1.2 shortly.

Ms O'CONNOR - Sure. Well, I'm interested to know whether there's been any contact with government from credit rating agencies given that -

CHAIR - That's under a different line item. We will come to that - 1.3.

Ms O'CONNOR - Well, it's also budget development and management -

Mr ABETZ - I can try to answer that now. Yes, there has been. I've appeared before both Moody's and Standard & Poor's, as has Treasury -

Ms O'CONNOR - When was that, sorry?

Mr ABETZ - That would have been last month? Was it October?

Mr SWAIN - The most recent interaction was with Treasury.

Mr ABETZ - With Treasury, yes.

Mr SWAIN - Which was the day - I'm just trying to revisit - after the Budget, day before?

Mr SWAIN - The day before where we did presentations on the Budget to both Moody's and S&P and just walked them through what would be likely to be in the Budget.

Ms O'CONNOR - Was there any, and we will get to this, but was there any indication that they were looking to downgrade us further, given that we're the one state in the country that has a negative credit rating?

Mr SWAIN - Both were on -

Mr ABETZ - They were on negative watch.

CHAIR - None says negative in your budget papers.

Ms O'CONNOR - It says negative in the Budget.

Mr SWAIN - We're on negative watch with both S&P and Moody's, and they do have concerns in relation to the level of debt and the level of expenditure that is going to debt repayments. That is evident -

Ms O'CONNOR - And borrowing to pay for borrowings.

Mr SWAIN - That is evident in them putting the state on negative watch.

PUBLIC

CHAIR - Can I just clarify that point, Cassy? Because in the 2024-25 Budget it was stable, and in the 2025-26 Budget it's negative. You say you're on negative watch, but the recording in the budget papers has gone from stable in 2024-25 to negative. So, you're saying that they're on negative watch with a negative rating? Is that what you're saying? Because that's what your budget papers say.

Ms O'CONNOR - But we are doubly negative.

Mr ABETZ - Yes.

CHAIR - So, we're already on negative?

Mr SWAIN - We're on negative watch. We are.

CHAIR - On negative watch, on negative? Correct?

Mr GOURLAY - I'm not sure what that terminology means, but we've got our rating and our outlook is negative.

Mr ABETZ - That's the state A2 [inaudible]

CHAIR - Right. So, we've got a negative rating with a negative outlook.

Mr SWAIN - There's only one negative.

Mr ABETZ - Two negatives make a positive, hah.

Ms O'CONNOR - Oh, I'm sure. Can I just ask, did you happen, Treasurer, to read the article in *The Sydney Morning Herald* and *The Age* a couple of weeks ago by journalist Shane Wright, who painted a really -

Mr ABETZ - Yes, by Shane Wright. Yes. Great headline -

Ms O'CONNOR - Well, it painted a really alarming picture of a state that's essentially on the brink of bankruptcy. I mean, there was some talk in the article of federal bailouts. I mean, how close to the reality is that assessment? We're now in the national media as a sort of nearly bankrupt state, and you want to build a multibillion dollar stadium? It just doesn't add up.

Mr ABETZ - Well, it comes back to the stadium.

Ms O'CONNOR - In many ways it does, because it's emblematic of your government's recklessness.

Mr ABETZ - Good luck to them. We then have other people saying killing the stadium will do little to fix the debt, which is an editorial, so -

Ms O'CONNOR - An editorial in the *Mercury*, which is -

CHAIR - No, that was in *The Advocate*. But he's right...

PUBLIC

Mr ABETZ - No, in *The Advocate*. In the north-west, you see - the Chair's home territory.

Ms O'CONNOR - Okay, sure. The great economic analysis of *The Advocate* newspaper -

Mr ABETZ - It was an opinion. It was an opinion of Shane Wright and the Fairfax papers, who seem to have a particular view of the world, but I can assure you -

Ms O'CONNOR - Based on the numbers before them.

Mr ABETZ - But I can assure you that we are not in a position of needing a bailout. It was a cheap headline. Good luck to them, et cetera. But, if the federal government, in coming back to this - if they were to fund health as they had promised, things would be somewhat better.

Ms O'CONNOR - So, there's nearly \$610 million allocated in this year's Budget towards the stadium. Shortfall in health is identified in the budget papers as being around \$640 million. So, two quite similar numbers.

Mr ABETZ - It is spread out over a number of years over the forward Estimates, that amount, and I accept that. But on top of that, of course, if we don't go ahead, we miss out on the AFL's 360, just as an example.

Mr SWAIN - Can I just provide a bit of context? Just important that on Moody's and S&P, with the third- and second-highest rating possible in relation to S&P, we are the same as Queensland and New South Wales, and like all states and -

Ms O'CONNOR - Same what?

Mr ABETZ - Rating category.

Mr SWAIN - The same rating. And in relation to the broader context of securing debt, the states and territories are all supported by the AAA rating of the Commonwealth, which is one of nine in the world. You know, we're still - we are in the position of having a rating or ratings that are under pressure but offer a very strong starting point.

Ms O'CONNOR - Thank you.

Could I ask, Treasurer: if you accept the basic premise that to build a stadium funded by borrowings ultimately means service cuts, and that's what the Planning Commission has made really clear. So, it's about the choices that are manifest in this Budget - the blank lines in the out years, the underfunded agencies. Do you accept the basic reality that to build a stadium at public cost, apart from debt servicing costs, means that governments in the future will need to make choices, and those choices will lead to service cuts.

Mr ABETZ - No, I don't. Any infrastructure project that we engage in will incur public expenditure. There's no doubt about that.

Ms O'CONNOR - At this scale, though?

PUBLIC

Mr ABETZ - It will be an infrastructure project that will be an economic enabler. It will assist in a whole host of areas for our economy. It will provide confidence and self-esteem, and people will know that Tasmania is a place where you can invest. We will have at least one, if not two, new hotels being built on the back of stadium approval. It's those sorts of extra enablers that cannot be overlooked in all this.

Might I add that, in the forward Estimates, this year it's a relatively small amount, then there's next year, and it builds up to the big build. Do we ask those questions about the Brighton School or the Legana School or the Bridgewater -

Ms O'CONNOR - The Bridgewater infrastructure, necessary critical infrastructure, versus a stadium; our third one?

Mr ABETZ - As you well know, and all the experts have told you, that if you want the anchor tenet for the stadium, which makes it stack up - and the stadium is multipurpose, it will be of benefit for a whole range of activities - but you need an anchor tenant; the AFL has said quite clearly that either Bellerive or York Park cannot and will not be sufficient for an actual home base.

Ms O'CONNOR - It's not the view of the AFL Task Force. Can I just ask the final question on this line of questioning, Chair? When the Tasmanian Planning Commission final report came out, based on a costing at that time estimated at \$945 million, the Premier on that same day, I think, came back and said our new projected cost is \$1.13 billion to construct the stadium. That's now a couple of months ago, and those costs will have risen. Have there been any new costings requested or undertaken so that Treasury and you, as Treasurer, have a more realistic picture of what it might cost to construct our third stadium?

Mr ABETZ - You should be asking that later this afternoon with the Macquarie Point Development, but -

Ms O'CONNOR - You're the Treasurer.

Mr ABETZ - I'm aware of that. Thank you for reminding me. That's very helpful.

Ms O'CONNOR - Why would we ask a GBE?

Mr ABETZ - Because they're the ones that have done the costings that were then provided to government.

Ms O'CONNOR - And the last ones for \$1.13 billion, were they?

Mr ABETZ - That's right, and there is contingency built into that. They've also indicated the cost of delaying the project; how that has and will continue to increase the cost, but that has now been, with contingency, factored in. These things are never absolutely certain, like the building of a bridge or a school -

Ms O'CONNOR - It is certain that the cost of it will increase.

Mr ABETZ - Well, that's your assertion, and time will tell.

Ms O'CONNOR - No, it's just rational.

Ms THOMAS - On the same topic; as Treasurer, as part of the budget development process, did you ask Treasury to model the renewal costs and operating subsidies that would result from adding a new stadium to the government's balance sheet?

Whether it's sitting on the balance sheet of the Macquarie Point Development Corporation, or Stadiums Tasmania, wherever the asset sits, there will be ongoing operating costs, and likely subsidies required by the government to meet those costs. Have you asked Treasury to model those, and where are they included in the forward Estimates?

Mr ABETZ - That's a fair question, and that is something with every infrastructure project, maintenance costs, et cetera. It's interesting that it seems that it's only for the stadium that those sort of extra costs -

Ms THOMAS - With respect, Treasurer, we're not usually asked to make planning decisions on other significant infrastructure projects, so that's why we're asking.

Mr ABETZ - It's not the planning. The planning is one issue. Economic viability, with respect, is another issue, but I'll pass to the secretary.

Mr SWAIN - I've just got a couple of comments. In relation to the capital costs, Treasury is involved in an oversight steering committee which keeps abreast of where Macquarie Point is at in terms of its capital delivery. The next major point, which you'll probably hear this afternoon would be when they go to market and test the market.

With a background in capital delivery, you can have an improving view on capital cost as you work through scoping and development, but your key point is when you go to the market and see what people will contract for and to deliver.

Ms THOMAS - I had moved on from capital cost. They were the member for Hobart's questions. I was talking about operating and the subsidies required by the government ongoing.

Mr SWAIN - In relation to operating costs, they are outside of the forward Estimates and, no, we haven't done detailed modelling on that. We have in relation to a request from Mr Bayley, done a little bit of work for the Treasurer in relation to future interest rate costs, but we haven't done modelling on the site.

CHAIR - Do you intend to do that?

Ms THOMAS - Treasurer, do you think that is something you ought to be asking Treasury to model? So that you, as Treasurer, have a full understanding of the impact on the budget of the ongoing operations of this proposed stadium?

Mr ABETZ - Those sorts of costs are something I dare say would be, I'm just trying to think this out, whether MPDC would be better or Stadiums Tasmania might be better because they have an understanding of what actual costs might be involved being the operators of stadia.

Mr SWAIN - It is similar to the corporate planning process I described earlier. The responsible entity would do that planning work and then Treasury may be asked to review it.

Mr ABETZ - That's what I thought.

Ms THOMAS - But as Treasurer, you accept that there will likely be a need for ongoing subsidies to Stadiums Tasmania, Macquarie Point Development Corporation, wherever the asset sits to fund the ongoing operations and renewal of the asset, noting that Stadiums Tasmania doesn't have significant revenue streams to cover that.

Mr ABETZ - There will clearly be costs as when you build a new road, guess what, if they've got maintenance costs over the years to fill potholes do weed reductions and so, that is part and parcel of doing normal business.

Ms THOMAS - You will need revenue streams coming in to pay for those.

CHAIR - Roads don't have other operating costs though. They don't have power bills; they don't have grass growing requirements. There's a whole heap of things that are different from a stadium than a road.

Mr ABETZ - Yes, but as as Stadiums Tasmania and MPDC are of the view that those costs are all part and parcel of the operations that will be recovered.

Ms THOMAS - Do you accept there will be likely ongoing equity injections required from the government to fund the operating and renewal costs of the stadium?

Mr ABETZ - There will be, how they will be funded is the question, and then the question is the extent of it. It is like when you build a new road, there will be the ongoing costs of different maintenance of that road or if you build a school when it needs a new lick of paint or whatever, there are always ongoing costs.

Ms THOMAS - You always have to be sure as a government. Do you accept you need to be able to have sufficient revenue coming in to fund those essential services?

Mr ABETZ - You need sufficient room in the budget to be able to do it, yes.

CHAIR - Before we move on to 1.2, I just wanted to take you to the last page in the budget paper 1, which is the general government expenses from the transaction by purpose. I note in this that health expenditure is only planned to increase by 5.6 per cent by 2028-29.

But when we look at the risk sections in the same budget paper, it states that increases in demand for and costs for health activity in recent years has resolved in most states and territories, including Tasmania, because this compares across the country, clearly exceeding the 6.5 per cent growth cap, while education expenditure is expected to increase by 8.8 per cent and general public services expenditure by a large 38 per cent.

What is the reason for this significant increase in expenditure on general public services, particularly in 2026-27?

Mr ABETZ - From 657 to 919 - that's what you're referring to?

CHAIR - Yes, that one first.

PUBLIC

Mr SWAIN - That's the catch-all category that picks up everything that's not in one of the others. I think we would have to take that on notice and come back to you.

CHAIR - So we can have a breakdown and to be clear on what we're asking for, under the general public services section or line item there, what various expenses by transactions by purpose drive that change?

If you go to the health, as I said, it only predicts an increase of 6.5 per cent when the risk section sort of suggests increasing pressures on health. Even if it were just the cap percentage that was used, this would suggest that health expenditure is expected to grow by 26 per cent over the Budget and forward Estimates period.

How can the budget Estimates have any credibility if there's a gap of 20 per cent between the likely health expenditure and what the government is saying it will spend on health services?

Ms O'CONNOR - Exactly. It's what we've been trying to get to the bottom of.

Mr SWAIN - James has just reminded me, Treasurer, that part of the reason on the health numbers is that those numbers were prepared on the same policy basis. It doesn't factor in potential outcomes from the current health agreement negotiation. You would expect - we will certainly be pushing for - an improvement in the state and Commonwealth's contribution, but because it's not certain, it's not baked in.

CHAIR - We have talked about needing to right-size the public service. Does this suggest then that health is going to have to take a severe haircut to meet the expectations outside of the Australian Government funding situation?

Mr SWAIN - Again, mathematically, health is just over a third of the state's budget. If there is budget improvement required, health will have to make a contribution.

CHAIR - Does that mean that we're talking about frontline services?

Mr ABETZ - The government's been clear on that.

CHAIR - What's the government's position on that?

Mr ABETZ - That frontline services will be maintained.

CHAIR - When we look at the proportion of workers who work on the frontline in health, what is the percentage of frontline workers, nurses, doctors, cleaners, ward clerks, all the people who make a hospital run, all of those across the health department - what is the proportion of those who would be frontline services?

Mr ABETZ - With respect, you should be asking the health department and health Estimates as to the detail of that. I did seek to read out before some of the savings that health thought would be able to be made, which included -

CHAIR - I have that list. I don't need you to repeat that. What are the expected savings from those measures?

PUBLIC

Mr ABETZ - It included reviewing and standardising rostering practices to decrease overtime and agency staff and costs.

CHAIR - That's been a long-going battle for some time -

Mr ABETZ - Yes, it has.

CHAIR - and mostly related to the doctors because there is electronic rostering for others. It's mostly the doctors where that sits.

Mr ABETZ - I'm not sure -

CHAIR - Well their industrial agreement prevented that from being adopted at one stage.

Mr ABETZ - there's electronic rostering for nurses. Anyway, ask health for that.

CHAIR - Anyway, aside from that, what is the expected - you have this list - savings from those measures?

Mr ABETZ - Look, they haven't been, as I'm aware, individually assessed.

CHAIR - You don't have a high-level figure though that would be looking at what this could probably achieve?

Mr ABETZ - Not from my perspective, but health.

Ms O'CONNOR - Can I ask on the service cuts?

Treasurer, are you able to outline to the committee how many FTE positions last financial year and this financial year today have been subject to recruitment freezes, targeted negotiated voluntary redundancies, any other form of redundancies and any other vacancy management or workforce renewal initiatives resulting in positions being eliminated or unfilled? Does Treasury have that sort of holistic list across agencies?

Mr SWAIN - We have some of that information, but I was just saying to the Treasurer, is that a matter for the Premier to answer? You will have his SSMO, who will be effectively the source of truth on the numbers. We talk to SSMO and reconcile the numbers between the budget branch and SSMO, but SSMO is the source of truth on those numbers. It might be better -

Ms O'CONNOR - There are no numbers that you'd be prepared to provide for us now? Obviously, the opportunity is to ask the Premier in other committees, just for some sort of colour around this scenario.

Mr CRAIGIE - Treasurer, through you, I've got a response to the general purpose. To your question around the increase in general public services, the increase in 2026-27 is \$262 million: that's made up of a \$106 million increase in finance general-debt servicing costs output and \$169 million increase in finance general-local government grants output. If I refer you to page 79 of BP2 volume 1, which is the finance general chapter.

PUBLIC

Under table 5.5 administered expenses, the third line item, local government grants, jumps significantly from 2025-26 to 2026-27. That's predominantly due to the timing of when the Commonwealth pays those grants. We budget for them on an annual basis, but they often, in a financial year, will bring forward a half-yearly payment and pay it. We get sort of two payments in a year. That's why that forward estimate is so much higher, and then it reverts back to a normal time, a normal -

CHAIR - The reverting back then, if I might, Treasurer, it's still higher, obviously, but that continues the debt repayment.

Mr CRAIGIE - The debt cost is forecast to go up across the four estimates. That drives the general upward trend -

CHAIR - The underlying rise, yes.

Mr CRAIGIE - but the reason for the significant blip is the timing of the local government grants.

CHAIR - Thanks for that. We won't need to put it on notice.

Mr SWAIN - I've got a number for change from June 2025 to September 2025, which is for GGS, which is from \$33,542 to \$33,601, so 59.

Ms O'CONNOR - June to September, this year?

Mr SWAIN - Yes, the employment freeze started in March, I think, I don't have that number to hand.

Ms O'CONNOR - Is that 59 targeted, negotiated voluntary redundancies?

Mr SWAIN - No, that's the change in FTEs in that time frame. It's very low.

Ms O'CONNOR - Fifty-nine FTEs less over three months?

Mr SWAIN - There's been one WRIP that I'm aware of in another agency.

CHAIR - Which stands for?

Mr ABETZ - Workforce renewal incentive program.

Mr SWAIN - Workforce renewal incentive program. Thank you, it just took me a moment. I have some additional information we were able to find during the break in another folder. It may be of interest, just more broadly: the GGS FTE numbers at June, 2015 were 23,671 which have moved to June 2025, 33,359.

CHAIR - What were they in 2019?

Mr SWAIN - In 2019, I don't have that number. I have 2021, which is 28,000.

CHAIR - I want the number just before COVID.

PUBLIC

Mr SWAIN - Sorry, I haven't got -

CHAIR - Can you get that figure?

Ms O'CONNOR - June 25 was -

Mr SWAIN - We could get that figure, but I haven't got it now.

CHAIR - We're going to take a short break. I wonder if you might be able to come back with that figure, but that is the relevant figure that we should be looking at.

Ms O'CONNOR - Which one?

CHAIR - Just before COVID.

Ms O'CONNOR - Just for clarity, between 2015, so within that 10-year period of time, FTEs in the general government sector went from 26,000 -

CHAIR - No, 23.

Mr SWAIN - 23,671.

Ms O'CONNOR - To June 2025 -

Mr SWAIN - To 33,359.

I think when we are able to get you that pre-COVID year, I think what it will say is there has been significant growth, particularly since COVID. What we're talking about, in relation to 2800 is returning back to that pre-growth number. But we will get that number.

CHAIR - If it's possible to get every number, so that there is 2016-17, 2018-19, and then subsequent to COVID.

Mr SWAIN - Yes. Sorry, Chair, my only nervousness, if I can put it on the record, is that the numbers I've got are GGS, whereas the SSMO numbers will actually be slightly different, because they will have things like police, who are not in the GGS. If there are differences in our numbers to SSMOs, that will be why. It's a definitional thing.

CHAIR - Ok, thank you. We'll take a break for 15 minutes and we will come back and go into item 1.2, of which we've touched on some areas, like financial management and accounting service, but there are some other matters in that line item that I'd like to pursue.

The committee suspended from 11.01 a.m. to 11.18 a.m.

CHAIR - Thanks, Treasurer. I think you've got some answers to questions that you've taken on notice.

Mr ABETZ - Yes. Look, if I may, in relation to the member for Elwick and election promises - I, in fact, read something into the *Hansard* in the other place the other day which said:

We are working through the varying complexities of each of our commitments, but as the Premier outlined to the House this morning, we are committed to delivering our election obligations and are willing to engage and work with each of our stakeholders on how we will meet our commitments.

It will be on a case-by-case basis that we will be discussing the commitments. In relation to -

Ms THOMAS - My questions on notice still stand, though.

Mr ABETZ - Alright. In relation to the member for Elwick, in relation to operational costs, Stadiums Tasmania has indicated that it is of the view that the operational side will be self-funded. It will be the maintenance issue that you refer to, which is still on notice.

The member for Hobart asked about the extra costs on the stadium and gave us a list of things. If I may quickly - the northern access road; I've dealt with the car park. It is not required for the operation of the stadium. The event buses - and I've dealt with that in the other place - is \$49 million that has been asserted. That is very questionable because it's allocating the full cost of uplifting the school bus fleet to disability compliance standards in full, and allocating that to the cost of the stadium is, with respect, unreasonable.

The TSO funding is already in the 1.13 figure.

The footpath widening - no changes to Davey or Collins Street are required from our pedestrian modelling to service that.

Then, coming to the numbers of public servants - paid FTEs, general government sector:

- 2015: 23,671,
- 2016: 24,297,
- 2017: 25,016,
- 2018: 26,100,
- 2019: 26,970,
- 2020: 27,727.

I think I was asked about redundancies as well -

Ms O'CONNOR - Yes, by category.

Mr ABETZ - Oh, by category. I can't - no, I don't have - I'll keep taking that on notice.

The targeted and negotiated voluntary redundancies:

- 2022-23 were 14,
- 2023-24: 21,
- 2024-25: there were 3.

Workforce Renewal Incentive Program:

- 2022-23 were 16,
- 2023-24: 9,

- 2024-25: 8.

I think that is it. Thanks, Chair.

Output Group 1 - Financial and Resource Management Services

1.2 Financial Management and Accounting Services

CHAIR - Okay, we'll go to line item 1.2, 'Financial Management and Accounting'.

Treasurer, I do note that this covers funding for the public account reporting and management system. How much has been expended on this system to date?

I'll also ask what the total estimated cost is, because they're going to be in the same brief, I imagine.

Mr SWAIN - The total funded projected is \$7.57 million being funded through the government's Digital Transformation Priority Expenditure Program.

What I'm just looking for is the spend to date. Sorry, here we go. Up to 30 September 2025, \$770,000 has been spent from the project, primarily relating to salaries and consultant costs.

CHAIR - And what progress has actually been made, then, on it?

Mr CRAIGIE - Through you, Treasurer: There have been a few delays to the development of the project, as other priorities have pushed the project out. The rollout of e-invoicing required work to the base finance system - we had to move to a new version of our finance system that was web-enabled to enable e-invoicing. So, there are a couple of projects that have forced that one to be deferred a bit.

CHAIR - Is the \$770,000 to date covered those changes, or are they additional costs?

Mr CRAIGIE - It would probably be a mixture.

CHAIR - Okay. Has there been any progress on the development of the actual system now?

Mr CRAIGIE - Absolutely. There's a detailed project specification, and the project is now - with those other two smaller projects completing - is now back to being the primary project and we're anticipating a procurement in the coming 12 months.

CHAIR - When do you expect it to be operational?

Mr CRAIGIE - I haven't got that date in front of me. It depended on the procurement process finding a supplier and the timeline on that. It is a significant project in a Treasury context. As you're aware, we've updated our budget information management system, and this is the actual system. It's a significant project.

Mr ABETZ - Completion in 2029, I'm being told here.

PUBLIC

CHAIR - When do you expect it to be operational?

Mr ABETZ - A procurement is planned to go to market in 2026, with the project estimated for completion in 2029.

CHAIR - In the Budget, the total Estimates cost the secretary alluded to is \$7.57 million. We know how these things blow out. Is that a realistic figure?

Mr ABETZ - To the best of my advice at the moment, yes, but I heed your warning and experience on these things.

CHAIR - With other changes that need to be made, do we have a total cost on those that needed to happen before this could start? You've said some of it's in the \$770,000, but obviously they would have cost more than that.

Mr CRAIGIE - I think we should be able to get those costs.

CHAIR - If it's available now, I can come back to that if you want.

Mr SWAIN - I've just been advised that the 770 is just Paramus. We haven't a briefing on those projects that have completed, but we can get that information.

CHAIR - The 770 is entirely related to Paramus or whatever we are calling it these days?

Mr CRAIGIE - Paramus, yes.

CHAIR - This area covers assessment of risks and associated risk mitigation strategies and the preparation of whole-of-government financial and statistical reports. If I can take you to budget paper 1, page 74 to 78, specifically table 4.1 on page 76.

Can you talk about the risks associated with some of the revenues on page 76:

State taxation revenue estimates are sensitive to changes in a range of economic parameters, such as employment, wages growth, interest rates and inflation.

A bit further on, when it talks about some of our tax bases like land tax and payroll tax and how they are less volatile than conveyance duty;

For example, a decrease in land value on the back of a weakened property market may impact future land tax receipts.

There's also commentary throughout this section of some of the global pressures and we all understand some of those. We don't understand them, but we observe them - some of them.

I'm interested in Treasury's view of our current tax base. You've committed to not introduce any new taxes, but is our tax base sound or are we likely to see deterioration in the revenues we get from that? I notice when we look at say mineral royalties, for example, that's completely flat. There was no predicted increase in that, which is surprising to me. For example, why is that? Because that's one of our ways of raising revenue.

PUBLIC

Ms O'CONNOR - If only we charged what the national average for mining royalties -

CHAIR - That's not the question.

Ms O'CONNOR - I know, but it's an observation.

CHAIR - Let's not get distracted by it. How sound do you think it is and why we're not seeing perhaps projections for changes to that in terms of the amount - not the change to the method, but changes to the amount.

Mr SWAIN - I am looking at my colleague Dean who may have something to add. The mineral royalty testaments, I believe, come from State Growth based on a sort of detailed view, mine-by-mine. So, I don't think I can add much to that.

The general comment I would make, as someone who's been getting across budget matters with some speed in the last 21 months, is that the revenue forecast from Treasury on the tax outcomes are generally very close between the actuals and budgets, so the revenue side tends to be more predictable, with some challenges specifically to the GST revenue particularly driven by pool.

I can't answer your question specifically on mineral royalties, but what I've observed over the last three budgets, one of which didn't proceed, is the overs and unders tend to leave you with a very accurate overall tax outcome to what's predicted. The swing item in the revenue other than GST then becomes the capital payments from the Commonwealth, which come out year-by-year and come in as revenue. They are a little pessimistic in the budget, but don't think there's any fair way to represent them otherwise, because you would simply be guessing about what the Commonwealth might do.

CHAIR - That's in relation to the Commonwealth payments, but I'm talking about our own state tax office.

Mr SWAIN - Yes, sorry. I'm sorry, I was talking to revenue more generally.

The state tax revenue has seemed quite accurate with GST the swing. As you know, capital grants come in as revenue into the budget, but they tend to come in year-by-year as the Commonwealth does their budget, so they look like they fall away through the forward Estimates more than they actually end up doing, is my observation.

I may not have answered your question, Chair. I'm not sure, sorry.

CHAIR - No. We don't know, so we'll ask Tas State Growth about why that might be the case, and we haven't got the right minister.

Looking at the expenditure risk - and this is what you've said is the biggest lever that we can pull - a couple of things I want to talk about is the workers compensation cost and liability pressures. This[inaudible] participant contributions to the personal injury risk category for 2025-26 have increased to \$173.5 million, compared to \$146.8 million for 2024-25 - that's a fair jump - prompting a significant funding allocation.

I will link that one then just to the next pressure that is the public sector wage outcomes, where your budget, Treasurer, provides for a wage indexation of 2.5 per cent, whereas the most - it says in the budget papers here: in September 2025, the Tasmanian government offered a one-year rollover agreement with a 3 per cent salary increase to cover 16 State Service wage agreements. They haven't been agreed yet, but that's still 0.5 per cent higher than what is presumed in this Budget.

We have that pressure that's inherent in the Budget. There is a significant increase in personal injury risk, and we're seeing the actuary has identified that as a major risk to the Budget. We see people being asked to do things with less, and the pressures on workers. How are you going to manage this without blowing out the workers compensation challenge, cut staff, and not pay them what they're due?

Mr ABETZ - Well, we would argue that 3 per cent is an appropriate -

CHAIR - But you're saying 2.5. Your Budget is premised on a 2.5 per cent increase. That's the point.

Mr ABETZ - Yes, and the departments and agencies will need to find those savings within their allocations, that extra 0.5.

CHAIR - Treasurer, the Budget is premised on 2.5. The figures in your Budget that feed into it are based on a 2.5 per cent increase.

Ms LOVELL - So the agencies will need to find the extra 0.5 for the wage offer that's on the table?

Mr ABETZ - Yes, that's it.

CHAIR - When you think about some of the agencies that have a huge staff component - health, education, well most of them really - how are they going to achieve that without cutting staff?

Mr ABETZ - We have been talking about rightsizing the public service, and we've already discussed the figure this morning of 2800. So, there will be a reduction in the size of the public service over the forward Estimates.

Ms LOVELL - Can I ask a follow up on that?

CHAIR - Yes, sure.

Ms LOVELL - Is 2800 the number of jobs required to find that additional 0.5 across agencies? What modelling have you got?

Mr SWAIN - There's two different things. As to the 2.5, there being an implicit efficiency dividend in the Budget is not a new feature for this Budget. It's been there for a couple of years at least.

CHAIR - It makes it harder and harder to achieve.

PUBLIC

Mr SWAIN - I was just going to note that no agency ever has all its positions filled at any one point in time, so, in effect, and as I said before, in Treasury's case, the current turnover is about 12 per cent, so there is a natural salary saving from just churn of staff.

CHAIR - Is that how Treasury saved money this year?

Mr SWAIN - All agencies will use those funds to meet their global obligations and move them around under FMA or otherwise, so this is not related to the 2800; this is an existing efficiency measure that's been in the last two or three budgets, but noting that no agency ever has 100 per cent of its staff employed.

Ms THOMAS - So that 0.5 additional that's required to be found saving to allow for the 3 per cent wage offer, that's not part of an existing efficiency measure, that's a new one in this Budget, is that right?

Mr SWAIN - No, I'm saying that it is an existing one. It was 2.5 last year as well, with a salary increase that was in the EBA of three. So this has been in the budget for two or three years.

Ms THOMAS - But if the increase of 3 per cent is agreed, there will need to be another 0.5 per cent saving found to fund it?

Mr SWAIN - Yes, but I'm saying that in practice no agency ever has 100 per cent establishment, and turnover will range between, I suspect, about 11 or 12 per cent to about 16 or 17 per cent. Those are the numbers I have seen previously.

Ms LOVELL - It's not necessarily a good thing that they're not at 100 per cent establishment, though. There's a number of agencies that would argue that that means they're under-staffed.

Mr SWAIN - Through you, Treasurer, the only way you could be at 100 per cent is if you plan to over-recruit, because you'd have to anticipate people's movements. You would have to recruit at 105 per cent of establishment, which you can't do because you haven't got the funding to do that. It's a feature of our system.

The only other comment I would make, though, is that I did go back - because I'm on the committee that supports the subcommittee of Cabinet that's involved in the wage negotiation -

Mr ABETZ - Is that called PSIRC, or something?

Mr SWAIN - PSIRC, which is SSMO-led, and the Premier is the Chair of that subcommittee Cabinet; but a wage outcome with a '3' in front of it is actually a feature of the last EBA. If you go back over the decade or so before, the numbers have generally started with a '2'.

Ms THOMAS - So if 3 per cent was on the table, why wasn't 3 per cent budgeted for?

CHAIR - That's a question for the Treasurer. It's a policy question.

PUBLIC

Ms THOMAS - If 3 per cent is the offer that's been made to the public sector, why was only a 2.5 per cent increase included in the Budget?

Mr ABETZ - Because that will be part and parcel of the task of the budget repair.

Ms THOMAS - But you've budgeted for something that is different to the policy position of the government.

Mr ABETZ - The various agencies will need to make the appropriate adjustments to be able to deal with anything above 2.5 per cent.

Ms THOMAS - That's not answering my question, Treasurer, because the government has put on the table an offer of 3 per cent. When you've put on the table an offer of 3 per cent, it's very unlikely that they're gonna say, 'Actually we only want 2.5', but what you've put in the Budget provides for a 2.5 per cent increase only. How do you explain that that's genuine budgeting?

Mr ABETZ - Because of the need for budget repair in the various agencies and departments.

Ms THOMAS - That's not a genuine way of asking them to do that. By saying we're going to offer 3 per cent, but budgeting only for 2.5 per cent increase, that's not 'asking' agencies to find a saving.

Mr SWAIN - You could achieve that saving, as I described, through a process if you haven't got your establishment fully funded in one time, but also through efficiency by employing less people. You can have a 3 per cent increase as an agency that is delivered by having increased efficiency that requires you to employ less people.

Ms LOVELL - Which impacts on your service delivery, obviously. That's the point, I think.

Ms THOMAS - When all the departments have needed a budget supplementary appropriation, or a lot of them have in past years anyway, it's not a realistic expectation.

Mr ABETZ - But you see, if we want all departments to be funded to the extent you're suggesting, how on earth do we get onto the pathway of budget repair?

Ms THOMAS - That's not what I'm suggesting. I think there need to be policy decisions made to provide direction to departments about what services are going to be changed, and that's what the departments aren't receiving from the government. I haven't heard any from you about that direction.

Mr ABETZ - All the departments have received in March of this year - was it not, from the Premier? - about recruitment - that there should be a freeze on non-essentials and regrettably the number has still increased and so there will be a lot stronger initiatives.

Ms THOMAS - It's one thing for the government to say you need to cut staff, but if I'm in a department, I'd be saying, well, what do you want me not to do then? That's a policy decision for the government and that's what we're seeing a total absence of. What policy

PUBLIC

decisions are you making to give that direction to agencies as to what you want them to stop doing?

Mr ABETZ - And it is those discussions that are taking place, as we speak, in anticipation of the May Budget. I'll have more to say when we enter the May Budget.

Ms THOMAS - But in the meantime, they've just got to cut staff.

Mr ABETZ - We are working towards that and yes, they will - the rightsizing of the public service - if I might say - should have started a bit earlier after the Premier's direction.

Nevertheless, we are rightsizing the public service and that's the policy decision. Given that it takes up so much of our expenditure, it's only right and proper that that be looked at and each agency and department will need to see how they can deal with that.

Ms THOMAS - But effectively what the government is allowing is for the public service to make the policy decisions about what they stop doing because the government is not providing that direction. The public service is being allowed to make those decisions.

Mr ABETZ - No, no, what we will be doing is discussing these matters with the public service and each individual minister will undoubtedly be in discussions with his/her/their secretary or agency head to determine the rightsizing and how that might be undertaken and once that is done, that will then ultimately come up to Cabinet for a Cabinet decision.

Ms LOVELL - It's that term rightsizing the public service - I think it's fairly subjective and there are a couple of ways you could look at it. You could talk about rightsizing to have the right size public service to deliver the services that are needed by the community, or you could have rightsizing to make it the right size to fit the Budget. What's the driving motivation or angle - which angle are you expecting agencies to approach that from - is it about service delivery or is it about fitting the budget?

Mr ABETZ - Well, it's both. I've noted that -

Ms LOVELL - It can't be both, really.

Mr ABETZ - It can be, that a department can have a look at what were our numbers prior to COVID, what are they now? What are the extra things we've taken on since COVID that weren't being done before COVID, for example, or are there other projects that we've been involved in that have, sort of, run their course and might be able to no longer be considered as a priority. All those detailed discussions will take place with the various secretaries and heads of agency and then ultimately a cabinet will need to make a determination on those considerations.

As the secretary indicated to us, the right size of the public service was the number of public servants per 100,000 of population. When you have a look at that prior to COVID to where it is now, I think we can be all agreed objectively that that has changed considerably, and our aim is, given the size of the public service costs to the Budget, to try to bring that back to that - what do we call it, a ratio? -

Mr SWAIN - Yes.

Mr ABETZ - Yes, a ratio.

Ms LOVELL - What's that ratio based on? I understand the numbers. Is it based on that's the number of public servants required to deliver the services for that size of population or is it about the income the government receives, the revenue that you received from that number of population and that can afford to pay for that many public servants? How is that calculated?

Mr SWAIN - It predates me, but you could argue it was a little bit generous as a kind of productivity expectation because it was on the other side of COVID where there'd already been quite a lot of growth because it comes off the 2022-23 year. It was really a point-in-time metric, if you like, that said there isn't a lot of headroom in the government to afford a higher ratio of public servants to population, so we need to start tracking that and that's what was brought in the fiscal strategies, I understand.

Ms LOVELL - It's about budget, is that the revenue from that number? I don't understand why 100,000? Where does the ratio come from? I'm sorry, I assumed it might be a metric that's used across the country or something.

Mr SWAIN - No, it wasn't.

Ms LOVELL - Why was it 100,000? We're using a ratio to make a big decision about the budget. It would be good to understand where it comes from.

Mr SWAIN - As you'd be aware productivity has been a challenge for Australia across public and private, but it was effectively saying that unless there is a significant shift in the population, there shouldn't really be a need for a public sector that is very different to that when the fiscal strategy was arrived at. I think that was the basis of it.

Ms LOVELL - Does that take into account things like our population is ageing and the services that people might require are changing over that time in terms of our demographics in Tasmania and population growth and who's coming in and out of the state?

Mr ABETZ - I can indicate over recent years the number of GGSFTEs has increased significantly. Total GGSFTEs increased by 40.9 per cent over the past 10 years, 30 June 2015 to 30 June 2025. In comparison, over the same period, Tasmania's population increased by an estimated 11.9 per cent. The population increased by 11.9 and public service increased by 40.9. I think we can be agreed on those figures that some rightsizing is required.

Ms LOVELL - No, not necessarily. That doesn't really answer the question. My question was about demographics -

Mr ABETZ - All the demographics are there that the population -

Ms LOVELL - But that doesn't tell me anything about the makeup of that population. My question was specifically about whether this ratio or metric takes into account the changes in demographics over time and the fact we have an ageing population that will require more services.

Ms O'CONNOR - Highest chronic disease burden in the country.

PUBLIC

Ms LOVELL - Highest chronic disease.

Mr ABETZ - In aged and health care which is, dare I remind you -

Ms LOVELL - No, let's not go back there.

Mr ABETZ - You don't want to hear that's a federal accessibility, and that's why we need more money.

Ms LOVELL - With respect, we've heard that a number of times and that's nothing to do actually with my question, which is about you're talking about public services that are provided by Tasmania. I am not talking about aged care or those things. I am talking about all the other public services that people rely on, which typically older populations will require more services, people with more chronic disease will require more services.

My question is whether that modelling is taken into account in this modelling using this metric which you're relying on to make very big decisions about the size of the public service and the budget.

Mr SWAIN - I have just been reminded that it is one of 11 measures. All 11 measures are meant to give you a picture of fiscal health.

CHAIR - All going the wrong way.

Mr SWAIN - The other other thing that is important is, under the PEFO projection, for example, more and more money is spent providing for interest on debt, which means all else being equal, there will be less public servants. In the default world of not improving the budget, there are also less public servants because the funding that could have gone to funding salaries is going to interest in that scenario.

Ms LOVELL - Which comes back to the question I was asking before about whether it's about rightsizing to fit the budget or rightsizing to fit the need of the community?

Mr SWAIN - Well, I'm just making point that -

Ms LOVELL - I'm agreeing with you. I understand.

Mr SWAIN - If you don't address the budget, you will end in the same scenario anyway of having to have less people.

Ms LOVELL - Yes, I understand that. Back to my question around that modelling on that metric, does that take into account the demographics of the population and how that's changing over time?

Mr SWAIN - It predates me, so I can't really answer that. I don't think it was coming from that angle. I think it was more going as one of 11 measures. We need to see if the public service looks like it is growing more rapidly than what can be afforded. I think that's what it was trying to assist.

PUBLIC

Ms LOVELL - Yes, Okay. So, it's more about the size of the budget than the needs of the population.

Ms O'CONNOR - Back to something - through you, Treasurer - that Mr Swain said, and it confirms what we've been arguing. Mr Swain said there'll be more and more money required to service interest costs and that means, I'm paraphrasing here, there'll be less public servants. It is confirmed that there's a connection between profligate spending, borrowing to cover debt servicing and an erosion of public services.

Your government can say, we will leave the frontline alone - there's never been an adequate definition of what the frontline in service delivery is - but what we've just had confirmed is because of profligate spending and the debt that accrues and what we have to borrow to pay our interest payments, there'll be less public services.

In that context, can't you see how incredibly irresponsible it is to load another \$1.8 billion at least to the state's debt over the next 10 years because you want to build this stadium we don't need?

Mr ABETZ - You have put all your provocative language into that question -

Ms O'CONNOR - You're welcome.

Mr ABETZ - Which I will try to avoid.

CHAIR - Or respond to but just answer the question if you could.

Mr ABETZ - Exactly. Albeit if the question allows it, the answer should allow it as well, Chair, but on this occasion, I will seek to restrain myself.

Ms LOVELL - Rise above it.

Mr ABETZ - I will seek to restrain myself. When a government borrows, if it borrows for something which is economically enabling, which also attracts \$360 million from the AFL that if we if don't grab it, Darwin will or another team in Western Australia will. The federal funds of \$240 million which is for the development of the precinct. if we don't go ahead with the stadium, there's no plan 'b' with that precinct.

CHAIR - That's irresponsible.

Mr ABETZ - Then-

Ms O'CONNOR - There is a plan 'b'; there was a master plan.

Mr ABETZ - The Eden Project, how could I have forgotten?

Ms O'CONNOR - How ridiculous. There is actually a Macquarie Point Master Plan, widely consulted with broad community input.

Mr ABETZ - There is the borrowing for your everyday needs, and there is borrowing that will assist in bringing other capital in like another hotel or two and provide a precinct

PUBLIC

which will be an attraction in its own right. Therefore, an economic enabler and cultural, et cetera enabler which cannot be overlooked. In the total Budget, in the total scheme of things and as was written in your local - no, not in your local newspaper - sorry, in the Chair's local newspaper:

killing the stadium will do little to fix our debt.

Will there be extra costs associated? Of course there will be, like with every other borrowing that the government undertakes.

Ms O'CONNOR - It is pretty lame to have to rely on an editorial in *The Advocate* to back up your argument to set the state into massive debt for a stadium we don't need.

CHAIR - That's a statement. Have you got another -

Ms O'CONNOR - It's pathetic.

Mr ABETZ - That's a statement.

CHAIR - I am going to stop that. If there are specific questions, we've done the stadium to death, almost.

Ms O'CONNOR - We haven't, actually.

Ms THOMAS - You're not going to get the answers that you're looking for.

Ms O'CONNOR - We might, I want to talk about Homes Tasmania if we want to talk about a budget risk. Page 84 of budget paper 1, just as the PEFO did, identifies Homes Tasmania's growing debt burden which will be over a billion dollars by 30 June 2029 as a significant risk. Noting that, in this Budget, the papers state there is no specific equity contribution to Homes Tasmania. There is a specific equity contribution though towards the stadium.

Do you acknowledge that Homes Tasmania's financial situation is unsustainable? Do you acknowledge what the PEFO says about Homes Tasmania, estimating it will require extra funding of around \$10 million a year, indexed to cover increasing unavoidable property-holding costs, this money is not accommodated for in the Budget as far as I can see it. Will the state be covering those equity cost requirements of Homes Tasmania? Just below that in the PEFO, Stadiums Tasmania indicates it'll require additional funding of around \$11 million a year to operate and maintain its assets. If you had to choose -

CHAIR - Answer the question about Homes Tasmania.

Ms O'CONNOR - Do you agree that the state is going to have to cover Homes Tasmania's extra unavoidable costs and that they cannot afford to do that on borrowing or on the income that is generated from housing rents?

Mr ABETZ - On page 102 of Budget Paper 2, Vol. 2, provided in the table that's there, the second-last line in the table, 'property holding costs: additional support', and you can see that increasing over the forward Estimates.

PUBLIC

Ms O'CONNOR - Can Mr Swain or you tell us the source of that extra funding? Is it coming out of the rents generated by Homes Tasmania's property holdings?

Mr CRAIGIE - Homes Tasmania is a PNFC entity (Public Non-Financial Corporation), so PNFC entities aren't directly funded from the public account. In this case, that funding is appropriated to State Growth to provide as a grant to Homes Tasmania.

Ms O'CONNOR - It's a grant that is about half of what they suggested is required to cover their costs, and so can we assume that additional support for property-holding costs for Homes Tasmania will increase in the out years in order to meet the unavoidable costs that they've identified?

Mr ABETZ - Once again, that is hypothetical.

Ms O'CONNOR - It's what they said they need.

CHAIR - I think we can ask this question of the Minister for Housing and Planning, because we'll have the Homes Tasmania people in front of us then.

Ms O'CONNOR - I know the decision ultimately rests with Cabinet, but for you, the Treasurer, this is a Public Non-Financial Corporation that to some extent you are responsible for. There's money going into a stadium and not really going into Homes Tasmania, and it's been saddled with debt.

Mr ABETZ - The reason that I am more able to talk about Macquarie Point as opposed to other elements of the Budget is that I also wear another hat as the minister responsible for the Macquarie Point Urban Renewal, and so I have more day-to-day knowledge of that as opposed to Homes Tasmania, and a whole host of other elements in the Budget.

Ms O'CONNOR - Homes Tasmania's situation has been identified by Treasury as a future risk. You must be across that. Take an interest in and be concerned by that, and be thinking to the future how you're going to deal with it.

Mr ABETZ - Yes, and we have a very capable minister for housing, Mr Kerry Vincent, who serves in your place as the member for Prosser, and I'm sure he will be able to provide you with the detail as to how we've arrived at those figures.

Ms O'CONNOR - This will be my last question on this line of questioning. PEFO has identified Homes Tasmania as a risk. The model that it was set up under by legislation loads it up with debt and there will be interest repayments of \$50 million a year within a few years. Do you agree that there are question marks, at best, over the sustainability of the financial model for Homes Tasmania?

Mr ABETZ - I'm not going to answer that question 'yes' or 'no' as you would like me to. Suffice to say the government will always monitor these situations exceptionally carefully and take advice and watch that which is occurring. I'm sure that under the stewardship of Minister Vincent, Homes Tasmania will be looked after exceptionally well.

Ms O'CONNOR - You're sure of that.

Mr SWAIN - There is some work going on in that space, I believe, led by State Growth.

Ms O'CONNOR - What space? The sustainability of the model?

Mr SWAIN - Yes, in relation to Homes Tasmania.

Ms O'CONNOR - It's almost as if they are set up to fail, Mr Swain.

Mr SWAIN - I was alluding to -

Ms O'CONNOR - The fact that it's being looked at.

Mr SWAIN - You may then want to ask questions about that.

CHAIR - You can ask questions on Thursday in relation to that. In terms of risks, which doesn't appear to have been - certainly not written about in any depth at all - what assessment has Treasury made for the financial and fiscal risk from climate change, including impacts on government businesses like Hydro Tasmania, particularly, and TasNetworks that are very influenced and affected by the weather?

Mr ABETZ - Storms.

CHAIR - Yes, but also rain, all the things that affect those two businesses particularly. In the modelling it shows what the impact of climate change has on them - those businesses on infrastructure development, emergency services and primary production. Has Treasury done modelling to look at those risks?

Mr SWAIN - Not explicitly. The hydrological risk is built into the energy security policy role that ReCFIT plays. Because of my background in infrastructure, I can say that what is happening in relation to infrastructure, generally, is that the standards for design and construction are increasingly taking those risks into account. From another life, bridge design has sort of moved from a one-in-200-year event to a one-in-1000-year event. I'm not sure if those numbers are quite right, but it's starting to be embedded in the design parameters for key infrastructure, greater climatic risk. The hydrological one will be ReCFIT as a security thing, and the general, 'Is your infrastructure adequate to deal with the climate that may emerge?' That should be embedded in standards, really, for design.

CHAIR - I would have thought that Treasury would have done some modelling about the potential cost of mitigation measures to be required by climate change. Obviously, there's infrastructure, there's energy, there're primary industries when we look at the rising temperature of our waters and things like that. There's a whole range of them. Does Treasury not do some modelling looking at all those things, potentially fed in through entities like ReCFIT and others such as your previous department? Does that not happen?

Mr SWAIN - Treasury is a relatively small agency, right? So we support the government of the day. I would say that the last 21 months we have had three budgets, two PEFOs, we're now in the middle of a fiscal sustainability report and we will also be developing a new fiscal strategy and supporting the Treasurer in terms of the multi-party budget repair panel, so we -

PUBLIC

CHAIR - I understand that, but I think climate change is not actually new. The impacts are being seen now that we've foreseen and been warned about for some time. Has Treasury not considered doing modelling specifically for these impacts?

Mr SWAIN - We have an entity called ReCFIT with climate change in its brief.

CHAIR - Across all areas or just energy? Because you sort of alluded to - the secretary alluded to, Treasurer, that that's related to the energy space and the hydrology, et cetera, but it doesn't necessarily relate to other infrastructure, impacts on health and the primary industries sector.

Mr BURGESS - I will probably make just one point: Treasury doesn't have, I guess, a comparative advantage in looking at these types of issues. Where that comparative advantage does reside is within ReCFIT and the Climate Change Office. They've done a lot of work in this regard and have developed a number of, what I think are called, resilience plans, which have been subject to consultation. They're meant to set out - taking into account likely climate change - what are the actions of government and industry to build resilience in that regard? I think that's the area you're probably best -

CHAIR - Do they model the associated costs?

Mr BURGESS - You'd have to ask them. I can't recall.

Ms O'CONNOR - Chair, I don't think any of the resilience plans are funded.

CHAIR - This is a question for the Treasurer. I can ask these questions of them too, but in terms of - obviously, these things are costly. Some of them are covered by insurance arrangements and support from the Australian Government. The major storm in the north-west is one of those, but that's later. In the absence of funding of costs, whose job is this to actually look at what is the potential cost involved with the resilience plan? It's just if you do this, that might prevent that, but there's a cost in doing that and there's also a cost in not doing it or not doing it well. Does no-one look at the cost?

Mr BURGESS - From my understanding, the resilience plan set out what actions you have to take to deal with climate change. The cost therefore is booked then into business cases and projects that are put forward into the budget and considered at that stage aligned with what the secretary said earlier; standards will change that'll affect cost also.

CHAIR - How does this apply to our primary industries then like our aquaculture for example?

Mr ABETZ - I would invite you to ask the relevant ministers in the relevant portfolios as to how they they deal with that within their areas.

Ms O'CONNOR - Treasurer, are you aware of Australia's National Climate Risk Assessment and Tasmania's Risk Assessment for Climate Change, two reports that have been released in the last 12 months that make it really clear the government needs to invest in mitigation across all sectors of society and their economy?

Mr ABETZ - I am aware of the reports. As to having read each word of them, no, I haven't. But aware of their thesis and, yes, I'm aware of that and as I understand it's been fed out to the various departments.

Ms O'CONNOR - I'll just draw your attention first of all to page 51 in the National Climate Risk Assessment, which is clear that Tasmania is the most risk exposed state in the country to the impacts of climate change and ask if you know why the state government made a decision not to implement a single recommendation from the state's climate risk assessment given the risk?

Mr ABETZ - Ask the climate change segment -

Ms O'CONNOR - No, you're the Treasurer, you hold the purse strings. If we're going to deal with this, you will be central to it.

Mr ABETZ - I then become responsible for every single activity in government - sure as Treasurer.

CHAIR - Treasurer does have a finger in every pie.

Mr ABETZ - Exactly, but I don't have the full hand in every pie and that is where those who do have the full hand in every pie should be asked those questions.

Ms O'CONNOR - I referred you to an identified extreme risk to Tasmanian communities, to the economy and to our environment with scientists telling us there's an extreme risk to the people of Tasmania within the next 25 or 30 years. Having a look at this Budget that you've presented, there's no indication that you understand that.

Ms FORREST - That is a comment.

Ms THOMAS - Back to public sector wage outcomes, the risk we talked about earlier of the 46 per cent of estimated total operating expenditure in 2024-25. Employee costs, the single-largest operating expenditure for the government, represent around 46 per cent of estimated total operating expenditure. Does this include heads of agency, salary remuneration packages and SES level staff and statutory authority positions?

Mr SWAIN - Heads of agencies, SES yes. If you're a statutory authority in the GGS, yes.

Ms THOMAS - Do you know what proportion of employee costs at those levels make up the Budget.

Mr SWAIN - Not off the top of my head, but it would be very small. I think it's mid two hundreds of SES against the employment base of 32,000. It will be very small.

Ms THOMAS - Is it possible to get a breakdown of the percentage of the 46 per cent? What proportion of that's made up of head of agency and SES salaries?

Mr SWAIN - I would suggest it would be a question best put to the Premier with State Service Management Office in support.

Mr ABETZ - Are we able to take it on notice and have the secretary flick-pass it to the Premier's? If that's agreeable to you, Chair.

CHAIR - If you're unable to answer.

Mr ABETZ - In fairness in relation to salaries and other things that figure, as I understand it, and I'll be corrected if I'm wrong, doesn't include contracts, for example, for school cleaning, locum nurses and doctors that are on contract. The amount of the Budget that is spent on actual salaries is higher than that 46 per cent. I think that's -

Mr SWAIN - Sorry, I just can correct that the SES as at 30 June 2025 was 214. It is a very - the way - the reason I think it's probably best discussed with SSMO through DPAC is there are a range of specialist roles across departments that are remunerated at the higher end, so the SES is actually a partial picture of the higher employment costs in the State Service. There is a significantly higher number of specialist officers than that 214, for example.

Ms THOMAS - Yes, I hear what you're saying. Thank you.

Output Group 1 - Financial and Resource Management Services

1.3 Shareholder Advice on Government Businesses

CHAIR - If there's no other questions on that we might move on to 1.3, which is Shareholder Advice on Government Businesses. Cassy, you've got the lead on that.

Ms O'CONNOR - Thank you, Chair. I'm just interested in a broad response from the Treasurer to the state about government businesses on what seems to have been - what seems to look like - the consequence of 11 years of running down our GBEs, where former treasurer Peter Gutwein was taking 90 per cent dividends from GBEs and you've now got the Auditor-General sounding the alarm about a number of GBEs, from TT-Line, Hydro, to TasNetworks - I think even MAIB, from my recollection. Can you understand why the casual observer might form the view that our GBEs have been mismanaged over the past 11 years?

Mr ABETZ - Look, there is no doubt that the governance reforms that we've introduced have been absolutely welcomed and I think deemed as necessary, given some of the unfortunate events of the TT-Line, in particular.

In relation to the Motor Accident Insurance Board, we have the lowest premiums in the country, the most generous and quick payments out, so I think the MAIB runs a very good operation. What the Auditor-General has pointed out is that the low premium has been, if you like, subsidised by the exceptionally good investments they make, and the interest earned from those investments sort of backfill what would be the otherwise shortfall in the premiums.

As I understand it, the economic regulator provides, from time to time, guidance to the MAIB, given it is a monopoly supplier as to what it may be able to charge, and the MAIB has, in general terms, sought to charge premiums below the top level that the economic regulator has -

CHAIR - Allowed.

PUBLIC

Mr ABETZ - Allowed. I was going to say 'suggested', but I think it is an 'allowed'. Thank you, Chair.

In those circumstances, I don't want to be a shadow director - and that is, I must say, one of those very real difficulties of being a shareholder minister, that you don't fall into the trap of being a shadow director, because the directors are appointed to run the show - but given that advice, whether MAIB premiums could do with a bit of an uplift, given that report, that will be a matter for the MAIB board to consider.

Ms O'CONNOR - Thank you. You didn't really answer the question, because when you step back from the situation that our GBEs and state-owned companies are in, they're in a lot poorer shape than they were 10 years ago. Perhaps - so, the policy of government under your predecessor a few predecessors ago, Mr Gutwein, was that GBEs in general would be required to pay a 90 per cent dividend - I think it was on after-tax profits. So, for those first few years of the Hodgman government, there was a real scouring of the GBEs' capacity to put money away, to invest in capital works, for example, and repairing their assets.

Do you agree, as a broad observation, of someone who's been in state parliament for a couple of years, that they haven't been particularly well-managed over the past 11 years, on the numbers?

Mr ABETZ - Despite two elections, I still haven't been here for two years.

Ms O'CONNOR - Haven't you? It seems like longer! I'm sure it does to you.

Mr ABETZ - I know. It seems like an eternity for you, I know.

CHAIR - The question.

Ms O'CONNOR - Look, you're not going to answer that, so what's the dividends policy of government now? What's your, as Treasurer, dividends policy towards GBEs?

Mr ABETZ - Look, I don't have a policy. The Cabinet has a policy, and the Cabinet's policy remains -

Ms O'CONNOR - What is it?

Mr ABETZ - Like with all other policy positions, we will review -

Ms O'CONNOR - What is it?

Mr ABETZ - The companies; they write to me and the shareholder and the portfolio minister suggesting what they can and cannot pay by way of a dividend each year.

CHAIR - Isn't it based on your policy though?

Mr ABETZ - Yes.

Ms O'CONNOR - What's the policy now? Is it the same policy as it was in 2014-15?

Mr SWAIN - Ninety per cent was kept. It still remains as the default edition.

Mr ABETZ - I'm not aware of any change in the last few months.

Ms O'CONNOR - It's an election promise to establish another GBE, which is TasInsure, or a state-owned company. Given your track record of running GBEs into the ground, it's not particularly promising at this point.

CHAIR - Can you get to the point?

Ms O'CONNOR - Has government done any modelling on the viability of establishing a state-owned insurance scheme, particularly given what we know is coming down the line in terms of extreme weather events - fire risk, for example, to the city of Hobart - which is not funded to be mitigated in this Budget.

CHAIR - Is that a question?

Ms O'CONNOR - It's about TasInsure. What is the modelling? What have you -

Mr ABETZ - We are out to market to get a - what? - scoping study undertaken and if you're doing the - what's it called? - expression of interest or request for tender, whatever it's called, to engage somebody to assist, but the secretary can provide the detail.

Mr SWAIN - Thanks Treasurer, so we recognise that while we have some broad knowledge, we don't have specialist knowledge in relation to insurance. We are going to market to seek to get some expert advice that will help both refine the problem and examine the solutions that might be available to deal with the challenges identified.

Ms O'CONNOR - Sure. As part of that conversation, would you, for example, have a chat with the RACT, which, if you did talk to it about the risks to insurers now, will tell you that in and around Hobart, for example, there are properties that are becoming uninsurable because of the fire risk.

CHAIR - Have you spoken to RACT?

Ms O'CONNOR - Has the Tasmanian government engaged, for example, with Tasmania's primary community insurer, that is, the RACT on the risks involved with setting up another insurance company?

Mr ABETZ - Look, full disclosure, as a member of the RACT - as I think the vast majority of Tasmanians are, but put that on the table - yes, I've had a number of discussions and formed a good working relationship with the CEO whilst I was minister for Transport.

As you may imagine, the RACT has a lot of interest in that space and formed a good relationship with him. Then since changing portfolios, I've had a few discussions with him as, I believe, the Premier has as well.

Ms O'CONNOR - The last question on this line of questioning. Does government accept, given that you've talked to RACT and have some understanding of climate risk, that to embark on a project like TasInsure potentially places the state's finances at some risk in future?

PUBLIC

Mr ABETZ - Look, it depends on how you do it, and we have every confidence that as we set about doing it, we will get all the appropriate advice to ensure that we don't prejudice the state's future finances.

CHAIR - I have a couple of questions, I know Ms Lovell has as well.

Treasurer, in undertaking the - I think you called it the scoping study, is that what you called it? - is it still intended that TasInsure will operate under MAIB? That was what was said during the election, as I understand it.

Mr ABETZ - I would need to remind myself of the exact wording, but in conjunction, I suppose, rather than under the MAIB, potentially in conjunction with the MAIB.

Somebody might have the exact wording.

Mr SWAIN - Treasurer, I could -

Mr ABETZ - You do, secretary?

Mr SWAIN - Yes, in the draft bill that was released that contemplates the establishment of a standalone business, but I think there's a lot of that work that has to be done still. It's generally the case as you articulated that the MAIB's investment fund has a purpose. That will have to be taken into regard - any assessment of its ability to participate.

CHAIR - What assessment's been made of the additional reserves that would be needed by TasInsure to be adequately funded?

Mr ABETZ - That is what the scoping study will assist us with.

CHAIR - How much is the scoping study expected to cost?

Mr BURGESS - That's out for tender at the moment. Tenders are due back later this week. At this stage, it would be imprudent to comment.

Ms LOVELL - Is there a budget allocation for it?

CHAIR - That was my next question. Where's the budget allocation for it?

Mr SWAIN - We don't want to invite bids up to any particular number.

CHAIR - It's missing from the Budget. Is that a fair statement?

Ms THOMAS - Supplementary preparation?

CHAIR - Or can it be funded within Treasury's current reserves? That's the question here.

Mr ABETZ - Yes, it can be.

CHAIR - It will be funded by Treasury's bucket money, which is not that big, so something else might have to give.

Mr SWAIN - This is a significant endeavour. As the Treasurer said this will be a scoping-type investigation. There may well need to be more work and detailed investigations on a specific model after this. Follow-on funding that's really significant is not in the Budget, but there is capacity for the initial scoping exercise.

CHAIR - To be clear, which line item is this being taken out of? There are buckets of money here and there; everyone's got their own allocation. Which line item is this being funded from?

Mr BURGESS - Mr Craigie might correct me if I'm wrong, but there's an allocation within finance general for work associated with the government businesses each year.

CHAIR - How much has that increased by?

Mr BURGESS - It hasn't increased. It's an allocation of money, which is then, as issues arise from year to year with the government businesses -

Mr SWAIN - I believe that's 500,000.

CHAIR - Maybe when we get to finance general we could look at that more fully.

Ms LOVELL - Treasurer, the scoping studies are still to be done. That work's underway. But there was a commitment made during the election this would save \$250 on premiums for households or Tasmanians. What was that based on? Where did that number come from?

Mr ABETZ - I am not sure. As I understand it, that was an announcement before I was Treasurer during the campaign by the Premier. That is best directed to him.

Ms LOVELL - Have you asked him, or have you asked anyone since the election, now you are Treasurer?

Mr ABETZ - I don't -

Ms LOVELL - Or sought any advice on what that was based on?

Mr ABETZ - I don't respond to what I may or may not have said or asked the Premier about a whole range of issues.

Ms LOVELL - I am not asking about a whole range of issues. I am just asking about this -

Mr ABETZ - About a whole range of issues as a result of which your question falls into that category.

Ms LOVELL - So you've got nothing. No information for us about where that \$250 saving figure has come from.

PUBLIC

Mr ABETZ - You know where to ask that question.

CHAIR - If I can go back to the 500,000 that's in finance general for these sorts of projects, the cost of this is likely to be at least that, possibly more. It's a complex area.

Mr ABETZ - I am not going to speculate -

CHAIR - I am not suggesting that.

Mr ABETZ - especially at a time when we're out to market.

CHAIR - If it puts extra pressure on that area that is to cover other matters as well, then is it likely we will need a RAF or some other mechanism to respond to this?

Mr ABETZ - We will consider that at the time if that is the case. I don't want to speculate as to -

Mr BURGESS - It is a kind of feasibility scoping issues study. It's not necessarily going to give us all the answers or specify everything we need to know.

CHAIR - More work that needs to be done after the scoping study, is that correct?

Mr BURGESS - Absolutely. This is where we get to a second stage of, 'Okay, we've had these issues identified, we've got these options and considered those, and we're going to proceed along this way'. Then you're looking at standing up a major project.

CHAIR - What is the effective time frame for this?

Mr BURGESS - I am not sure what the government's time frames are.

CHAIR - Did you hear about the time frame for this? We've just been informed that this is a scoping study. Then depending on what that shows, there will need to be a major projects team stood up. You obviously have sat around the Cabinet table. I am not asking for you to reveal the deliberations of Cabinet, but what's the expected timeline then for delivery of this?

Mr ABETZ - The scoping study hopefully will inform that, and I can't speculate on that.

CHAIR - You are not suggesting this financial year.

Mr ABETZ - I don't want to speculate on that. The request has gone out.

Mr SWAIN - There's some initial response by the end of December and then a more fulsome report in March.

CHAIR - That's just for the scoping study guide.

Mr SWAIN - There is also a discussion paper out now that was released by the government that has some feedback dates in it, which I'm sorry, I don't have today.

PUBLIC

CHAIR - I am speaking about the Premier here not you. In his comments on the election, sort of assured people this would be in place to help with their insurance bills in short order.

Ms LOVELL - A 100-day plan it says will be established in 2026.

CHAIR - But that's not going to be the case. It's going to be some time away.

Mr ABETZ - All 2026 has 12 months in it -

CHAIR - We're not even going to be closing the scoping study until the end of March.

Mr ABETZ - They were the timelines provided, and time will tell whether or not they are met, but it is believed.

CHAIR - To be clear, Treasurer, the final decision around the scoping study, who's doing it, how much they're getting paid will be after March 2026?

Mr ABETZ - No, no, they're going to have a draft.

CHAIR - Whoever wins the tender will have a draft by the end of March.

Mr ABETZ - No, their full final report by the end of March, but a preliminary one by the end of this year.

CHAIR - When March comes, there'll be work for the government to do to look at how would we roll this out? And that's where the major project team would need to be appointed to progress that. Is that a fair assessment?

Ms O'CONNOR - But also if the scoping study comes back and says don't do it?

Mr SWAIN - The feedback on the discussion paper is 9 January and just in terms of that March final report, we would be looking to understand the direction in parallel to advising the government on the 2026-27 budget.

CHAIR - We might see something in the 2026-27 Budget.

Mr SWAIN - We will try to progress the work so it can inform that and then that's a matter for the government.

Ms O'CONNOR - If the scoping study comes back and it advises that it would be an enormous fiscal risk for the state to become an insurer, will you ignore that in the same way you did the Tasmanian Planning Commission about the stadium?

Mr ABETZ - Very cheap. Very cheap.

Ms O'CONNOR - You call it cheap.

Mr ABETZ - Yes, because if you allow those sorts of questions, Chair, it does invite me to have a bit of a whack back. I have been very restrained to the member for Hobart.

PUBLIC

CHAIR - If I could just cut in here, Treasurer, if a scoping study suggested that the cost is prohibitive, then would the government respect that advice or what would be the next step?

Mr ABETZ - We have every anticipation that it won't be.

Ms O'CONNOR - Well, give the consultants the brief to say we want to set this up, write a paper that shows us how we can sell it.

Ms LOVELL - I wanted to come back to the timelines, and understand there's work to be done, budget to come that will inform it. Have you had any conversations with Treasury? I don't know if you'll allow them to answer this at the table about whether they think it's realistic for this company to be up and running in 2026 with the work that needs to be done between now and then?

Mr ABETZ - Advice to government is not something that we share, but what I can indicate to you is that there have been discussions. The detail of them I'm not willing to share.

CHAIR - Have you got anything else, Cassy, on this line?

Ms O'CONNOR - No, not particularly.

CHAIR - I just wanted to have a couple of further ones on the credit rating agencies matter, because it doesn't just fit under here. Did Treasury undertake any analysis of the potential impact of this Budget on the state's credit rating?

Mr ABETZ - Yes, we have had discussions about that and the negative watch and how that is already - what's the term - baked in or considered in relation to the borrowings that we already have. But, I will let the secretary who -

CHAIR - I've asked him what the Treasury advice was, so he's probably in a better place to answer.

Mr ABETZ - knows the detail of the terminology better than I do.

Mr SWAIN - I just want to be careful how I phrase this, and this again might be a good question for TASCORP in scrutiny, but the forward yield curve will have market expectations in it, and the market will have formed a view as to whether - what potential decisions credit rating agencies might take. I obviously don't want to speculate on what they might do, or talk up a particular decision.

CHAIR - So then, if I got to - in budget paper 1, there's a table that shows the average borrowing costs of 3.95 per cent, and Treasury's estimates of rising borrowing costs are shown as 5.39 per cent in 2025-26, 5.76 per cent in 2026-27, 6.11 per cent in 2027-28, and 6.4 per cent in 2028-29; has Treasury estimated the likely impact on future borrowing costs on a possible downgrade in the state's credit rating, noting that's the Treasury's expectation there?

Mr SWAIN - Yes. That information will have come from TASCORP, which will be based on its view of the yield curve, which is the rate of interest that would need to be offered,

in simple terms, to be able to secure the debt. The providers of - potential providers of that debt will be building in their own expectations around ratings to the offering that's in the yield curve.

CHAIR - Does TASCORP provide advice to -

Mr SWAIN - Treasury, yes.

CHAIR - To Treasury. It's then provided to the credit rating agencies?

Mr SWAIN - No. TASCORP provides advice to Treasury around that forward yield curve in relation to 10-year bonds. That is used by Treasury to inform assumptions around the budget and future interest costs.

CHAIR - Okay. So, these are figures provided by TASCORP; the state borrows from TASCORP. I go back to the question: has Treasury estimated the likely impact on future borrowing costs - noting our borrowings are increasing - of a downgrade in the state's credit ratings?

Mr SWAIN - Well, only as I've talked about that embedded in those numbers are some expectations from the market, and then that is ultimately reflected in the borrowing costs that you cited in your very first question.

CHAIR - So, in the instance that a further credit downgrade was made, what impact does - well, has Treasury modelled the impact of that, on our borrowings? What it would look like?

Mr SWAIN - No, we haven't, because I'm saying the way that we leverage off the work of TASCORP is there are already a set of expectations around where the credit rating is likely to go built into the numbers we use.

Ms O'CONNOR - What is that expectation?

Mr SWAIN - It's the interest rates that, effectively, you read out.

Ms O'CONNOR - Is there an expectation of a downgrade, then?

Mr SWAIN - I'm not wanting to comment on that.

Output Group 1 - Financial and Resource Management Services

1.4 Government Property and Accommodation Services

CHAIR - If there are no other questions on that line, we'll move to the next, which is government property and accommodation. Bec?

Ms THOMAS - Thank you. Just for context here, so I make sure I try to direct my questions in the right way, can you explain the difference between line item 1.4 here and 4.7, in finance general, and why they're separated? This is property and accommodation services - and 4.7 is property management services. Property and accommodation services says 'management of government-owned and leased office buildings and the disposal of Crown

PUBLIC

property'; 4.7, property management services says, 'building depreciation and rental and other occupancy costs related to office accommodation.'

CHAIR - That's in finance general. So one's in Treasury finance, and one's in finance general.

Ms THOMAS - But the descriptions are similar, so it's hard to understand what the difference is.

Mr CRAIGIE - Treasury the agency manages the whole-of-government accommodation, property and leases and owns a number of buildings, and there is a team of people that incur costs to do that. The cost of the leases is reflected in finance general.

Ms THOMAS - Okay, sure. If I want information on the cuts that were proposed through the election, and \$12 million of savings proposed through office leasing improvements, that would be under 4.7, or would it be under here?

Mr CRAIGIE - Sorry, can you speak up?

Ms THOMAS - During the election there were cuts proposed or savings proposed through office leasing improvements. Is this -

Mr CRAIGIE - No, they've been allocated to agencies. Whilst the Treasury enters the lease with the landowner, we then allocate that space to agencies. For example, the Parliament Square tower adjacent to this building, we leased that whole building and there are multiple agencies in that building. We have the relationship with the landlord, but we then allocate the space to the agencies and the agencies pay into finance general the cost of that lease. The actual cost of the space is ultimately borne by the tenant agency, but to allow for efficiencies, we centrally manage that. There's a table in budget paper 2, volume 1, chapter 1: that summarises the election commitments, and that shows how that saving has been allocated across agencies specifically.

Ms THOMAS - Right, so that would be individual agency's savings?

Mr CRAIGIE - Yes.

Ms THOMAS - Okay, thank you. There's just a small increase over the forward Estimates projected in this line item. Is that just general increases?

Mr CRAIGIE - The line item is quite complicated because of the way we have to account for leases, the recognition of a right-to-use asset and a liability. There's a range of what are effectively journal entries to create that line item, but a flatter or slightly rising trend would suggest that we are not seeing significant increases in property costs going forward, we will not need to acquire significantly new office space, or we are able to get more efficient use of our existing office space.

Ms THOMAS - There was an Auditor-General's report that made recommendations to Treasury in relation to management of major office accommodation, and the Treasury's response was that all those recommendations were agreed, and the recommendations would be implemented. I think the last one to be implemented was for Treasury to review its suite of

guidelines, policies and instructions relating to major office accommodation using utilisation data by 30 September 2025; has that been completed and have all of those recommendations been implemented now?

Mr CRAIGIE - All the recommendations have been completed. In terms of actioning, the one about maximising the utilisation of office space is ongoing as we look to work with agencies and their strategic accommodation plans and our footprint of leasing and match the two portfolios, for want of a better phrase.

Ms THOMAS - Has Treasury undertaken any recent reviews of the state's office accommodation footprint?

Mr CRAIGIE - It's ongoing.

Ms THOMAS - Ongoing - ongoing review.

Mr CRAIGIE - We have regular interaction with agencies on their strategic accommodation plans and what footprints they think they want and need, and the current leasing obligations they have. The current savings measures in the Budget around that have stimulated a lot more conversations recently, so we're actively working with agencies and landlords around the best utilisation of the portfolio we have.

Ms THOMAS - Does the government intend to dispose of any property assets this year?

Mr ABETZ - Well, we're looking at the Treasury building; that's being scoped as we speak.

CHAIR - That's not the first time.

Ms THOMAS - Yes, that's what I was about to say. How has that decision been arrived at, given it has been something that's been on the agenda before and then taken off the table, put on again? Why does this revolving door keep happening, or roundabout keep happening? Is it seriously going to happen this time?

Mr ABETZ - Well, that depends on what the market tells us, I suppose. A decision will need to be made. It is out there in the marketplace and you can give us an update as to where we're at.

Mr SWAIN - I mean, it's a significant public asset and it's not unreasonable that its highest [inaudible] is tested periodically. As, I think the Treasurer is alluding to, we're going through a three-phase procurement. We're up to the second phase. If we get to the third phase that will be specific bids through a closed process.

Ms O'CONNOR - Purchase or repurpose?

Mr SWAIN - The expression-of-interest phase now could be for a variety of different uses, but depending on what that yields, the government will then make a decision whether it wants to go forward. Of course, it will have to take into consideration matters like the Valuer-General's view on the value of the building and also the alternate costs for Treasury rental. We will have to wait and see what comes out of the market bids.

Ms THOMAS - Are the costs of undertaking that procurement process incorporated in this line item then? Because that would come at a cost to the taxpayer and it's a cost that's been incurred before.

Mr CRAIGIE - I think the repurposing process is funded out of Treasury rather than finance general.

Ms THOMAS - We are -

CHAIR - It's under this line item. You're talking about finance general. It's under line item 1.4, in Treasury and Finance. Is that correct?

Mr CRAIGIE - Yes, that's where it would be funded.

CHAIR - Just on that - when you look at the expenses table on Treasury and Finance in relation to this line item, page 298, Budget Paper 1, when you get the actuals for that, the budget was \$2.5 million, effectively. It was \$2.8 million actual expenditure and that drops down to \$2.7 million. What's saving - I mean, it's not a huge amount, but there's not a lot of money in Treasury for doing a lot of things, it seems.

Can you explain what blew the cost there, acknowledging that you spent less overall. Could have been a bit of shifting of the deck chairs, maybe. Overall, that's one that did go up in the actual expenditure.

Mr CRAIGIE - The output expense summary?

CHAIR - Total expense by portfolio and output and the actuals that were provided but also in your annual report obviously. The actual was higher than the budget and also higher than the Budget for this year. It probably got stolen from one of the others who were less. I'm just saying.

Mr CRAIGIE - Look, it may have had something to do with the volume of property sales and the number of new leases we entered into during the year. I'm just looking at the - it's partly driven by employee costs, it's partly driven by supplies and consumables. They're the main drivers.

CHAIR - It's a lot to do with - the Treasury manages, under this line item, I assume, the leases for all the members' offices. There's a whole heap of new members.

Mr CRAIGIE - No. That's done through Premier and Cabinet.

CHAIR - So it's not related to that?

Mr CRAIGIE - Under the TI, we manage office accommodation for general government sector agencies, but in support for members is done through DPAC.

Ms THOMAS - What is the budget allocation actually spent on then if it's not the lease fees?

PUBLIC

Mr CRAIGIE - If I take the Budget year where the total expenditure is estimated to be \$2.7 million, \$2.2 was employee-related costs, and an odd \$300,000 is supplies and consumables. So, it's predominantly headcount.

Ms THOMAS - So, those people are doing what? Liaising with the government agencies?

Mr CRAIGIE - There's a team that do predominantly three things.

We own a number of buildings: the Treasury building, the St John's building in Launceston, Kirksway Place. And so, there's facilities work around the maintenance and running of those buildings. If someone - you know, if it's a leaking tap or a lift stops working, there's a team that do building maintenance in the facilities.

I have a - there's a leasing team that manage the whole-of-government leases. I think we've got about 70-odd leases across the state.

And then, there's a property sales team that sells surplus properties. So, from time to time, government agencies declare a property surplus - like an old police home in a rural area, or an old school - and that's referred to Treasury to sell. We go through an extensive process where we consult with agencies if they've got an alternate use for that property, or Homes Tasmania can seek an opportunity for that land, and if they don't, we then put it through a public sales process.

Mr SWAIN - If I could just add to that: Obviously, there's an efficiency of having that expertise in a particular department, but there's also market intelligence so that we don't end up with one department bidding off against another department to raise a lease that is ultimately going to be used by government. So, that means that the commercial intelligence for lease rates and terms around the state sit in one place.

Mr CRAIGIE - For example, if Education and Health both want to lease the same space, it's not efficient for government if they're both competing with each other and the landlord. Treasury acts as an arbiter between who gets the space and does the negotiations directly, so the government has one voice to the market rather than multiple voices to the market.

Ms O'CONNOR - Thank you. Has the Valuer-General undertaken an evaluation on the Treasury building, a very significant public asset?

I'll just remind you, in the process, that this sale of the Treasury building was not taken to an election.

Mr ABETZ - It was, I thought.

Ms O'CONNOR - I don't think so,

Mr ABETZ - I thought it was part of our election - policy and costings at the last election.

But, as at the 30 June 2024, the Valuer-General advised that the fair value of the land and buildings portfolio was \$22.6 million, and I assume that figure applies to the Treasury building here called Treasury Building Complex.

Ms O'CONNOR - And does - I mean, clearly, that valuation must take into account the heritage values within the building, which are highly significant. Can I ask: what's the sort of threshold here that the government might apply, if you have a bid come in - if it doesn't meet what was then the value according to the Valuer-General of the Treasury building, not taking into account its public value, what will the government be taking into account in terms of assessing those bids, noting that the words that have been used publicly are 'repurpose', not 'sale'? What's the scope of what the government could be looking at, and where's the threshold where you say it's just not worth it?

Mr ABETZ - Look, again, it's a hypothetical question -

Ms O'CONNOR - It's not; it's an important question.

Mr ABETZ - It depends on the detail of each bid or each request. Some might be offering us a lot more on heritage as opposed to money or something else, and so you have to weigh up all the considerations - and I'm not going to, especially in an open forum where we are considering potential bids or requests for this building, to say, 'Right, any bid under such-and-such won't be accepted.' I don't want to influence that in any way, shape or form.

Ms O'CONNOR - Can I just explore - is this an exercise in offloading a public asset in order to get sort of a quick hit of money, or is it a genuine testing of the market to see what's out there?

Mr ABETZ - Look, it's a genuine testing of the market, and after that, a determination will be made as to whether it's a reasonable proposition, all things considered.

Ms O'CONNOR - So, the budget papers identify the repurposing - or whatever you want to call it - of the Treasury building as a budget risk aligned with having to find office accommodation presumably for the Department of Treasury and Finance. Has any of that been costed?

Mr SWAIN - Sorry, Chair. That's why it's identified as a risk, because that work hasn't been done. We are recognising that there is potentially a significant cost with that rental. At the moment very simplistically, Treasury occupies a building it owns which has high maintenance costs because it's a heritage sandstone building that requires more maintenance than a modern building. It is hard to reconfigure or rewire and those sort of things. It doesn't face the rental cost, so it would be what that net package looks like.

Ms O'CONNOR - Treasurer, if through the registration of interest process, what comes forward does not meet whatever the threshold is that you apply of return to government and better use that protects heritage, is the government open to the possibility of deciding not to sell it?

Mr ABETZ - As I say, I get into trouble.

Ms O'CONNOR - Is it policy to sell the Treasury building?

Mr ABETZ - I get into trouble for saying never say never, but that is realistically the answer. We have to see what all the parameters are of any offer and then make the considerations as alternate premises for Treasury et cetera. All that needs to be weighed up and

PUBLIC

there are so many imponderables there until we have something firm on the table, but it's difficult for me to provide you with an answer.

Ms O'CONNOR - Would you describe it as government policy to sell the Treasury building and following the registration of interest process, what kind of public interest test would government apply to its decision making?

Mr ABETZ - The government always applies to everything in the public interest.

Ms O'CONNOR - Except the stadium.

CHAIR - Let's just let the Treasurer answer in respect to the Treasury building.

Mr ABETZ - If we're talking public interest, even the Lord Mayor of Hobart's report told us \$179 million economic stimulus within the city of Hobart -

CHAIR - We might need to move on. We're getting bogged down. I might close this line item off and go to 1.5, which is Government Procurement Services.

Ms O'CONNOR - You're verbalizing the Council. Could we just understand the question about the Treasury building -

CHAIR - No, we've moved on.

Ms O'CONNOR - But he didn't answer it.

CHAIR - Because you threw the stadium in, let's move on.

Ms O'CONNOR - I see - that gives him the excuse not to answer.

Mr CRAIGIE - On the repurposing website, there is a FAQ section and there is a specific question, does repurpose mean selling the site to a developer? There is a broad answer that repurposing can meet a range of things.

Ms O'CONNOR - Thank you, James. Thank you.

Mr CRAIGIE - I will just state the obvious.

Ms O'CONNOR - No, that's good to have on the record.

Output Group 1 - Financial and Resource Management Services 1.5 Government Procurement Services

Ms LOVELL - Treasurer, we've moved on to government procurement services. I note there's a decrease in the funding profile for this line item, which is explained on page 299 as primarily reflecting the reallocation of funding for the Transition to Electric Vehicles initiative and a reallocation of funding to other outputs. Can you provide some more detail on the breakdown of that funding and where that funding has been reallocated to?

Mr ABETZ - I think Mr Craigie might be able to help there.

Mr CRAIGIE - Yes, I can provide some information. The reallocation of funding for the transition to Electric Vehicles initiative has been moved across the forward Estimates. This includes \$375,000 from 2024-25 and \$258,000 from 2025-26 reallocated to 2026-27 and 2027-28.

Ms LOVELL - There seems to be quite a significant decrease in funding then on previous years for this line item.

Mr CRAIGIE - It reflects under-expenditure in prior years and because the project is continuing, the funding has been moved. Time shifted to reflect when it's likely to be incurred.

Ms LOVELL - Is there anything else normally funded under this line item because there's no funding allocated in 2028-29?

Mr CRAIGIE - Where is that, sorry?

Ms LOVELL - Page 300 says it's about provision of advice in relation to government procurement activities, the management of whole-of-government contracts and the administration of the Tasmanian Risk Management Fund and other insurance related matters. Has that funding been reallocated to somewhere else in the budget?

Mr CRAIGIE - No. There was specific funding for the transition to electric vehicles. Because that output group manages the motor vehicle fleet, the funding was allocated against that output. It was largely to assist agencies with installation of charging infrastructure. That continues.

The output in Treasury is predominantly the people cost. It is a bit like the the property one, but the fleet and the TRMF and those costs are reflected in the finance general.

Ms LOVELL - Okay. There was a government commitment at the election to achieve \$20 million in budget savings from procurement processes across the Budget and forward Estimates. What role will Treasury be playing in assisting agencies to achieve those savings?

Mr CRAIGIE - My answer is going to sound very similar to the same question on property. The table in budget paper 2, volume 1, chapter 1 shows the allocation of those procurement savings across agencies. Treasury is responsible for the procurement policy, and we manage a few whole-of-government contracts. Individual agencies do the purchasing out of their appropriations, so the savings are allocated to where the cost of the purchasing really occurs.

Ms LOVELL - What role will Treasury play in helping agencies achieve those savings or assisting them in that?

Mr CRAIGIE - We will work with agencies where we manage whole-of-government contracts that agencies purchase from, but agencies also do a significant amount of procurement on their own behalf. It will be up to them to find the savings that are allocated.

Ms LOVELL - Are you expecting there to be any centralising of those procurement services or any increase in whole-of-government contracting?

Mr CRAIGIE - Potentially, we're currently working through a whole-of-government procurement on EV infrastructure, so we get consistency across agencies and transferability, but there may be other opportunities.

Ms LOVELL - Have you had any discussions or identified any of those other opportunities so far? Are there any under consideration?

Mr CRAIGIE - There's an inter-agency procurement group that meets regularly. I am sure it will be prosecuted through that, but not aware of any specific new initiatives that have come out of this budget measure yet.

Mr SWAIN - We are having a general look at the efficiency of procurement and some of our arrangements, and whether they can be streamlined, including the pre-qualification systems that currently work in relation to building and construction. There's an ongoing program of work in the branch looking at whether you can streamline the processes with procurement and the associated costs, then, for agencies.

Output Group 2 - Economic and Fiscal Policy Advice

2.1 Economic Policy Advice

CHAIR - Treasurer, as you mentioned earlier, the Treasury is releasing the fiscal sustainability report in February this year. I understand Treasury is using a new model. Is that correct?

Mr SWAIN - Yes. Part of the work will involve using a computerised general equilibrium model to test some of the results. It is a Treasury piece of work that's done every five years under statute. I have discussed very openly with the Treasurer that it needs to be an impartial piece of work. I have deliberately, and the Treasurer has supported us, not gone into detail about the methodology and arrangements. Certainly, when it is finalised, it would be made available to government before it is in the public domain, but we need to finish the work impartially first.

CHAIR - Will it be expanded out to include the total state sector, not just the GGS, and if not, why not?

Mr BURGESS - At this stage, the intention - and we're still working through the methodology to do it - is to include total state debt.

CHAIR - Excellent news. That's a big tick for your team there, Treasurer.

I'm not sure whether you want me to ask questions around the GST under this or 2.3?

Mr ABETZ - Either way.

CHAIR - Do it here?

Mr ABETZ - In the one minute we've got left?

CHAIR - No, quarter past.

Mr ABETZ - Oh, 1.15 p.m. My apologies.

CHAIR - Budget paper 1 rightly highlights that there is a material risk to Tasmania of any further changes to GST arrangements. This is likely to be exacerbated by the extensive and professional campaign by the West Australian government, together with the apparent lack of any concerted public campaign by the Tasmanian government to correct the misinformation currently being reported. Now, I note that the terms of reference are out for that review.

Given this, Treasurer, what are you doing to ensure Tasmania's interests are protected and that Tasmanians rightly receive their fair share of GST, and therefore access to services and infrastructure that other states have, in the future?

Mr ABETZ - Thank you very much for that question. The only difficulty I have with that is where do I start? We've got a 2026 Productivity Commission inquiry that we will be making a submission to. As a member of the Board of Treasurers, I can let you know that all my colleagues from territories and states -

CHAIR - Other than Western Australia.

Mr ABETZ - other than one particular one, are very exercised to ensure that the GST distribution is fair and reasonable. In 2018, I think it was, when Western Australia got its extra amount and then to make that work, there was the no-worse-off guarantee (NWOOG) provided by the federal government which expires in 2029. That is why we are already taking action now in anticipation -

CHAIR - Western Australians are on their front foot here. They've been out very publicly, actively campaigning -

Mr ABETZ - You know why? Because they've got a stack of money to burn on full-page advertisements in *The Australian*, et cetera, which we don't, but -

CHAIR - You need to pool your resources.

Mr ABETZ - that said, I have raised it in Question Time many a time. I know the person who in fact chairs the Council for the Australian Federation (CAF), has been putting a lot of effort into those representations as well. Our head of DPAC, Ms Morgan-Wicks, is the chair of the counterpart of that, of the heads of the various premier and cabinet -

CHAIR - Where's Treasury in this?

Mr ABETZ - She is doing work on that. As I said, with Treasury, the Board of Treasurers, we have got together, we are making representations and we will be making our representations to the Productivity Commission, which will start its inquiry in 2026. We will be putting a very strong submission to them about the need for horizontal fiscal equalisation (HFE), which was -

Ms O'CONNOR - We used to have that.

CHAIR - It was your government when you were in power in the federal parliament that undermined it.

PUBLIC

Mr ABETZ - Which was a very good model and one that I believe -

CHAIR - Should've been maintained.

Mr ABETZ - should have been maintained. I hope that we can get back to that or something very similar, then Tasmania would then be on a better financial footing, if that were to occur.

CHAIR - Treasurer, you really have an obligation to not only do this work behind closed doors and put in the submission, but also correct misstatements in the media. Now, you quoted from *The Advocate* earlier, but there was a quote in the *Mercury* on 6 November where it referred to Tasmania's 'outrageously inflated GST share'. Did you not pull that one into line?

Mr ABETZ - Well, look, there are so many misrepresentations of -

CHAIR - This is an important one, Treasurer.

Mr ABETZ - Tasmania's GST revenue that if I were to respond to each one, I dare say that is all I would be doing. But look, a very good pick-up, and what I would say to anybody is that in this parliament we all share that responsibility and if we come across a misrepresentation of that nature, it would be very helpful if independent members of the parliament, Green members, Labor, or indeed me as Treasurer were to try to counter that misinformation. But feel free when you come across anything of that nature, feed it in, more than happy to try to smack it down -

CHAIR - The government has a far bigger budget than I do to do the public media.

Mr ABETZ - but it's a bit like whack-a-mole at the moment. It sort of pops up everywhere and every now and then we hit one down, but then another one pops up.

Mr SWAIN - Just a couple of points: the historical interaction between Treasury and both the Commonwealth Grants Commission and Productivity Commission has been very active in this space, and in the relativity adjustment that's just occurred, that actually includes a change in the way that wage costs are assessed in Tasmania, which was a long and detailed and complex discussion over several years - which sounds quite esoteric, but is also worth about \$100 million a year to Tasmania's GST. So we're very active in this space.

The initial submission to the Productivity Commission is due in February; the final report is due at the end of the year. There is some space between those two events for the Board of Treasurers to discuss what level of public activity they want to support in relation to the GST. In fact, the Treasurer did get me to do some briefing to the multi-partisan budget repair panel about the potential for that panel to talk with a united voice from Tasmania, on an issue where there probably isn't a divergence of views across the parliament about this important -

Ms O'CONNOR - That's right. There isn't.

Mr ABETZ - Yes. And so, that is what we are trying to put together as well, but with that -

PUBLIC

CHAIR - I'd like to see a bit more public-facing work done on this, to stand up for ourselves.

Mr BURGESS - If I may, Treasurer: the intergovernmental team in Treasury is very focused on this and very aware of the issues, and obviously monitoring particularly the action of WA and looking to prepare arguments in response to that. We have - the issues paper is due out - the first paper is due out this month, and I think we have an appointment later this month with the Treasurer and Treasury to meet with the Productivity Commission. We will obviously be starting the journey presenting our arguments, but to the extent we can achieve it, we're looking for a broad-based advocacy program in this space.

CHAIR - You've got lots of friends.

Mr BURGESS - Yes.

Ms O'CONNOR - On this issue.

CHAIR - On this issue, yes. I'm talking about this issue.

Mr ABETZ - And look, to let you in on something I've been working on, I've been drafting - my office has a general motion about the GST to submit to the parliament and hopefully get support for it, that we might be able to speak with one voice.

Ms O'CONNOR - Just the facts.

Mr ABETZ - Yes-

CHAIR - I mean, Treasury has previously put in some very good submissions.

Mr ABETZ - I don't want to be political in it to get full support, because irrespective of who may or may not be in government from time to time, having a fair horizontal fiscal equalisation policy baked into the GST distribution is fundamentally important.

CHAIR - Can I just go, then, to some of the economic forecasts that I believe sit under this area? Tasmania's GSP is forecast - or was reported as 0 per cent growth in 2024-25, 1 per cent for 2025-26, and 2.25 per cent for 2026-27. So, Treasurer, what is your confidence in these forecasts, given the current economic conditions?

Mr ABETZ - Look, my confidence is that I have confidence in the people sitting to the left and right of me. I don't claim any special expertise in this particular area as to make those forecasts, and therefore rely very heavily on advice. But, at the end of the day, that which is put in the public domain through these documents is mine; I have to be answerable for them. But, as you may imagine, I would like -

CHAIR - So, you're confident about meeting those forecasts?

Mr ABETZ - All the advice that I've been given is that I can be confident of that, and given that I have no other information before me to contradict that, I'm willing to accept it.

Mr SWAIN - I'll probably hand to Dean on that - this one, if it's okay with you, but I guess what we are seeking to do in these Estimates is to present a balanced picture which is not excessively optimistic or pessimistic. There are - it's acknowledged in the economic chapter that the trade environment is highly uncertain, in particular the secondary effects - not so much the primary effect of America's trade relationship with Australia, which is I think about 7 per cent of our goods trade for Tasmania.

Mr ABETZ - Beef tariffs, I've just noticed Mr Trump seems to have backed off on that, and I understand some of our beef goes to the United States. So, that is a bit of an uplift -

CHAIR - Moving feast, that is.

Ms O'CONNOR - Totally unreliable; you're dealing with a madman. I mean, you wouldn't want to count on anything he did or said.

Mr ABETZ - So, that is an uplift for us -

CHAIR - Order.

Mr ABETZ - So, that is a potential uplift for us. This, I suppose, makes the point of the difficulty in trying to come to a figure; you've got to take into account all these factors and it is genuinely a moving feast, and I better be careful how many economists I might insult on this, but I understand the vast majority of economists didn't predict the global financial crisis or any recessions, depressions, so it is the best guesstimate, an educated guess that economists provide.

That is by going back to your favourite topic, member for Hobart, the cost/benefit ratio. Every single economist that's looked at it has come up with a different figure -

Ms O'CONNOR - For the stadia?

Mr ABETZ - Because it's not an exact science, and what a good guess, your favourite topic. I didn't name it, but you just did.

Ms O'CONNOR - It's not my favourite, but it's very topical.

Mr BURGESS - If I could maybe just add a bit of commentary back to your original question. The gross state product actuals and forecasts are a good reflection of what the Reserve Bank was hoping to achieve with its narrow path through address inflation without causing serious economic impacts. What we're expecting, yes, zero growth in 24-25, but as interest rates are forecast to decline, we expect consumer confidence and business confidence to increase, which is why we're seeing a slow uptick in growth in the out years.

CHAIR - Is there anybody else got any questions on 2.1? I'll just see if we can do 2.2 before lunch, but we might need to come back to this one. Dean, did you have some questions there?

Output Group 2 - Economic and Fiscal Policy Advice

PUBLIC

Mr HARRISS - Treasurer, back in the 22-23 budget papers that which was the first forward Estimates for this that included 25-26, the regulatory policy had \$4.3 million allowed allocation, it's down to \$3.26 million, can you give some indication why that's dropped off from that full lesson?

Mr ABETZ - That is before my time, honourable member for Huon. I don't know if somebody's got a historical record on that.

Mr SWAIN - Sorry, I'm just hoping to find the 2.6 bit.

Mr HARRISS - Two-point-two?

CHAIR - Line item 2.2 which is regulatory policy.

Mr HARRISS - Just from where it was first allocated in forward Estimates back in 22-23. It was \$4.36 million, so over a million dollars above what has been allocated this year.

Mr SWAIN - It's an ongoing output that's been around. It sort of predates me; I'm wondering if there was a specific initiative or reason for an uplift.

CHAIR - Just for the purpose of *Hansard*, if you'd like to introduce yourself, too.

Mr ROOT - Jonathan Root, Deputy Secretary, Revenue and Regulatory Services. I can't say that I can cover the full difference, but I would say the majority of it is in relation to gaming-policy projects that were in that output back then, principally the player card gaming reforms that have some components of that has moved into at the back end of the future, gaming market reforms have moved into the liquor and gaming regulation output, and some of those costs are on hold due to the suspension of the player card gaming initiative while the government continues to consider the gambling-harm reforms. I suspect that's the majority of that gap. I can't say that's the full - I think there's probably about \$800,000 of it.

Mr HARRISS - No, I suspected that. Back in November 2024 when the government announced deferring the pre-commitment player card, it mentioned broader harm-minimisation packages or a package. Are you able to provide any details on the progress of that?

CHAIR - Is that under this line or is it under 3.2?

Mr ABETZ - We have the official here that can assist us in that regard.

Mr ROOT - Some of the policy components of liquor and gaming are in this output. The other output is largely the operational activities and compliance for it. The government, in its election commitments, committed to looking into a number of technologies in addition to the player card technologies which have been the focus of the policy prior to that. Facial recognition being one, automated responsible gambling systems being another, and improvements to the Tasmanian Gaming Exclusion Scheme. Those investigations are progressing and the government will be considering that material in due course. That's pretty much where we're at this stage.

PUBLIC

CHAIR - I'm just conscious of the time. We might have other questions. We might break for lunch now because we've only got 45 minutes, but you're back a bit after that because we've got the Auditor-General coming in straight after lunch. Haven't we? Sorry, that's later. We will take a break now and come back at 2 o'clock to try to finish off Treasury and finance general, which is going to be a massive task.

The committee suspended from 1.17 p.m. to 2 p.m.

CHAIR - Welcome back, Treasurer. I know it has been a short break.

Treasurer, this morning you said that Ms Haddad, the member for Clark, had used the term 'bed blockers'. She disputes this and, on her search, can find no evidence of this at all. She would invite you, unless you can provide actual evidence of her saying that, to correct the record and apologise.

Mr ABETZ - I will take that on notice. I was advised during the course of the hearing that Ms Haddad spoke those words. If she hasn't, of course I will correct the record, but I will await the information.

CHAIR - I hope you do that before the end of the hearing today, Treasurer, because you made the statement.

Mr ABETZ - Yes, of course.

CHAIR - The secretary has a correction to make, is that correct?

Mr SWAIN - Yes, thank you, Chair. I indicated an incorrect WRIP number. I have just some advice from State Service Management Office that for the year 2024-25, the Targeted Negotiated Voluntary Redundancy were 15 and the WRIPs were 15, and for the year 2023-24, the TNVRS were 21 and the WRIPs were nine.

Mr HARRISS - Are there any major regulatory reviews scheduled for 2025-26 under this output?

CHAIR - In 2.2, is there a review of the *Subordinate Legislation Act*?

Mr SWAIN - Jonathan, with the Treasurer's indulgence, could talk to this more fulsomely, but there is a significant review of liquor licencing arrangements that is anticipated. There is also a miscellaneous taxation bill, which, in part or as a whole, depending on the government's will, will hopefully be brought to parliament next year, which reflects a collection of amendments based on effectively the feedback through decision processes and the movement of time. The original act doesn't actually cater for some of the challenges that now Jonathan, as the decision-maker in this area has to deal with.

Mr BURGESS - There is an intended review of the *Subordinate Legislation Act*. That has now been subsumed into a broader review of national competition principles under the revitalised NCP agreement. That will be looking at the legislation review program, the legislative arrangements around competitive neutrality, and the *Economic Regulator Act*.

CHAIR - And what, sorry?

Mr BURGESS - *The Economic Regulator Act.*

Mr SWAIN - Part of the discussion that we had in providing advice to the Treasurer on that matter was whether we could think about red tape in a proactive way, in the way that legislation is formulated and then updated periodically. That's sort of the genesis of that where that came from.

Mr HARRISS - As to the *Subordinate Legislation Act*, do we have a time frame?

Mr BURGESS - I probably have to take that on notice. At the moment we're in negotiations with the Commonwealth on our commitments under NCP, so we have set out a time frame, but I can't recall it off the top of my head. We can take that on notice, if you like.

CHAIR - Anything else from other members on 2.2. If not, we'll move on to 2.3.

Output Group 2 - Economic and Fiscal Policy Advice

2.3 Intergovernmental Financial Matters.

Ms O'CONNOR - On 2.3, I wanted to go to the Better and Fairer Schools Agreement; the agreement that the state signed with the Commonwealth around education, initially signed in October 2024, the bilateral agreement for the Better and Fairer schools' package.

In budget paper 1 on page 84, it talks about how the state's contributions over the lifetime of a full and fair agreement are uncertain. How uncertain are they? We just had an indication of what the state's contribution would be under that agreement, given it's been signed with the Commonwealth, so there must be some metrics in there that tell us what the state's contribution will be.

Mr ABETZ - I would assume that to be the case. I don't have that detail with me. Education may well be the place to get down into the minutiae of that agreement and as to what the responsibilities are.

Ms O'CONNOR - And we will, but this is in terms of Treasury's perspective on what the state's contribution is likely to be, given that the intent of the agreement is to ensure every school student in public education has sufficient resources for their learning needs.

Mr SWAIN - I can only make a very broad addition to the Treasurer's answer, but my understanding is some of the funding under that agreement is tied to student numbers and it is also matched. It is not like there's a single number in the agreement. There's a formula for the contributions from both parties that will evolve with student numbers.

Ms O'CONNOR - Okay. Even across the next year of funding for DECYP - given there's these other funding pressures in DECYP around out-of-home care, for example, which have already been identified by Treasury and in the budget papers - Treasury must have a broad indication of what will be required as the state's contribution to meet the spirit and intent of the Better and Fairer Schools Funding Agreement.

Mr SWAIN - That is embedded in the Budget.

PUBLIC

Ms O'CONNOR - Not to the out years, though - not fully.

Mr BURGESS - I will back up what the secretary says is there's much greater certainty about. For instance, what would be required this financial year, because we've got a lot of certainty around student numbers and student needs.

Ms O'CONNOR - At this time of year, you mean?

Mr BURGESS - You know, the closer we are to now, the more certainty there is about student numbers. The further you go out in the agreement, the more uncertainty there is about how many students you will have to teach, what their needs will be. That affects the funding of both the Commonwealth and the state. I think that's what that risk is trying to describe.

Ms O'CONNOR - Okay. And so each year, is a new assessment made of need for the funding allocation for the following year?

Mr BURGESS - My understanding is it's based on assessments of student numbers and needs.

Ms O'CONNOR - Okay. Can we just go quickly to the agreement with the Commonwealth around the \$240 million for urban renewal at the Macquarie Point? Have any of the milestones that were set by the Commonwealth in that agreement been achieved? Or, what sort of work is being undertaken to present the housing component of that funding?

Mr ABETZ - To the best of my recollection, they have been - and I think on one, an extension was provided. Does anybody have the exact detail on that?

Mr SWAIN - The work on this has been led by State Growth, so it's probably better-

Mr ABETZ - Right, better for Macquarie Point-

CHAIR - Can you answer that one later? Okay, we'll park that one to a bit later.

Ms O'CONNOR - And can I just double check before we go - the model for Homes Tasmania is that they have to leverage to access- for example, the Housing Australia Future Fund. Is there any agreement on housing with the Commonwealth, or is it all just spot funding depending on applications that Homes Tasmania has can partner on to submit a bid for? Do we have any agreement with the Commonwealth on housing, at all?

Mr BURGESS - Yes, there's a housing agreement, but I'm not across the detailed mechanics.

Ms O'CONNOR - I will ask Mr Vincent about that, but again, slightly falls within this category.

Mr BURGESS - That might be best.

Mr SWAIN - Sorry - the only thing I can add there is that in some of the discussions at Head of Treasuries and Board of Treasurers, there's a lot of discussion on the Commonwealth's incentives in relation to housing and the specific targets, which all states are finding very hard

PUBLIC

to meet. There's a concerted effort from state treasurers to get those incentives recalibrated to targets that are more readily meetable to all the jurisdictions.

Ms O'CONNOR - What about adjusting the funding model so it's not so reliant on a HAFF funding round?

Mr ABETZ - Sorry, I can't comment on that whether -

Ms O'CONNOR - You're the Treasurer.

Mr ABETZ - If we had more money, wouldn't that be great?

Ms O'CONNOR - Well, you know, it's about priorities, isn't it?

Mr ABETZ - It is indeed, but you cannot spend the stadium money on every single area you might be interested in. You can only spend it once.

Ms O'CONNOR - Or not spend it.

CHAIR - Okay, any other questions?

Mr ABETZ - And if we didn't spend it, there would then be no money for what you're suggesting.

Ms O'CONNOR - Then there would be -

Mr ABETZ - Fine.

Ms O'CONNOR - Not \$1.8 billion added to net debt within the decade.

Mr ABETZ - Can I quickly respond?

CHAIR - Yes.

Mr ABETZ - For the benefit of getting on with the show, I'm happy to withdraw in relation to Ella Haddad. She did use on 10 May 2024, the term bed-block or bed-blocking. If you Google the term bed blockers, it is used by doctors, hospitals. It is defined in the *Collins Dictionary, the Cambridge Dictionary* et cetera. The person that is in a bed that is known as a bed-block is, surprise, surprise, referred to by some people as a bed-blocker.

CHAIR - Ms Haddad did not use that term. Can we be clear about that?

Mr ABETZ - She talked about bed-block -

CHAIR - Which many of us have talked about.

Ms LOVELL - They're a very different thing.

Mr ABETZ - The people in the bed are bed-blockers and that is why I was sensitive in my introduction to using the term. I think I may have said something like an unfortunate

PUBLIC

term or something, bed-blocker. For the sake, to get the show on the road, as I said at the very beginning, I'm more than happy to withdraw. But, when somebody refers to bed-block but then says, oh, we are offended -

CHAIR - It's not an apology.

Ms LOVELL - It's not an apology, and can I make a suggestion? It's not about getting the show on the road. This is about being very clear about comments that we're put on the record publicly. Can I make a suggestion that you maybe speak to the Council of the Ageing or Disability Voices or any of the organisations who represent people who typically fall into that category of patients who do become stranded in our hospitals, about the term that you continue to use and why it is offensive and why it is problematic.

Mr ABETZ - You know what I find offensive, Ms Lovell, is that some of us are trying exceptionally hard to get extra money out of Canberra to ensure that we never have to use that term ever again.

Ms LOVELL - You don't need to use the term ever again.

Mr ABETZ - You are concerned, not about getting the funding to get people out of hospital into the care.

Ms LOVELL - No. Now you're putting words into my mouth -

Mr ABETZ - What you are concerned about is -

CHAIR - Order.

Mr ABETZ - Some sort of language that, as I have said, I withdraw the term but I don't apologise in circumstances where the term bed-block has been used. Then, the people, it's a reasonable assumption to make, that the people who are unfortunately in that position -

CHAIR - But you did say that Ms Haddad used that term, so you're withdrawing that statement? Is that correct?

Mr ABETZ - Yes, I have. Yes, twice.

CHAIR - We will move on then to 3.1, which is tax administration revenue collection.

Ms LOVELL - Treasurer, how many first-time homeowners have been paid the additional first homeowners grant to date for \$20,000 additional?

Mr ABETZ - I don't think anybody has because it hasn't passed the parliament as yet. Has it passed the upper house?

CHAIR - No.

Mr ABETZ - No, so nobody as yet. That is why we are anxious to get this passed because the end of the year, so for the 12-month period for which it runs. We might at least have the six months of it running.

Ms LOVELL - Apologies, I've had the wrong piece of legislation there. Does Treasury have any targeted compliance efforts planned for specific taxation revenue streams during this financial year?

Mr ABETZ - Sorry, can you repeat that question? I was just seeking some other information.

Ms LOVELL - Does Treasury have any targeted compliance efforts planned for specific taxation revenue streams during 2025-26?

Mr ABETZ - That would be on the revenue side, yeah Jon?

Mr ROOT - The state revenue office undertakes the tax compliance and the focus of our compliance program is across all the tax lines. We undertake compliance in land tax, in duties, in payroll tax and in the various grant programs that we administer, so first-homeowners grants, pensioner rate remissions and so on.

We don't, like say the ATO who announces particular campaigns, have compliance around particular tax lines. We don't do that ourselves, but we do have comprehensive compliance programs around each of the tax lines.

CHAIR - We might try to keep moving if we can. If there are no other specific questions on that.

Output Group 3 - Revenue, Superannuation and Regulatory Management Services

3.2 Regulation and Administration of Liquor and Gaming

Ms O'CONNOR - In an earlier answer, the secretary talked about a significant review of liquor licensing arrangements. Is it possible to have some further detail on that review, like what the objective is?

Mr ABETZ - With a previous answer, you're referring to today?

Ms O'CONNOR - Yes.

Mr ABETZ - In recent times, I've written out to a number of stakeholders indicating that that is what we are doing. That's a copy of the letter that went out and that one was, for what it's worth, to Dr Chris Jones, the Rt Rev Dr Chris Jones of Anglicare. We've written out to both, if you like, industry people and those that might best be described as, if you like, in the community sector as well, so we get a balance of feedback in relation to the various aspects. For example, key changes include:

- Replacing the existing licence and permit categories to allow greater flexibility and tailoring of the authority to reflect different business and community activities.
- Risk-based application and fee structures where lower-risk activities will have a simpler application process and lower fees.
- Modernising our systems and creating an online trackable application process.

PUBLIC

- Streamlining regulatory processes to minimise the regulatory burden on business.
- Allowing licences to be held by a business, not just an individual.
- Clarifying and naming the availability of a single permit for festivals and events with multiple vendors.
- A 10-day approval time frame for low-risk activities.

I could read out the whole letter. It might be better if I just table it.

Ms O'CONNOR - Well, if the Chair's happy with it we can table that one out.

Mr ABETZ - It was a standard letter sent out to everybody.

Ms O'CONNOR - In the context of liquor and gaming, what is regarded as a lower-risk activity? If one of the objectives is to see whether lower-risk activities might attract lower fees, is the corollary that higher-risk activities, like pokies, for example, might attract higher fees?

Mr ABETZ - This is into liquor licencing, not gambling.

Ms O'CONNOR - Just liquor?

Mr ABETZ - Yes, not gambling.

I'm not sure, but, for example, the Huon Show, that the member for Huon may well be associated with - can I be told: does each stall holder require to have a separate liquor licence as opposed to the Huon Show getting one for the various stall holders which was for, if I might say in general terms, the tasting of alcohol and then buying at the Huon Show or somewhere like that? I don't think, in general terms, that that would pose any community problems, but it occasions for the small vendors and operators the nuisance of having to apply. They're the sorts of things we're looking at.

Ms O'CONNOR - Thank you for that. Potentially, this review could lead to lesser income, for example, in fees for lower-risk activities given that there's a revenue-raising imperative here. Is it part of the consideration that higher-risk activities would attract higher fees?

Mr ABETZ - Well, first of all, can I say that if you get rid of some of the red tape associated, there might be more applications and therefore you might actually get the same amount of revenue. We always have to balance those things up. In relation to high-risk, and where the assessment cost will be more difficult and more time-consuming to assess. That is something that we could look at as well.

Ms O'CONNOR - It doesn't necessarily sound like you're looking at it. What about providing the committee with an example in liquor licencing of what a higher-risk activity might be. Is that like having bottle shops in supermarkets, for example?

Mr ABETZ - I was just given a fantastic example: if alcohol were to be provided at a flower show as opposed to a festival. That would be something that's very low risk, one would assume.

Ms O'CONNOR - The flower show?

Mr ABETZ - Yes, as opposed to the festival. We're on the same lines here, which is a bit spooky, member for Hobart, but I think we're -

Ms O'CONNOR - Alarming.

Mr SWAIN - Treasurer, if I could: Jonathan can talk to this with more authority and might have some other examples, but this is really being driven by modernising regulatory arrangements and licensing arrangements. Its genesis is not in cost management; it's more about better, modernised, outcome-focus, risk-based regulation.

Ms O'CONNOR - So, this might have come forward from, for example, the red tape reduction commissioner?

Mr ROOT - In terms of the examples, so just to give two in the licensing space, the Treasury gave some examples in the permit space which are sort of more short-term things. You might have, for example, a restaurant and the only service of liquor occurs with the consumption of a meal. That we see as at the lower end of risk; people are eating, they're there during meal times, versus a nightclub that trades until 5 in the morning, that's what we see as a high risk, and the regulatory cost burden is much higher for higher-risk venues.

The example of the nightclub, that's where we have more disciplinary matters occur. That's where my compliance inspectors are out late at night with police doing inspections. They are more expensive to regulate, and on a principle of trying to recover the cost of regulation from the industry, licence fees are applied. Now, the art is in getting the balance right between that risk. That's what this is looking at doing, is saying, well, are both the high-risk venues appropriately licensed and the low-risk venues appropriately licensed.

Ms O'CONNOR - That is liquor licensing. We heard in an earlier answer that - this is in relation to tax administration and revenue collection - that there's unspent money in the gaming section, is that correct, due to the consideration of what is an appropriate harm-minimisation response to the harm caused by gambling and that's progressing; are we likely to see any changes in the regulation of gambling?

Mr ABETZ - If I may quickly backtrack on the liquor one, one of the key considerations, just to remove any doubt, is in relation to family violence as well and alcohol and its role. So that is factored into all the considerations.

Ms O'CONNOR - And violence towards women generally I would have thought as well.

Mr ABETZ - Yes, but at a flower show? Chances are, not so much a risk: festival possibly more so. Back to gaming, I'm currently looking at a range of potential options. I confess it's only just been recently that I've got my head around both liquor and gaming licensing issues, having stepped into this portfolio and finding that I am responsible for these areas as well.

Ms O'CONNOR - Including the harm-minimisation response within there.

PUBLIC

Mr ABETZ - Yes, and that is something that we are looking at, and I've been asking questions about facial recognition technology and -

Ms O'CONNOR - Not precommitment cards?

Mr ABETZ - Well, we know about precommitment cards and what the Premier has said in relation to that. I'm looking at a few other bits and pieces including gaming care officers, as to whether that is an opportunity for us with some of the funds. That's being used in SA, as I understand, with some benefit, but we will have a close look at the South Australian model as to how that might benefit.

Ms O'CONNOR - Final question, just on this line of questioning. Thanks, Chair. Rather than bring in mandatory precommitment cards which are demonstrated to reduce losses, we're talking about bringing in - would they be social workers from the community sector or would they be employed, for example, by venues? What's the model?

Mr ABETZ - I think, and remind me -

Ms O'CONNOR - Gaming care officers.

Mr ROOT - In the South Australian model, the officers are employed by the gaming corporation, which is the network of industry players. That's the South Australian model.

Ms O'CONNOR - That sounds terrific. That sounds really good. You'd have Federal Group, for example, or pokies venues employing gaming care officers and they send them out there, presumably, to cut into their profits by removing people who are spending too much on pokies.

Mr ABETZ - I think from a long-term point of view, no venue would like to see those with problems with gambling.

Ms O'CONNOR - I think that's a big call because it's core to the business model.

Mr ABETZ - We have, as I understand it, the lowest rate of problem gamblers in the country. I think we've got the lowest penetration of these machines per head of population -

Ms O'CONNOR - It was \$190 million in losses last year from some of our poorest people.

Mr ABETZ - I hear what you say.

Ms O'CONNOR - You'd hope so.

Mr ABETZ - I don't encourage it, but people that seek to wager - back in the day they used to lose it at the racetrack -

Ms O'CONNOR - Bad analogy. These machines are designed to suck money and are addictive in a way that horses aren't.

PUBLIC

Mr ABETZ - People became addicted and bankrupted themselves on the racetrack as, unfortunately, some have on the EGMs. Do we want to ensure that that doesn't occur? From my perspective, I've never been strong in this area as being a sort of social activity, but some people do like it and it is a day out and they do decide to spend their \$20 to \$30 with a meal or whatever -

Ms O'CONNOR - And the rest of it.

Mr ABETZ - No, a lot of people are actually disciplined and set themselves limits, but look, under the proposed model, these officers would be employed through Hospitality Tasmania. Their roles and responsibilities may include, but are not limited to: building capability in venues, cooperate with venues operating electronic gaming machines that implement strategies that help mitigate gambling harm and detect indicators of harm, strengthening referral pathways, supporting compliance and collaboration. Those letters went out, or were dated 3 November.

Ms O'CONNOR - Foxes and hen houses come to mind. Thanks, Chair.

Mr ABETZ - There's no harm in tabling this letter as well, just so you know what we're seeking from the community. After having got through the Budget, in the calm before the storm of delivering the Budget, I spent that week of writing out on 3 November, in relation to liquor licensing reform - in fact, on the day of the Budget, on 6 November.

CHAIR - Nothing better to do that day. It was already done.

Mr ABETZ - The Budget was locked away. The budget speech had been printed. I set myself to doing other things.

CHAIR - Are there any other questions on that line?

Ms O'CONNOR - Well, just one last one to close off on that: the foxes-over-the-hen-house policy for EGM venues, when do you expect to make a decision about that?

Mr ABETZ - Look, I don't have a timeline fully in mind of this stage.

Ms O'CONNOR - But presumably the industry supports it; self-regulation, what's not to like about that?

Mr ABETZ - It does help, if you would prefer no regulation. It's at least a step in the right direction -

Ms O'CONNOR - Try harm minimisation.

Mr ABETZ - I would have thought that the graciousness of the member for Hobart would extend to saying, 'Well, it's a little bit good, but not good enough.'

Ms O'CONNOR - I don't know.

CHAIR - That's a piece of work being done right now.

Let's move on to 3.4, Office of Superannuation Commission. Does anyone have questions there? We will move to 3.5, Administration grants, subsidies and concessions. Did you have some matters there, Dean?

Output Group 3 - Revenue, Superannuation and Regulatory Management Services

3.5 Administration of Grants, Subsidies and Concessions

Mr HARRISS - I only have one quick one. What role does Treasury play up front in the administration of grants in this line item? Any, or not? For instance with the First Home Owner's Grant, do they any work up-front before that gets initiated, or is it just the administering of it?

Mr BURGESS - Treasury provides advice to the government usually in the lead-up to the budget on issues around taxation and this particular grant program.

Mr HARRISS - So they do modelling around that, particularly with that First Home Owners Grant, do we have modelling around that?

Mr BURGESS - We have done, yes. Usually it's an iterative process where the government might come back and go, 'No, we're thinking of doing this, can you model what that costs and who it might assist?' We do that kind of work.

CHAIR - Can I follow up on that question?

Mr BURGESS - Yes.

CHAIR - With the First Home Owners Grant, which is before our House at the minute, we were told in the briefing that the modelling was based on 2020 modelling, when it was introduced in response to COVID. Is that the case that the modelling is basically based on a time in 2020 where there were different economic circumstances?

Mr BURGESS - I would have to check that. I understand the Treasury did brief the Council on that.

CHAIR - Could you clarify the modelling that was done on that particular policy? What inputs were fed into that model? You can take that one on notice.

Mr ABETZ - We had an estimate that I gave to parliament during the debate in the lower House.

CHAIR - An estimate of what?

Mr ABETZ - Of the First Home Owners scheme -

CHAIR - I'm asking about the modelling.

Mr ABETZ - of the uplift; I confess I can't recall the actual number.

CHAIR - The question on notice is what were the inputs into the modelling; what was the modelling based on to extend or revisit that higher payment to first home buyers?

PUBLIC

Mr ABETZ - It was, as I understand it, an election policy.

CHAIR - It was, but I'm asking about the modelling that sits behind it.

Mr ABETZ - Being an election policy, as such, Treasury doesn't model that, but it does afterwards try to give an indication as to what figures ought to -

CHAIR - I'm interested in the modelling that was done after. It was an election commitment, but we were told in the briefing that there was modelling done after that.

Mr SWAIN - The modelling was on the expected costs, not its potential impact.

CHAIR - We were told it was on the expected costs, but also the inputs into it to determine what the uptake would be; that's the question here.

Mr ABETZ - We will take that on notice.

CHAIR - I'll go to 4.1.

Output Group 4 - Community Assistance

4.1 Public Trustee Community Service Obligations

Ms LOVELL - I'm happy to keep moving. I'm conscious we've got a lot to get through.

CHAIR - Anyone else have anything particular on that?

Ms O'CONNOR - The Public Trustee operations have come under criticism. There's a lot of public interest in the way that the Public Trustee operates because it's dealing with a lot of vulnerable people.

Are you, as Treasurer, reassured that the Public Trustee is on the right track, and given your predecessor floated the idea of selling the Public Trustee -

Mr ABETZ - Part of its operations.

Ms O'CONNOR - Yes, that's right, sorry - but can you confirm now that that is no longer government policy?

Mr ABETZ - Number 1, that is no longer government policy. Number 2, since becoming Treasurer, I am now a shareholder minister in the Public Trustee. I've had a meeting with the Chair and the CEO, and they have indicated to me that they have learned a lot from the reviews that have been undertaken and the criticism, which from our former colleagues in the legal world were quite strong, and that's your term.

Suffice to say, given the changes that have occurred - and I think, Public Trustee comes up as a separate item, and I think I'll be repping the Attorney-General for that later on, but the figures with consumer reaction seem to have had a considerable uplift, and I have thanked them for their diligence in achieving that.

PUBLIC

Ms O'CONNOR - Full credit to the team at the Public Trustee.

Mr ABETZ - Yes.

CHAIR - Do you know what the annual value of the CSO payment is?

Mr ABETZ - No I don't, off the top of my head. I'm sorry.

CHAIR - Do your people at the table know that?

Mr SWAIN - We do. We can find that once we go through -

CHAIR - Okay. Well, I will let some people look for that while we might move on.

We will move in to finance general. Do you need to change people at the table for finance general, Treasurer?

Mr ABETZ - I think we might do, yes.

Mr BURGESS - I've got an answer to Mr Harriss's question on notice. The review of the *Subordinate Legislation Act 1992* will be completed in the second half of 2026.

CHAIR - The committee is interested in having some advice around that.

Mr BURGESS - And I've got the numbers for the Public Trustee community service obligation. For the budget year, it's \$7.21 million, then \$6.5 million, \$6.9 million. It's on page 298.

CHAIR - Okay.

Mr ABETZ - And I also understand that the data inputs into the First Home Owner Grant model were from 2000 to 2025, not 2020 to 2025.

CHAIR - So, the inputs that were relevant in 2000 were fed into the model, to look at what the impact would be in 2025?

Mr ABETZ - Over the full 25 years, from 2000 to 2025.

CHAIR - On that question, then, when we're looking at how those figures fed into it. The question is, in what consideration was given to cost-of-living pressure we experience now as opposed to back in 2020, or whatever - what year was it?

Mr ABETZ - From 2000 to 2025.

CHAIR - From 2000. And then, the average price for the mortgage repayment [inaudible] the cost now. So, has that all been modelled?

Mr BURGESS - The impact of the increase has been modelled in terms of the number of additional grants we expect to pay. That has been modelled, and that underlines the

PUBLIC

expenditure for the budget year. I think, Chair, are you asking how we've gone about determining, if you like, the response that first home buyers will make to that?

CHAIR - Yes, that's right - particularly in light of the different economic circumstances that many people face right now, as opposed to in 2000 or even 2010, or 2020.

Mr HARRISS - It was to do, Chair, it wasn't with the allocated amount of funding to go to that first home owners. That's where we were trying to get that modelling, to see what that increase was.

CHAIR - Are you able to provide some more information around that?

Mr BURGESS - Absolutely.

CHAIR - We'll leave that one on notice, then, so they can provide some information about that.

Output Group 1 - Debt Servicing and Management

CHAIR - We will move on, then, to finance general 1.1 debt servicing. Now, we have had a few- a bit of a discussion around debt and management of it. I've just got a couple others I wanted to go to in this space.

Treasurer, the budget notes that the state's fiscal responsibility principles include that debt is to be 'maintained at prudent levels'. That's on Budget Paper 1, page 50. At what point does the government consider debt levels cease to be prudent?

Mr ABETZ - Look, that depends on all the circumstances that prevail at the time. You know, if you're facing a COVID, if you're facing a threat to your territorial -

CHAIR - Let's say all things being equal - no major catastrophe, not a GFC, not a COVID. What would be - when would it cease to be prudent?

Mr ABETZ - Well, I think we've already indicated our pathway out of increasing our debt, and that is what we consider to be the prudent number - keeping in mind that if we were to - we could abolish all deficit budgeting today, but that would have consequences on the economy, so I sought advice as to how we can slow -

CHAIR - But is there a prudent level of debt, you think, above which you get, that becomes no longer prudent?

Mr ABETZ - Look, I'm sort of pretty old-fashioned with these things, Chair. I sort of like to stay away from debt if at all possible.

CHAIR - We're a long way from that now.

Mr ABETZ - Absolutely, but I said that in my very first speech in the House of Assembly as to what my view was of deficit budgeting and government.

PUBLIC

CHAIR - Despite this statement in the budget papers, you don't have any understanding of when the debt, which is deemed to be prudent now, because that's what you're saying, ceases to be prudent. How much more can we withstand?

Mr ABETZ - Should governments be so minded, we could potentially incur greater debt than is forecast. That said, I don't countenance that. I don't support it and indeed, what I am trying to do to the best of my ability is to slow down the rate of indebtedness by reducing budget deficits over the forwards till we come to a balanced figure, and then thereafter the task of paying down the debt begins.

CHAIR - We have talked about the debt that Homes Tasmania has, but can you explain why the borrowing costs in the Budget that you oversee here that does not increase, yet as you referred us to budget paper 2, volume two, Homes Tasmania is shown to increase its borrowings by \$124 million. How doesn't it increase in budget papers the borrowings of Homes Tasmania?

Mr SWAIN - That's because the borrowing costs are paid as a grant through State Growth to Homes Tasmania; the debt will go into Homes Tasmania balance sheet so the cost of the interest will be in the GTS.

CHAIR - Yes, this is a borrowing cost but they don't increase, according to the budget papers.

Mr SWAIN - Well, the interest is hitting the GGS but not the borrowing costs. That's hitting the Homes Tasmania. It will be in the total state sector.

CHAIR - Treasurer, do you have an expectation of when Homes Tasmania will be able to reduce its debt.

Mr ABETZ - I personally don't. I haven't had a look at that in detail, but sure the minister for housing or for Homes Tasmania does and will have able to provide you with further detail.

CHAIR - Given all of Home Tasmania debt is supported by the general government sector as you've just alluded to and is evident there is no prospect of Homes Tasmania ever servicing its debt. Why isn't the debt moved into the general government sector, so that the general government balance sheet probably shows their liabilities it's supporting.

Mr ABETZ - It's a decision that was made when Homes Tasmania was created and passed through the parliament. For right or wrong, that is what happened. That is the model.

CHAIR - If we, to be honest, should count all that debt on the general government balance sheet.

Mr ABETZ - Chances are that would have been the case with the Hydroelectric Commission back in the day. I don't know, but yes, these things have changed from time to time for a variety of reasons.

CHAIR - To make it look better.

PUBLIC

Mr ABETZ - They are your words. The parliament made the determination to create Homes Tasmania pass through those houses so that is the decision of the parliament, albeit initiated by the government. I accept that but yes.

CHAIR - Treasurer, we've talked about the net debt doubling to \$10.4 billion by 2029 - Tuesday's peak debt - which transfers some of that fiscal burden to future Tasmanians. What assessment has Treasury made on the intergenerational equity implications of this increasing debt.

Mr ABETZ - The intergenerational equity issues are something that I in fact refer to in my first speech in the House of Assembly, there was intergenerational theft. It depends on what the money you spent on. To pick a favourite topic there is a particular piece of infrastructure that is being built, and I'm happy to look my children and grandchildren in the eye and say -

CHAIR - I'm focused on -

Mr ABETZ - Yes, intergenerational -

CHAIR - the general government sector debt that goes from \$5 billion to \$10 billion in the forward Estimates. Has there been modelling done on the intergenerational equity implications of that debt, the debt we're incurring to pay for services?

Mr ABETZ - Well, some of it is for services, but as I understand it - yes. So the equity injection into the stadium comes out of GGS, and I can look my children and grandchildren in the eye and say in relation to -

CHAIR - But I'm not just talking about that, there's far more borrowing than that.

Mr ABETZ - Of course.

CHAIR - As you continue to quote Anthony Haneveer's comments about taking the stadium out won't fix the debt problem. That's what I'm talking about. Has there been modelling on the intergenerational equity issue, or inequity implications of the debt that we're carrying, regardless of whether the stadium's in or out?

Mr ABETZ - No, there are different categories of debt. That's what I'm trying to get to. If the next generation or generations benefit from a school, from a road, from a stadium, whatever, then I think there is intergenerational equity in relation to those expenditures.

CHAIR - What about the others, though? That's what I'm talking about.

Mr ABETZ - But the others - but the GGS is - makes contributions into both areas, but for recurrent expenditure, I don't think you need to do any modelling. Treasury may have done so, but on the face of it, to borrow so we can maintain our lifestyle today at the expense of the next generation is something which -

CHAIR - Isn't that what we're doing?

Mr ABETZ - Yes, is something - if I'm allowed to finish - is something that I have banged on about since day one of my involvement in public life, and I share your concern.

CHAIR - Have you done modelling to see what the impact of that is?

Mr ABETZ - Well, clearly that which they have to pay off in future years denies them the flexibility with budgeting in future years, because there will be X dollars required to pay down the debts that we have incurred today. That is why I have said that there is not only an economic element to all this, but also a moral element. That is why deficit budgeting is not something that overall, I support. If it's an investment like taking on debt to buy a house, fine, because you can see how that's going to benefit, but borrowing for the groceries ain't such a flash idea.

CHAIR - We are doing a bit of that, but -

Mr ABETZ - Oh, we are.

Mr SWAIN - I was going to say that obviously the PEFO addresses this subject, and the financial sustainability report will look out over probably a 15-year window and look at what happens with debt under different scenarios. As I think would be very obvious to the table, one of the key reasons that treasuries who have a role in - I mean the government of the day balances its socioeconomic and financial policy positions, but the Treasury concern around fiscal sustainability is in part because of the compounding effect that operates in relation to government finances, which is not generally a play for a household or a business, that you're paying interest on a compounding amount. The FSR will explore that issue in more detail, the work that was done in the PEFO, which really went for a shorter time frame.

CHAIR - There are many other questions that could be asked in this space, but we're running out of time. There are a few other areas that I might just go - I don't have any specific questions on 1.2, I will just run through them, anyone speak up: 2.1, which is superannuation and pensions, 3.1, Sustainable Timbers Tasmania, which is the firefighting bit.

Ms O'CONNOR - Yes. Can you confirm, Treasurer, that the \$2 million each year allocated to Sustainable Timbers Tasmania - what precisely is that to fund? That's a community service obligation payment. What's the government's understanding of how it helps Sustainable Timber Tasmania, AKA Forestry Tasmania, operate?

Mr ABETZ - That, I suspect, you should be asking under business, industry and resources. Of course, as Treasurer, I am a shareholder minister as well, but the exact detail -- I think firefighting might be one of those community service obligations. Just recently I had a bit of a brief from the SES. They were very complimentary of how Sustainable Timber Tasmania personnel cooperated and worked in with a volunteer fire brigade and the professional fire brigade -

Ms O'CONNOR - And Parks.

Mr ABETZ - And Parks. They are an integral part of our firefighting capacity.

Ms O'CONNOR - We can definitely agree on that, as they stand at the moment -

Mr ABETZ - I will note that as happening at 2.50 p.m.

PUBLIC

Ms O'CONNOR - but they are, because they're major land manager and have responsibilities. Given that Forestry Tasmania is a loss-making venture, are there any considerations being given to further asset sales of Forestry Tasmania properties such as we saw, for example, in 2015-16 where the plantation resource was sold on about 90,000 hectares, I think?

Mr ABETZ - I would disagree with you in relation to STT being a loss-making venture. Parking that, I'm not sure -

Ms O'CONNOR - Definitely not a profit-making venture.

CHAIR - I don't think this fits under this line item. This is the firefighting provision. That's a matter for the resource's portfolio.

Ms O'CONNOR - The sustainability of Sustainable Timber Tasmania -

Mr ABETZ - And you will have the official -

CHAIR - This is the CSO. We will limit our questions to that because [inaudible] questions. Other questions can be asked under the resource's portfolio.

Ms O'CONNOR - Well, I think asset sales are relevant to this -

CHAIR - This is not relevant to this line item. No, I will move on. It's not relevant to this line item. There are other avenues to ask those questions.

Ms O'CONNOR - I think there would be a public interest in knowing what the government's position is on asset sales for FT.

Do you think the State Fire Commission is adequately funded to deal with - given that this is a static amount, so there's no CPI increment for the State Fire Commission's allocation. Do you think that is adequate, given that we're going to face more intense and frequent bushfires that threaten both communities, the economy and, of course, the natural environment?

Mr ABETZ - That would be a question for minister Ellis.

Ms O'CONNOR - This is an allocation that's been made through finance general based on the advice given to finance general by minister Ellis.

Mr ABETZ - They will be able to indicate to you how they will manage with that allocation.

Ms O'CONNOR - The final question on this - it is connected all in here - do you, as Treasurer, accept that in the decade or two ahead there will need to be increased allocation to our land managers and emergency services in order to properly be able to protect communities, the environment and the economy from accelerating global heating?

Mr ABETZ - From the threat of fires, that is clearly something that increases as housing and community moves out. There are certain areas where houses have been built. One wonders

what may happen in the event of a 1967-type bushfire. I am very mindful of that having lived through it.

Ms O'CONNOR - Or worse, potentially. Particularly for the city of Hobart. I don't know if you've spoken to Professor David Bowman but it's high-risk.

Mr ABETZ - The City of Hobart, but I would have thought everywhere.

Ms O'CONNOR - Yes, and the capital.

Mr ABETZ - You're the member for Hobart looking after Hobart. Good on you, but I think there are other areas in Tasmania as well.

Ms O'CONNOR - I didn't say that there weren't, but Hobart is regarded scientifically as a very high-risk city to bushfire.

Mr ABETZ - It's because we are surrounded by so much bush.

Ms O'CONNOR - Also it's because climate change is increasing the frequency and intensity of these fires, on the evidence.

Mr ABETZ - That's a comment.

Ms O'CONNOR - It's not a comment. It's a fact.

CHAIR - It's a comment, still. Is there any other question on 3.2? No.

Output Group 3 - Government Businesses

3.4 Government Businesses

CHAIR - We'll move to 3.4. Sarah?

Ms LOVELL - No, I'm happy to keep moving. I'm getting mindful of time. I'm happy to let others ask questions.

CHAIR - We have covered some of that.

Ms O'CONNOR - Can we just find out if there's any higher cost estimate of the blowout on the berth - the TT-Line berth?

Mr ABETZ - I would look for 93 is still the figure that we are working on.

Ms O'CONNOR - The cost blowout, just for the record, of \$400 million on the original projection?

Mr ABETZ - No. Look, with respect, those that were in charge of the project misinformed, albeit unwittingly, that they misinformed themselves and others as to what actually needed to be done, and once we had the right personnel in place to make the right assessments, we were able to get a proper calculation. And so, it's not in the form of a cost blowout that this was going to be the project, like - you know, there's this cup and it was said

PUBLIC

to be a dollar's worth, and then a few years later it's going to be 10-dollar's worth. It was - you know, this cup compared to this water container -

Ms THOMAS - All outlined in the wonderful Public Accounts Committee report that was tabled last week.

CHAIR - Yes, it's all there. I'm sure you've read it, Treasurer.

Mr ABETZ - That was required, yes. And, I was the minister for Transport straight after the '24 election and was provided with that on my plate -

CHAIR - Handed it.

Mr ABETZ - And I would like to think that which was handed over to minister Vincent is in a lot better shape than that which I received 12 months previously.

CHAIR - Are there any other expected equity injections into government businesses that you are foreseeing? Any of them?

Mr ABETZ - Any others -

Mr CRAIGIE - Well, there's a number of equity injections already outlined in the budget papers.

CHAIR - Beyond those.

Mr ABETZ - Beyond those?

Mr CRAIGIE - Beyond what's in the Budget?

CHAIR - Beyond the ones that are listed.

Mr CRAIGIE - Technically, that's a matter for next year's Budget.

Mr ABETZ - Yes. I don't want to give -

CHAIR - You're not aware of any that will need help. Is that what you're saying? I'm just trying to -

Mr ABETZ - Without predict - without saying what I think some of us might be thinking, I'll leave it at that, but there are certain enterprises or government business enterprises that continually need a bit of support, and we do that for a good social reason and for other reasons. But, I don't want to give them any ideas that I'm entertaining giving them more money.

Ms O'CONNOR - By singling them out.

Mr ABETZ - Yes.

PUBLIC

CHAIR - That's alright, okay. We will move on, then. I've got a couple of questions on the line items I've got, but I'm just conscious that others may have too, so if anyone's got pressing questions on what's left?

Ms THOMAS - No.

Ms O'CONNOR - I wouldn't mind having a look at 4.11, the Tasmanian Government DOGE.

Mr ABETZ - Hah, here we go.

Output Group 4 - Miscellaneous

4.2 Treasurer's Reserve

CHAIR - Just with regard to the Treasurer's Reserve, have there been any approvals under section 21 of the *Public Account Act 1986* under the Treasurer's reserve to date?

Mr ABETZ - No, not to date. I'll be tough on it.

CHAIR - No? So, how will the \$25 million additional equity to be given to TT-Line be funded? Sorry, what did I say? Seventy-five million, sorry. Typo.

Mr ABETZ - Seventy-four-point-five, but in general terms, it is rounded up to \$75. But just for accuracy.

CHAIR - Seventy-five, yes, rounded up. How will that be funded?

Mr SWAIN - Look, it will end up tracking through into the borrowing requirement, given we are in deficit in terms of the net operating balance and the fiscal surplus.

CHAIR - There was also - I think it was, rounded up - there was \$25 million of working capital as well. Is that correct? TT-Line?

Mr BURGESS - I think that might be in their borrowing facility.

CHAIR - In their borrowing facility?

Mr ABETZ - There was an increase in their borrowing facility, but that was more - 45 -

Mr SWAIN - I mean, that is probably a question for TASCORP, but I think there is, from memory, a provision of 45 for working capital in the total 1.4 number, just borrowing accounts -

Mr BURGESS - Sorry, if I might just clarify - the \$74.5 million is funded in this Budget, that equity contribution.

Ms O'CONNOR - Through borrowings.

CHAIR - Yes, but I thought that was a working capital. They were provided with some working capital, according to their evidence to the PAC.

PUBLIC

Mr SWAIN - It forms part of the maximum borrowing limit that TASCORP -

CHAIR - The uplift for \$400-and-whatever-million.

Mr SWAIN - There's a component in that which is working capital, from memory, but it's really a TASCORP question.

CHAIR - Or a TT-Line question.

Mr SWAIN - And TT-Line, yes.

CHAIR - With regard to the Tasmanian Risk Management Fund, the first time in the May Budget this year that didn't proceed, there was an allocation of \$125 million based on actuarial advice of increasing claims, particularly in personal injury. This year we've \$183 million for the same reason. That's quite a significant increase in a short space of time, Treasurer. How are you dealing with this and is it expected that the departments, et cetera, and agencies will have to put in more to cover this cost, so we don't have to keep topping it up?

Mr ABETZ - That would be desirable and something we are working through.

Mr CRAIGIE - As members are aware, the Tasmanian Risk Management Fund operates on a cost-recovery basis, so -

CHAIR - Except for this time, when we've had to put money in.

Mr CRAIGIE - The operating philosophy is that it operates on a cost-recovery basis, and so the actuarial assessment of liabilities recovered on an annual basis is through agency contributions, based on their cost of coverage and risk, et cetera. If you take workers compensation, the number of employees and the risk of claims with those employees - because the risk varies across agencies - with the rapid growth in psychological claims, and the cost of those in the workers compensation area, the government has made a decision to take the burden away from agencies. To bring in an equity injection of \$183 million directly from the public account. That's what you're referring to. There was a similar equity injection, for want of a better phrase, a couple of years ago. It was about \$125 million at the time. That's a recognition that these costs are growing at a rate it's difficult for agencies to keep up with.

CHAIR - That's going to be difficult if we're cutting stuff out of areas as it puts more pressure on those who remain. Has that been factored in? When you're having to right-size the public service, then that puts pressure on those who remain. There's a potentially increased risk of personal injury, physical or psychological.

Mr CRAIGIE - There are two fundamental drivers for the insurance cost. In particular in workers compensation, one is the salary base - so what is your total salary bill - and the other is the price or the cost of that insurance. We've seen with the growth in the general government sector wages bill that's one driver. What is also happening is because psychological claims are significantly more expensive than physical claims, and the mix between psychological claims and physical claims are swinging in favour of psychological claims, the price of the insurance has gone up as well. There's a compounding impact.

CHAIR - A double-edged sword; a double whammy.

Mr CRAIGIE - There's a compounding impact of higher total salary costs and a higher price to insure.

CHAIR - I don't think it's going away anytime soon. The medical liability claim is the other one that does tend to rise when people are under pressure in our health system. Do you want to go to 4.11?

Ms O'CONNOR - To DOGE; yes, thank you.

Output Group 4 - Miscellaneous

4.11 Productivity and Efficiency Measure.

Ms O'CONNOR - Perhaps, Treasurer, you could explain how this output is working? Can you confirm that the primary work is being undertaken in the Department of Premier and Cabinet?

Mr ABETZ - That's right; not in the president's office, so we can refer to it as the Efficiency and Productivity unit, and not the DOGE.

Ms O'CONNOR - Yes, and the objective of it is presumably not dissimilar. How does it work? Presumably this unit, the Productivity and Efficiency Measure Unit, is sweeping across all agencies?

Mr ABETZ - As you indicated, Premier and Cabinet are in charge of the detail of this, but yes, the idea is to go and have a look at every unit, agency, et cetera, to see what can be achieved. Might I add, as part of the government's approach, we've also reached out to our public servants asking them if there are any areas that they can identify. The last time I was told we'd already had 200 inputs. As to the extent and detail of them, I'm not across-

CHAIR - So, it's been put to you by ANMF year after year.

Mr ABETZ - We are looking at increasing the efficiency and productivity of our public service and I'm sure that every taxpayer would understand and accept that's a reasonable and good thing to do.

Ms O'CONNOR - Sure, some of them, for example, include things like taking Milo out of the hospital so doctors and nurses who are doing double shifts can't have a Milo in their break, but anyway.

Mr ABETZ - I think that was in the media at some stage and was debunked or I hope it was debunked.

Ms O'CONNOR - I've actually spoken to staff at the hospitals. It's not debunked. These out year numbers that's \$150 million, is it in savings year on year? Is that what I'm looking at here in the productivity and efficiency?

Mr SWAIN - It's a permanent reduction of 150, not a one-off in a given year.

Ms O'CONNOR - Permanent reduction of \$150 million in expenses -

PUBLIC

Mr SWAIN - Coming out of the base effectively.

Ms O'CONNOR - Is it your expectation that these savings come from FTE reductions primarily in order to achieve that level of savings?

Mr ABETZ - From across the board.

Ms O'CONNOR - An efficiency unit has not yet presented to government. What is the makeup of these projections in the out years?

Mr ABETZ - No, they haven't yet.

Mr SWAIN - This is a new unit that's been set up in in DPAC, Treasury will work with that unit collaboratively to look for savings. There will be a repair pathway that's allocated to all agencies. And all agencies will have their individual targets. This unit will either whether there is identified savings that can be pursued in a big agency or opportunities looking across government. It will complement the work that accountable authorities each have to do in relation to their own targets.

Ms O'CONNOR - When you say accountable authorities, you mean secretaries of agencies?

Mr SWAIN - Yes, the agencies themselves. I was just going to make the point that this saving doesn't occur until 2027-28. We're still effectively in the planning stage of how you're going to achieve these savings.

CHAIR - We do need to wrap up.

Ms O'CONNOR - It would be fair to say then this figure is at the moment maybe an educated guess, but it's guesswork.

Mr SWAIN - It's a target.

CHAIR - Thanks, Treasurer, we'll wrap it up at this point.

Mr ABETZ - I will see you later on for Macquarie Point.

CHAIR - You will yes, but we'll clear the table obviously and your people are free to go, and we'll just take a short break and have the Auditor-General

The committee suspended from 3.08 p.m. to 3.15 p.m.

CHAIR - (cont) Welcome, Martin and Jonathan, and your team here on behalf of the Audit Office, or Audit Tasmania now. We wish to speak to you about your budget allocation and to hear from you on the adequacy or otherwise of it. If you'd like to introduce the other members of your team at the table for the purpose of *Hansard*, and then I'd invite you to make some opening statements.

Mr THOMPSON - Thank you, Chair. On my left I have Jonathan Wassell, Deputy Auditor-General, and to my right, Janelle Tamlin, who is our Director of Corporate Support

and Strategy. In terms of, I guess, a brief opening statement, the context of this hearing in relation to the adequacy or otherwise of the budget of Audit Tasmania. On 5 June I issued my annual plan for 2025-26 which outlined the work that we will be doing through the current year.

Based on that recognition there that there was an ongoing reduction in our appropriation funding, we have lowered the level of work that we are going to do. It is worth noting that our financial audit activity is done on a fee-recovery basis. Any reduction in appropriation revenue goes directly to our performance audit activity. A 10 per cent reduction in our appropriation funding leads through to about a 20 per cent reduction in our performance audit capacity, because we have fixed costs in terms of our overheads and the like that we need to absorb, and they don't change, they actually increase. So any change is directly into our staff capacity.

In our program for 2025-26, we identified that there was a number of audits that we would have anticipated to have done based on our trajectory of funding, but with that change we've removed those audits, and we've identified those in the plan. The ongoing efficiency dividend will, again, impact our audit capacity substantially and will reduce further the ability to provide performance audits into the parliament.

Ultimately, from a budget perspective, we will form an audit program based on the available funding. Obviously, that's what we need to do, but I would note, on every independent measure, the level of product that we're providing into the parliament is lower than we would see in other jurisdictions. I would also note that in a number of areas, the work that we're doing potentially adds substantially to efficiency opportunities.

It's worth noting we provided a report on the management of major office accommodation recently; just for departmental and agencies, the state spends about \$47 million a year. The state, or the executive through treasury, in terms of managing those contracts, they don't know the utilisation of the accommodation, there is some work going there, but we're still in an environment where effectively we have desks based on headcount in most instances. In many instances, we're having a significant level of work from home. If we achieved a 20 per cent reduction in our accommodation costs, which is not unrealistic, that would be a \$9 million annual saving.

That was just one report, and there's a range of other reports that I could go into that have led to or could lead to significant efficiencies. I think the lower level - and I should hasten to add not everything we do is purely focused on efficiency, but the lower level of funding limits our ability to work in that area. Whether it's potentially excessive termination payments, whether it's potentially poorer or not optimising office accommodation, there's a range of areas where our reviews could lead to significant savings. Not only will we have a lesser program than ideal, but the opportunity to identify savings will be curtailed as a result as well.

CHAIR - Just from hearing what you've said, is it a fair comment, then, that the reduction in budget for the office has led to a reduction in output? There're no other savings that can really be found in the office?

Mr THOMPSON - No. So we've already - when I came in, 30 June 2024, we generated a deficit of just over \$800,000. That was largely because we hadn't rightsized our audit fees. Now, when we looked at 2024-25, we recognised we had about a \$1.3 million increase in our costs. If we had to recover the \$800,000 deficit, staffing increase, which are running at about

5 per cent, and the need to invest in technology took us to about a \$1.3 million gap. We addressed that through around about \$600,000 in fee increases in the financial audit space. We drove around about \$400,000 in efficiencies in our delivery of product and we recorded a deficit for 2025 of 199. We expect to land at a balanced budget for 2025-26.

We currently have probably the lowest accommodation costs of any agency. We run at about \$4,000 per person in terms of accommodation costs. We trend at over 100 per cent occupancy across most of the period. We have a hot-desk arrangement. We have 45 or thereabouts in terms of head count in the Hobart office. We have 23 permanent desks. By doing that, we bring our costs down to somewhere between 50 and maybe 70 per cent lower than other agencies. There's not a lot in the back office, if you like, that we can bring down. Our national benchmarking - our corporate costs as a percentage of our overall costs - are the lowest of any audit office that's regularly benchmarked. Our internal management of our costs I think stand up to some pretty rigorous scrutiny.

CHAIR - When we look at the challenges facing the state budget - we just had the Treasurer up until now, clearly cost savings are important and where they can be made. Are we cutting off our nose - or was the government cutting off their nose to spite - well, maybe this is deliberate - to reduce the funding to the audit office to enable them to do the work that could actually point to cost savings? It's a performance audit space. You will pick those things up as opposed to the financial audit space.

Mr THOMPSON - Currently, the state budget is not well controlled. Ministers don't have transparent information around how these state entities are managing those budgets in a responsible, efficient or effective manner. For example, the Department of Health, in their annual report recently released, had 403 KPIs that they use to measure their performance. They missed 251, or thereabouts, so they had an achievement rate of 38 per cent. In their annual report, they don't explain at all why they missed, what they're doing to address that, and what they're going forward - equally, we hear conversations about or commentary about capacity and demand, particularly around demand.

For example, health - I speak to health because it's the largest department. Health explained in their financial statements that the main driver of their budget overspend was demand. When we actually look at the health-reported performance information, which is in multiple areas and very difficult to pull together and see in a transparent way, from the period 2022 to 2025, admitted patients have increased by 19.5 per cent, elective surgery increased by 10.9 per cent, but the costs related to those outputs has increased by 42.4 per cent. It's far more than just demand in terms of the cost increases. Our patient attendances have increased by 22.5 per cent. ED presentations have increased by 5.7 per cent, but the costs associated with delivering those services have increased by 38.8 per cent. So, our role, if we had - you know, if there was more resources available, we could provide more information and drill down into the 'why' around some of these areas. At the moment, we can only look so far and we can only spread the resources so far. So, no, we can't necessarily answer all of those questions - and perhaps, yes, more resources in Audit Tasmania would result in an overall opportunities for efficiency that will far outweigh those resources.

CHAIR - I mean, the financial audit space is still recovered from the clients. When we look at an audit that you did on TT-Line, most companies are not - well, you don't need to form an opinion that they're trading insolvently. However, you did on this occasion. So, the extra work associated with that - because, I mean, you'd have to be very sure of your opinion, and

I'm not questioning your opinion at all on this, but is that then - is that all recovered, the additional work that has to be done on those?

Mr THOMPSON - That extra work cost around about \$40,000 just solely related to the considerations of matters of outgoing concerns, solvency and the like. We've engaged with TT-Line about recovering approximately about 50 per cent of that. We do recognise that there's some parliamentary reporting aspects that were added to the process because of the public sector nature of TT-Line - but yes, we are seeking to recover 50 per cent of those overruns. So

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CHAIR - It still leaves 50 per cent unaccounted for, which is not an insignificant hole in your budget.

Mr THOMPSON - Correct.

CHAIR - I mean, hopefully we won't have other situations with other government businesses, but we can't guarantee that, nor do we know whether TT-Line will remain in the situation they're in, or how it will be addressed. So, in the absence of additional funding for the office, you're likely to have to drop another performance audit to fit in the management of this, which is not going away any time soon as far, as I can see it.

Mr THOMPSON - The way we managed our budget, in terms of TT-Line, is we do have funding available for - so, our appropriation funding can, to a part - relates to reporting to parliament, and so there's an aspect of that funding that we can use for the reporting to parliament component. But, if our financial audits are dragging us into that space more and more, than that would, yes, there would be less available for the performance audit.

CHAIR - I'm interested in how the data analytics side of Audit Tasmania is going. There was a great deal of advocacy and begging, I'll say. There was funding provided for your data analytics. Is that adequately covered within your current budget?

Mr THOMPSON - So, the current - we received a funding for four years to develop our data analytics capacity, and we've undertaken - and the last year of that funding, which is about \$300,000 a year, is 2025-26, so the current year that we're entering into. Under that funding, we've developed around about- or we've addressed and commenced around about 28 different projects - everything from developing our data analytics, policies and procedures, evaluate and implementing tools. So, we've implemented a number of tools. We've also built some technology this year for all of the departments.

We finalised development of a reasonably significant predictive analysis tool for payroll. You know, in somewhere like Health - we could protect, fortnight by fortnight, the payroll expense. Education, you know - it picks up all of the movements in timelines and holidays and contracts and all that sort of stuff. Based on inputting six years, five years of data, we now have a machine that is really quite accurate in predicting the salaries expenses of agencies, and where things move around from that, we can then focus our testing. So, that's likely to be a significant efficiency gain going forward, but there is still investment there.

We've worked with AI. We now have access to a number of AI tools that are assisting us, but this is a rapidly moving area. We're still probably a little bit away from driving significant efficiencies into the practice, but when the funding moves out we can't not focus on

that area and we can't stop investing in that area. We won't attract staff. When we're recruiting now, people are asking us questions about the technologies that we're using. What's our approach on AI? What are we using in terms of data analytics? We can't not invest in this space, so we will have to work a way forward to find a way to fund that in the absence of any budget allowance.

Ms O'CONNOR - Can I ask what AI systems are in use in the audit office?

Mr THOMPSON - We utilise Copilot. There's a Copilot environment that is restricted to our environment, so it's not the Copilot that sort of goes out into the whole world, and puts stuff out there publicly. We've got a Caseware technology that we use for our financial performance audit working papers system; within that we have a tool called Caseware AiDA, and that's useful particularly around accounting standard-type challenges and the like. We have a tool called Extractly, into which we can input contracts, agreements, all sorts of things, and it will pull out all of the relevant key terms. None of these things are perfect yet.

We have a tool called Validate that we've rolled out, which we can drop a set of financial statements in, and it will check all the [inaudible], it will compare them to last year's, it will do the comparative checks. It takes away a lot of the time-consuming work; it also gives us a really good way of analysing versions, so if someone gives us a second version of a report, rather than having to look the whole way through, we can just drop it into Validate and it will tell us exactly where those documents have changed. Those are probably the key tools we're using at the moment from an AI perspective.

In data analytics, we have a couple of other different tools that we're using to analyse data. Again, whether we will get there, I'm not sure at this stage, but other jurisdictions have taken the next step where, rather than extracting data and analysing it, they've got permission to enter into the agency's systems, and they analyse the data in the agency's systems. Because most of the general government sector operates off the same system, we would be able to do that with the whole-of-government level. That's been done in other jurisdictions. We've started looking at that, but it is a fairly significant investment to actually build up that capability.

Ms LOVELL - The Premier told parliament last week that you had reported your concerns about TT-Line's solvency or insolvency to ASIC. Can you talk through the timelines of when that report was made, and who else you told and when after that?

Mr THOMPSON - Perhaps I'll go through the broader timeline, and let me know whether this answers your questions. Firstly, it's important to note we make that assessment as part of an audit process. We don't have an ongoing obligation in terms of reporting or the like. We identify financial viability challenges as part of our audit planning process, probably back in January of this year.

The next key step in that process was around mid-May when the company provided us with a copy of their corporate plan which had been provided to the shareholder ministers at the end of April. At that point, or based on a review of that corporate plan, we had significant concerns about the viability of that plan. Indeed, we had significant concerns based on the projections and the reasonableness of the projections in that plan, and that plan did actually identify that the required borrowing limits at that point in time were greater than what was available at that point in time.

PUBLIC

As a result, we started to meet with senior management, Chief Executive Officer and others at TT-Line to work through our concerns in relation to the viability, and both the going concerns and the sustainability question. I'll just clarify that.

The going concern relates to the date of our next audit opinion, which is 26 August, and the sustainability question relates to whether they can meet their debts as and when they fall due at a particular point in time. There's no time limit on the sustainability on the insolvency question. Probably the key point was that 28 May was when we met with and discussed the issues with management -

Ms LOVELL - TT-Line management.

Mr THOMPSON - TT-Line management. We met with the TASCORP CEO on 26 June as part of our [inaudible] ongoing engagement process. That was an item for discussion at that meeting. That didn't give us any comfort about sustainability. On the same date, we were advised that TASCORP had approved an increase of the borrowing limit from 990, which was what was in the corporate plan, to \$1.4 billion, and an additional \$45 million working capital. That didn't really help us in any way at that point in time on either a going concern question or on a solvency question on the basis that increase was subject to approval by or confirmation that the income Treasurer would guarantee the debt for TASCORP. I think it's important to clarify that the guarantee of debt is for TASCORP not for TT-Line. If TT-Line were to fall on their debt, TASCORP is made whole, TT-Line still owes the government.

Between 26 June and up until 11 July, we undertook a range of work, but it was on 11 July that I formally formed the view that TT-Line was insolvent in that the level of debt that they had at that point in time was not likely to be able to repay based on the forecasts available. That was the date, 11 July, when I formed that conclusion. Subsequent to that, there was a number of changes. The debt limit guarantee was approved by the Treasurer.

CHAIR - What date was that?

Mr THOMPSON - That was on 26 July. On 22 July, I informed TT-Line about the breach and I provided TT-Line after a request from them for a week to provide any other information whatsoever they could that might change that determination. Then on 26 July, the guarantee was approved. Again, as I said, the guarantee and the additional borrowings didn't assist the business post the implementation of the new vessels and the cash flow that would generate to repay that debt.

CHAIR - Based on their current corporate plan.

Mr THOMPSON - Based on the forecasts that were available at that time, which is all I could base my conclusion on. It was 31 July that I advised ASIC which is now being made public. But I advised ASIC that the directors of TT-Line, in my opinion, I had reasonable grounds to suspect, were in breach of the requirements of the *Corporations Act 2001*.

Ms LOVELL - That was on 31 July?

Mr THOMPSON - On 31 July.

Ms LOVELL - And at what point did you advise the shareholder ministers?

PUBLIC

Mr THOMPSON - I advised the relevant representative of the shareholders ministers - I met with them earlier in July and I advised them I believe it was on - can I take that on notice?

Ms LOVELL - Of course. That's fine.

Since your determination that TT-Line is insolvent, are you aware of anything occurring that will or has made them solvent again?

Mr THOMPSON - Again, noting that we don't have an ongoing, monitoring obligation, but the short answer is no.

Ms LOVELL - I guess this is an opinion as the Auditor-General, whether you think it's appropriate that the shareholder minister and the Treasurer would be the person signing off on any increases to borrowing limits or equity injections. Do you have any comment on whether that's appropriate that's the same person essentially?

Mr THOMPSON - I have no comment on that at this point in time

CHAIR - While we are on that point, from your perspective, how is insolvency considered by ASIC? What's their position on that, do you think?

Mr THOMPSON - Again, I'm not really in a position to talk for ASIC. The definition of insolvent is really quite clear in the in the legislation and it's an offence under the legislation to trade when you or a reasonably informed director would be opposition done. You were insolvent.

CHAIR - Martin, just going back to your overall, but just conscious of the time. I do note that the budget for last year, was \$2.8 million, this year is \$2.7 million, next year, 2026-27 it's \$2.4 million, the next year it's \$2.4 million and next year it's \$2.5 million. That's absolute cuts to your office. Over those forward estimates if that continues as is, what impact will that have on your capacity to deliver performance audits in 2027-28 and 2028-29?

Mr THOMPSON - We could be down to as low as two or three performance audits a year. We were targeting 6, I think we're targeting 5 this year. If you looked at the level of expense and the level of resources allocated in other jurisdictions, we think the right numbers probably somewhere around between 8-10, but we could be down to two or three.

Ms O'CONNOR - Have you flagged that risk with government?

Mr THOMPSON - Sorry we haven't met with the the new Treasurer yet, but as part of our ongoing meetings with Treasury, the Secretary of Treasury, this is a a topic of conversation, yes.

CHAIR - Under normal budget situation, the audit office does meet with Public Accounts Committee, but then there's a process under [3.41.30] that it helps to deal with that, but one would hope that maybe there might be a change in the out years for the next budget, but it's pretty dire. Major integrity bodies having its funding cut to this extent.

PUBLIC

Mr THOMPSON - It's probably worth noting in relation to that there is a review of the *Audit Act* underway at the moment and part of that we've provided submission into Treasury. Now we're not sure of the outcomes of that submission.

CHAIR - As did PAC and we're not either.

Mr THOMPSON - But I understand the papers gone up. What we've been advised that the paper has gone up to the Treasurer. Part of our advice in the submission was that the office should move to a contemporary funding model, which would be that it's funded by the parliament and not through the same budget process of every other agency.

CHAIR - We are out of time, is there anything you wanted to close with, Martin, that you think it's important we should have asked when we didn't?

Mr THOMPSON - No, I think that was good. The things that you didn't ask, I didn't want to be asked.

CHAIR - Thank you for your work, you're working under extreme pressure at the moment. There are so many things going on that aren't good. Trying to adjust your program to give the biggest impact and provide the best value to the parliament who you report to not to the government, to the parliament. We thank you for your work and acknowledge the challenge.

The committee suspended from 3.43 to 3.49 p.m.

CHAIR - Thanks Treasurer, or minister, in this case. What do you prefer to be called while you're at the table now?

Mr ABETZ - Minister, I suppose, in this portfolio.

CHAIR - Okay. If you wouldn't mind introducing the people at the table for the purpose of *Hansard*. Then, you said you wished to make an opening statement?

Mr ABETZ - Yes, a brief one. Craig Limkin, Secretary of the Department of State Growth, I know that official title; Anne Beach, CEO of Macquarie Point Development Corporation; and Matt Healey, who will be testing me - I think he's the deputy secretary for something.

Mr HEALEY - Strategy and delivery, Department of Premier and Cabinet.

Mr ABETZ - Great, thank you. Thanks, Chair. The government has made a purposeful and strategic decision to establish Macquarie Point Urban Renewal as a standalone ministerial portfolio. This reflects both the significance of the opportunity before us, and our commitment to prioritising the transformation of Macquarie Point. Our government has a clear vision to transform Macquarie Point from an underutilised wasteland into a vibrant mixed-use precinct anchored by the Macquarie Point multipurpose stadium. The stadium is a once-in-a-generation opportunity to reshape Hobart's waterfront, drive economic activity and deliver benefits for the Tasmanian community, including our very own AFL and AFLW teams.

PUBLIC

It will activate surrounding zones and drive investment and connectivity across the precinct. It will provide a home for elite sport beyond AFL, including but not limited to cricket. It will be capable of hosting major concerts and a new conference and events facility for Tasmania beyond the current offering. Without the stadium, our vision for Macquarie Point cannot be fully realised. Without the stadium, there will be no AFL teams.

This budget includes provision for our investment in the Macquarie Point Precinct. Equity funding of \$609 million is provided over four years for the Macquarie Point multipurpose stadium. This funding includes \$354 million of the state's total commitment of \$375 million, the Australian Government's total commitment of \$240 million, and the \$15 million committed from the AFL, expected to be received in 2027-28. Thank you.

CHAIR - Can you just then go to what you expect the total borrowings required to fund the rest of it, and over what period of time?

Mr ABETZ - Thank you very much. For the 2025-26 Budget, \$37.2 million; 2026-27, \$53.3 million; 2027-28, \$193.7 million; 2028-29, \$324.9 million; and 2024-25, there was \$21 million, sorry, and that makes the total, if it adds up, \$630 million.

CHAIR - I was asking how much had to be borrowed.

Mr ABETZ - Right. The borrowings start in 2028-29 of \$224.5 million; in 2029-30, \$227.2 million; in 2030-31, \$38.2 million; and in 2031-32, \$0.7 million, totalling \$490.7 million.

CHAIR - So that's \$490.7 million in borrowings that Macquarie Point will need to borrow?

Mr ABETZ - Yes.

CHAIR - What's the total interest cost expected on that?

Mr ABETZ - That will be - I don't know if the secretary can assist in that regard - but the actual interest will be on the basis of what the government is paying. Thank you very much. The borrowing costs are \$7.2 million for 2028-29; \$21.9 million for 2029-30; for 2030-31, \$30.7 million; and 2031-32, \$32 million.

CHAIR - So that's money that the state will find from the general government sector that will be taken away from other opportunities for that money to be used?

Mr ABETZ - That is the case with every single budget expenditure; that which is used is foregone from being able to be spent on anything else. That's correct.

CHAIR - Cassy, I'll go to you for a minute. Others will have questions.

Ms O'CONNOR - Thank you. So, there are - I mean, following on from the Chair's questions, there are very significant question marks over the capacity of Mac Point Development Corporation to contribute towards the debt service and costs. As the minister responsible for MPDC, what assets do you think MPDC has that it would be selling in order to contribute towards debt servicing?

PUBLIC

Mr ABETZ - There are very real opportunities, and our advice is that once the stadium is being undertaken, then there will be the opportunities to fully realise the commercial opportunities that Macquarie Point provides. That is in the area of a hotel. Anne Beach, the CEO, might have more detail - but it's the opportunity of a hotel. I think the housing area, as well, at Regatta Point, we are looking at that private investment there. But, I'll hand over to Ms Beach.

Ms BEACH - Through you, minister, thank you. So, the key areas are the residential development to the north and the commercial development zone to the east, which is around 17,000 metres square.

Ms O'CONNOR - Okay, and is the minister confident - I mean, they're not necessarily very large assets, given the level of borrowings that will be loaded up onto MPDC, which is more than \$400 million in this Budget. Do you admit, minister, that ultimately it will be the people of Tasmania, through the government of day, that pays this debt that's been loaded on to MPDC?

Mr ABETZ - Well, look, the people of Tasmania will be paying that, but the people of Tasmania will also be getting all the benefits that flow from the stadium. So, there are two sides to the statement. You like looking at the loss side; I like looking at both the profit and the loss, and that is why it makes good sense.

Ms O'CONNOR - All the people of Tasmania will be paying for the \$375 million that the state will borrow. They will be paying for the more than \$400 million that MPDC will borrow. They will be paying for the borrowings that are required to meet interest repayments on those borrowings. I mean, ultimately, minister, the people of Tasmania will pay through the nose for this stadium, and as you know in the contract, any cost blowout, any delay, again will be covered by the people of Tasmania.

I mean, how can you - looking ahead at the net debt that we've got, and knowing that the services we have are already structurally underfunded in your budget - how can you sit there and say this is a responsible approach?

Mr ABETZ - Well, I don't agree with you in relation to 'structurally underfunded' areas, but -

Ms O'CONNOR - We explored that this morning; it's true.

Mr ABETZ - But let me remind you that if we don't go ahead with this, we forego \$600 million worth of money that was going to come our way, courtesy of the AFL and the federal government.

Ms O'CONNOR - False paradigm.

Mr ABETZ - Can I also say to you that the AFL will be a completely new business in its own right and estimated to have a payroll of about \$44 million. And if my maths were right, that will just provide payroll tax of \$2.6 mil per annum, as one would imagine, into perpetuity, because we anticipate the team will live and continue for a long, long time.

Ms O'CONNOR - Two-point-six million is a pittance relative to the debt.

Mr ABETZ - I can finish - yes, I fully agree the 2.6, but it is one of the many positive contributions that should be put on the other side of the ledger, which, with respect to the member for Hobart, is continually avoided.

The gaining of conventions of a larger size, that allows us to genuinely engage in the convention market, not only interstate but also internationally, will provide income. The fact that I have no doubt at least one new hotel will be constructed, if not two, as a result of the stadium going ahead - the benefit of that flowing into the state.

This is all income - money - coming into the state from outside sources, so there will be substantial benefits. But, it's like if I want to own a house - yes, I do have to take out a mortgage for that and service it, but there are benefits in owning your own house and in the circumstances the stadium will be a great benefit to the people of Tasmania, culturally, socially and sporting.

Ms O'CONNOR - You say this, but I'll just remind you that the Tasmanian Planning Commission final report was very clear that any benefits of the stadium is significantly outweighed by the dis-benefits. Your government has made an art of trashing the reputation of the TPC and it's a good thing they're coming in to talk to the Legislative Council next week or the week after.

Mr ABETZ - Can I respond to those assertions? We have not trashed the reputation of the TPC. There were two elements to their report: those which are objective, those which are subjective. On the objective side, I remember getting all sorts of questions. What about the transport? What about safety concerns? What about this concern? All the practical side, the TPC has acknowledged can be delivered and is doable. Then there were three areas of subjective assessment where we, with respect, disagreed with the conclusion of the TPC. At the end of the day, we, as a government, are entitled to do that.

More importantly, this will be decided by the Parliament of Tasmania, and one House has already overwhelmingly supported it. It remains to be seen what the upper House does.

Ms O'CONNOR - Can I ask, it came up this morning, and you suggested that this might be the appropriate forum. When the Final Integrated Report came out, very quickly afterwards the Premier revised upwards the projected cost of the stadium from \$945 million to \$1.13 billion. Have there been further costings undertaken given that the costs of construction are rising by the day? Or is that still the current estimate, the fixed cost?

Ms BEACH - That's the current estimate and it reflects the cost plan at 70 per cent design, so that is our current estimate, and it has been reviewed line by line to reflect their current drawings.

Ms O'CONNOR - The stadium is still only 70 per cent designed?

Ms BEACH - It's 70 per cent detailed designed. What that means is we go through the design process - starts at concept, then it goes to schematic and then into detailed design. Each of those is going through a further level of design and detail. For example, that concept design - we're working with users, we still need some flexibility around how the internal spaces work. As we get through detailed design, the stage where we are now, the next step is actually issued for construction, so we have a highly detailed design. It's over 1500 pages of plans and reports and we're at sort of 1 to 20 scale, so it's hugely detailed. We can't go any further without

selecting specific products and that's why we need to wait for the construction contract to be in place.

Ms O'CONNOR - Final question on this line of questioning. It is a near certainty that the cost of building a stadium, should it be approved, will be higher than \$1.13 billion.

Ms BEACH - Through you, minister, the price includes contingencies, so design, client and construction contingencies of around \$180 million -

Ms O'CONNOR - Didn't the previous estimates also include them?

Ms BEACH - We've included additional contingencies there for clients, and we've also included further escalation costs to allow for the delay. It's provided for flexibility in that design process and finalisation.

CHAIR - In terms of the other areas at Macquarie Point that follow on from the member for Hobart's question - you said it might be a hotel? Housing, you said that the private sector would notionally be a partner in that. I'm not sure exactly how that is intended to work. Bearing in mind, that the \$240 million from the Australian Government that you've allocated entirely against the stadium did need to deliver a whole heap of other things as well. Can you tell us how that's going to work? The funding for the housing that the federal government requires to be funded out of this \$240 million which you're spending on the stadium?

Mr ABETZ - The \$240 million is for the -

CHAIR - Precinct.

Mr ABETZ - Precinct and the Prime Minister himself has said that the money can be used as has been suggested. We have had, with that \$240 million, a requirement that there be certain -

CHAIR - Every public statement by the Australian Government has been that it's for the urban renewal which includes housing and a number of other things. I am just focusing on the housing here. If you're putting the whole \$240 million into the stadium, because that's what the budget papers say here, then where does the money for the housing come from?

Mr ABETZ - Ms Beach has the detail in front of her.

Ms BEACH - The cashflow for the \$240 million reflected in the Australian Government budget for this reflects the cashflow required for the stadium build. We haven't received any Commonwealth funding as yet. It's not required until later this financial year. The requirements in the federal funding agreement include a number of milestones. We've met a number of those already. That includes a precinct plan. In the precinct plan we set out that there would be residential development that would include affordable housing for key health workers and that's been accepted by the Commonwealth. That's how we're approaching that requirement -

CHAIR - Where's the money for that, though?

Ms BEACH - It will be private market-led. We've done market testing, we've checked that we can develop and provide all the infrastructure at Regatta Point, the location we've identified, and that there is provision and market interest in having a 15 per cent allocation to

affordable housing because it actually helps secure that investment. It's effectively almost a bank guarantee when they're going through that development process.

CHAIR - Is the expectation - what you just said, and correct me if I'm wrong, is that the government's looking at, or not the government but whoever, the infrastructure necessary to facilitate the housing. Is that going to be paid for by the state to facilitate the private investment in the housing?

Ms BEACH - There're a number of different elements to that. There's the connection over essential services, so water, power, sewer. There are also the public assets that will be part of the Regatta Point development, so the public infrastructure. We will be looking at that as a package as we go to market to deliver the residential development.

CHAIR - Is that infrastructure included in the cost that we have before us here?

Ms BEACH - No.

CHAIR - That's additional cost.

Ms BEACH - Yes. That would be part of activating that precinct through engagement of the private sector.

CHAIR - What work has been done on the energy requirements of the site and the capacity of the current network and the ring, particularly, to deliver that?

Ms BEACH - We're working with TasNetworks. There're a few different elements to that. There's the temporary power required during construction and semi-permanent and then the long-term permanent. In working with TasNetworks, it's not just our power requirements that are important here, it's also TasWater because they have a pump station just next to the precinct. TasPorts are doing the refurbishment of the wharf, and they also have power requirements. We've been collectively working and planning with TasNetworks to support all of those. With the stadium, we require power, but also a backup power supply. All of that packaging is part of the work that we're doing with TasNetworks.

CHAIR - Not to sound like what happened at York Park.

Ms BEACH - Exactly.

CHAIR - We all remember that day. Anyway.

Ms BEACH - These would be part of the regulated asset base in the provision of that infrastructure upgrade through TasNetworks.

CHAIR - I appreciate how the cost is apportioned in that from TasNetworks' perspective, but the cost to getting the energy on site, acknowledging TasWater's requirements and TasPorts' requirements, how much certainty have we about the energy requirements of the stadium, particularly if you need to heat it to grow the grass or to cool it in the summer to stop people collapsing in a concert or something like that.

Ms BEACH - The capacity has been modelled on other stadia and that is provided -

CHAIR - They haven't got a stadium with a roof like that. How do we -

Ms BEACH - It's not a controlled climate environment. It has natural ventilation. The management that would be required is around grow lights and using fans like you get in all stadia to make sure you maintain the health of the turf. But it isn't fully enclosed. While it's roofed, it's not solid walls and it has natural ventilation. It's designed to stay within plus or minus of five degrees of the outside temperature. There are also vents in the roof if there are any challenges or in the event of emergency if we need to remove smoke or [inaudible].

CHAIR - In terms of going back to the energy requirements of the stadium, has that been clearly identified as to what the energy requirements to operate the stadium, assuming you need to heat it or whatever it is to grow the grass because you've talked about that in other stadia - they use these sorts of -

Ms BEACH - Grow lights.

CHAIR - grow lights. They don't run on nothing.

Ms BEACH - That's right. Their capacity has been modelled on other stadia, which we've had as an input into the work that TasNetworks is doing.

CHAIR - What is that? What is the likely energy consumption?

Ms BEACH - I'd have to take that on notice to give you the specific requirement.

CHAIR - What does TasNetwork say about the capacity of the network to deliver that energy?

Ms BEACH - That's part of the work they're doing. There will be temporary, semi-permanent and permanent. That includes managing of decommissioning and recommissioning of substations to support.

CHAIR - It could be that we need a new substation as well.

Ms BEACH - It's likely there'll be a substation on site, yes.

CHAIR - On the site itself.

Ms BEACH - Or nearby, yes.

CHAIR - Has the cost of that been factored in?

Ms BEACH - That would become part of the regulated asset base. That's part of TasNetworks overall charging system, so there is no direct cost for us as a developer in that.

CHAIR - But the people of Tasmania pay if it's added to the regulated asset base.

Ms O'CONNOR - Yes, TasNetworks pay for it.

Ms BEACH - It's part of the increasing growth of the network, yes.

PUBLIC

CHAIR - Do we know then from the work that's been done, whether or not the capacity in the ring around the area, which includes this, is adequate for the likely energy requirements?

Ms BEACH - Yes. That's the work that's been happening -

CHAIR - We don't know. You're still doing the work. Is that right?

Ms BEACH - The planning and design is the work that's happening through TasNetworks and identifying the location for a substation, because there will need to be one decommissioned and a new one installed.

Ms THOMAS - I notice first of all in the MPDC annual report 2024-25, in relation to the directors, there's a previous director Ken Marr, who was a non-executive director. He was only on the board, it looks like, for a short time. Can explain why that happened. He attended two meetings only. What happened?

Ms BEACH - He resigned due to health reasons.

Ms THOMAS - He was an architect and landscape architect. Is it right that there's currently no architect on the board?

Ms BEACH - Not specialising as an architect, but there are advisers to the board; we had an infrastructure and stadium expert adviser, and we also have our design team, which brings in specialist skills, and we also have a peer-review team that includes an architect as well, which are all available to the board for advice.

Ms THOMAS - Right, okay. We know how important it is to have the right specialists on board after recent experiences, don't we?

Mr ABETZ - Or the board having the capacity to understand that they don't have the skills and need to call in the skills. That is also something that is vitally important for any board to understand.

Ms THOMAS - I also have some questions about the housing, but before I go on to those, another question I have is about the conditions in the deal the Premier signed with the AFL. There are some penalty conditions, including a \$4.5 million penalty if the Macquarie Point Stadium construction is not 50 per cent completed by October 2027. Should the order pass the parliament, is the government confident it will reach this milestone and be 50 per cent completed by October 2027. If not, has it budgeted for the penalties that will be applied, or has it budgeted for these in case that deadline is not met?

Ms BEACH - The agreement runs to December 2030 and that is the time frame we will be informing as we go to market for the construction.

CHAIR - That doesn't answer the question.

Ms THOMAS - No. My question was, my understanding of the current agreement with the AFL is that there is a requirement for the Macquarie Point Stadium construction to be 50 per cent completed by October 2027, less than two years away. Is the government confident

that milestone will be reached, and if not, or if it's not sure, is there a budget for \$4.5 million included in the forward Estimates to cover that penalty cost?

Mr HEALEY - There are a number of milestones in the agreement that we've had to negotiate changes for as we've progressed. Obviously, there have been delays, including those associated with the the election. Once we have some certainty associated with the planning approval for the stadium, we can re-engage with the AFL on some of those detailed delivery dates just to make sure they're lined up, and they are giving effect to the original intent of the agreement.

Ms THOMAS - So there's no budget in the forward Estimates for that \$4.5 million in case that milestone is not met, because you're anticipating it would be negotiated or renegotiated?

Mr HEALEY - The details of the agreement will need to be discussed so we can align all of the delivery program with the agreement.

Ms THOMAS - So, you mentioned that a number of milestones in the government's agreement with the AFL have been negotiated. Are you able to articulate what those other milestones are?

Mr HEALEY - Yes. They largely relate to the planning approvals for the stadium and the planning approvals for the high-performance centres. Obviously, the significant delays in this process means that some of those earlier milestones haven't been met, and they are sort of just milestones that were in the agreement as the project travels through its process to get to construction. So, those have been temporarily reassigned to later this year, and they will have to be revisited once we understand exactly when the stadium has been approved, and Macquarie Point can proceed to market.

Ms O'CONNOR - If it's approved.

Ms THOMAS - Minister, the government has previously said the deal with the AFL cannot be renegotiated, but what we're hearing here is that some of the clauses or milestones within the current deal have in fact been renegotiated, which would suggest there is another version of the deal that perhaps the public or parliament hasn't seen as yet. Will you undertake to provide a copy of the current revised deal to the parliament?

Mr ABETZ - Look, with the AFL, the fundamentals can't be altered, but -

Ms O'CONNOR - So you say.

Mr ABETZ - So the AFL has said. And those that went on that trip to AFL headquarters just recently, may have got that message as well. In relation to adjusting a few wing nuts, as I understand it, the AFL was cognisant of the delays that this unfortunate, unnecessary state election would occasion, et cetera, and that it would take that into account.

Ms THOMAS - You didn't - my question was: will you undertake to provide a copy of that revised agreement to the parliament?

PUBLIC

CHAIR - Which shows the renegotiated milestones. That's what I think the member is asking, yes?

Ms THOMAS - Yes.

Mr ABETZ - That's been publicly stated, yes?

Mr LIMKIN - Through you, minister, if you're comfortable - we can provide an updated copy of schedule 12. Schedule 12 is, to my understanding, Ms Thomas - Schedule 12, which is the one that outlines the statutory approval dates under the club funding agreement are the ones that have changed to enable the time to be adjusted, given that there was a state election.

Mr HEALEY - And they entirely relate to - through you, minister - planning approvals, the securing of the funding because of the delayed budget, and then of course, the flow-on for the public works - approvals for the works.

CHAIR - Can we have - we will take schedule 12 updated on notice, so we will put that on the list. Schedule 12 updated. But, is that the only part of the agreement that has had any renegotiation of milestones or matters in it? Or, have there been any other clauses, components, milestones, any other aspect that's been renegotiated that's not a milestone?

Mr HEALEY - I do understand there's a governance protocol that has been adjusted as well - through you, minister.

CHAIR - We will have a copy of that as well, then.

Mr ABETZ - Yes.

CHAIR - The governance protocol, is that what it's called?

Mr HEALEY - Yes. It's just the protocol that sits around the governance for the agreement - has been adjusted.

CHAIR - And anything else?

Mr HEALEY - Not that I'm aware of. We might just need to check and take that on notice. I don't think so, but I'd just like the latitude to find out -

CHAIR - Well, we're putting that on notice so you can inform us if there's anything else and provide copies of that.

Mr ABETZ - Yes. What we can, we will share.

Ms THOMAS - Thank you. My understanding is from a question I asked in the parliament, that \$36.5 million has been spent by the Macquarie Point Development Corporation on the stadium project to date. I want to - if you can just outline how this spend was funded? Was that from equity transfers provided by the government to the Macquarie Point Development Corporation in previous years?

PUBLIC

Ms BEACH - Through you, minister. Yes, it is through equity, and it is for this project, so we have been receiving funding for this work. There's \$36.5 million as at the end of September, and I can outline the components for that, if you'd like?

Ms THOMAS - Yes, please.

Ms BEACH - So, given the stage we're at, the majority of that is in the design and consultancy space. Thirty-three-point-one million of that is in consultancies and design. So, \$18.3 million for design, \$0.75 million for construction and building surveying advice, functional brief and related advisory preparation of \$0.25 million, legal and probity advice \$3.6 million, planning and environmental: \$2.4 million, project management: \$5.1 million, quantities surveying: \$1.7 million and other consultancies and disbursements of \$1 million, which leaves \$3.4 million outside of consultancies. That's \$1.8 million for project resourcing -

Ms O'CONNOR - What does that mean?

Ms BEACH - The team to resource that work including consultants as well that would support as advisers.

CHAIR - Staff costs.

Ms O'CONNOR - Are these to-date costs?

Ms BEACH - As at the end of 30 September for the life of the project to-date. Site investigations: \$0.2 million and application approval costs of \$1.4 million.

Ms THOMAS - I did say I had some questions on the housing. Can I keep going, Chair, or do you want to see if anyone has any?

CHAIR - I think I'm going to see if anyone else has any, Dean's got one and Cassy's got one. Just go back to the housing, because we did touch on that.

Ms THOMAS - Did you say there's not currently any timetable or budget for the housing component of the urban renewal project?

Ms BEACH - Through you, minister, it will be delivered through a market-led process. We have done market sounding and we've done investigations in terms of feasibility, so making sure we can get power, water, sewer to that location. We've also done environmental surveys, and we've got a reference designed to determine about the number of apartments that we can fit in that space and that's informed our market sounding. Combining with that to deliver the precinct plan, it's allowed us to sort of stress test that a bit with the market.

Ms THOMAS - Do you expect that that will be beyond the forward Estimates that that part of the urban renewal will occur? We will expect to see budget provided for that then? It sounds like there's nothing in these current forward Estimates for the housing component.

Ms BEACH - Through you, minister, a key trigger for us to be able to start that market process of taking it to market will be the northern access road design. That's really important to understand the access and how that will work to that space. That will run in parallel. It's

stage 2 in the delivery of the precinct plan with the stadium being stage 1, so we'd anticipate that happening.

That's probably a two-year sort of lead time before we take that to market and it is intended to be a market-led process. We haven't sought additional funding for that.

Ms THOMAS - When will the housing plan be publicly available or available to the parliament? Has it been formally submitted to and accepted by the federal government under the federation funding agreement?

Ms BEACH - Through you, minister, the housing plan is a requirement under the FFA, as you noted, and the requirement is for its acceptance by the Commonwealth. That's in how we're delivering the housing is set out in the precinct plan. We have developed a draft of that plan and we've provided it in draft to the Commonwealth in June and we've been working through their feedback.

At the time, there was an expected target date of June. The feedback from the Australian Government is given when we were in caretaker to wait until there was a government formed. We've been working with them through a draft to make sure it's capped in the level of information that they were hoping to see. We will then go - we've worked that through - and we will then provide it through to the minister as part of that approval process and intend to submit that before the end of the year.

Ms THOMAS - Before the end of the year, but not before the first week of December? It won't be publicly available this year?

Ms BEACH - The deliverable is the acceptance of the Commonwealth, and I think we would allow them time to have a final review before, at the very least, in case they had any further feedback.

Ms THOMAS - Has the Commonwealth raised any concerns about milestone timing with this particular milestone?

Ms BEACH - No, we've provided a draft and been engaging with them and working through their feedback. Instead of submitting it and then waiting for longer feedback before we could get the acceptance, it's allowed us to draft in a more co-designed way.

Ms THOMAS - Is there any risk that the Commonwealth won't accept the housing plan or the state's capacity to actually deliver that component of the urban renewal project given there's no budget allocated to it? Could that put the \$240 million of federal funding at risk?

Ms BEACH - The requirements are to deliver the precinct plan, which we have, to deliver a housing plan, which we will do shortly, and to deliver a master plan to implement the precinct plan. When we meet those milestones, there isn't a driver there for any particular concerns. The Australian Government hasn't raised any concerns with the timeline or the information provided today.

Ms THOMAS - To be clear, the Australian Government requires a plan to be delivered for housing on the site, but not actually the delivery of housing on the site.

PUBLIC

Ms BEACH - As written in the FFA, that's correct. Yes.

Ms THOMAS - OK, so we could have a plan, but it could maybe never happen and the \$240 million goes towards the stadium and there's no housing built on the site.

Ms BEACH - It is set out in our precinct plan, and the precinct plan is a statutory document for the purpose of the *Macquarie Point Development Corporation Act 2012*. As a site master plan, we're actually required to implement that. So, there is a drive for us to do that. In our principles and objectives -

CHAIR - You were to deliver the previous plan, weren't you? Not you, but the previous people.

Ms BEACH - This is the current site master plan. That's an approved plan under the act, and the act also requires us to encourage inner-city living. So, it is an objective that it is a key part of the precinct.

Ms THOMAS - It's all well and good to require the delivery of a plan as a statutory requirement, but you can't do it with no money, so that's my concern. There's no government commitment to a budget for the other elements of the precinct plan. We have a government that's not proposing any new revenue measures. We have a state that's borrowing to buy the groceries, as you acknowledged earlier as Treasurer. Minister, how confident are you, given there's no new revenue streams proposed, that you will be able to deliver on the broader elements of the Macquarie Point urban redevelopment project?

Mr ABETZ - It's amazing how you get whacked from both sides, because the Hobart *Mercury* has now put up a heading that I haven't ruled out tax increases as a result of this morning's Estimates. So, go figure, but that's not a comment in relation to your question, but just a little aside. We are confident that the private sector is genuinely interested in delivering.

Ms O'CONNOR - They weren't interested in partnering on the stadium itself.

CHAIR - It's a better return.

Ms O'CONNOR - That's right, but initially the Premier said we will go to public-private partnerships to help with shortfalls in funding. That fell through because the private sector is not interested.

Mr ABETZ - Well, there are other reasons in relation to timelines and as to when we got started, but you have heard from the official and Ms Beach that there is genuine private interest in this housing development, and Mr Healey -

Mr HEALEY - Through you, minister, I don't think it's correct to say that the private sector wasn't involved in the stadium because there was no-one interested. The initial work said that it would be advantageous for the state to follow this line in terms of delivery of the stadium rather than seeking a private partner. I'm not sure that's quite right to say that no-one was interested.

Ms O'CONNOR - So it never went out - there was never, as the Premier had flagged at the time, an approach to the private market?

PUBLIC

Mr HEALEY - There absolutely was, there was market sounding, and that market sounding led to the view that the best way to deliver this stadium is through the mechanism of delivering this stadium.

Ms O'CONNOR - Yes, loading up the future generations with debt, but it is a reasonable observation that the government said shortfalls would be covered through public-private partnerships with private investment. The private sector didn't come to the party.

Mr HEALEY - Through you, minister, if I can, just on that front: what the market sounding said was that if you seek to commercialise land too early in the process, then the benefits that will flow to the state will be a lot less. The benefits to the state will be maximised by demonstrating the demand, as the minister said, for assets such as hotels and hospitalities once you've shored up the demand through the construction of the stadium. That was part of the reason that led the government to make the decision not to proceed with a precinct-wide partner, because many of the elements of that opportunity were yet to be fully formed.

CHAIR - I will come back to Bec. She hadn't quite finished. Have you got something on the specific point still?

Ms THOMAS - Keep going if you're still on that point, that's fine.

Ms O'CONNOR - That is fine. I will come back to it if Bec's got other things. I have been waiting quite patiently though.

Ms THOMAS - That's okay, you go. I'm on a different topic so you keep going.

Ms O'CONNOR - Okay. It is reasonable to suggest that the private sector wasn't particularly interested in investing in a loss-making venture, which the stadium clearly would be?

Mr ABETZ - A lot of issues in that question, the premise of which I reject, and it was sort of the timing, and the advice was that the way to leverage the maximum benefit for the people of Tasmania was to wait, as Mr Healey indicated, so that was the commercial decision that was undertaken.

Ms O'CONNOR - So MPDC this morning - in Treasury estimates this morning, the Treasurer indicated that the car park was not necessary, the car park which is unfunded in the Budget, and there's probably no need to do anything with the pedestrian access on Davey and Collins; am I paraphrasing you incorrectly, Treasurer?

Mr ABETZ - I think that's correct, yes.

Ms O'CONNOR - So MPDC has now -

Mr ABETZ - And just for the record, Ms Beach, if you could say 'yes' rather than nod your head for the benefit of *Hansard*.

Ms BEACH - Yes.

CHAIR - Did she say yes?

Ms BEACH - Yes.

Mr ABETZ - Yes. I'm not verballing her.

Ms O'CONNOR - The project now won't have the underground carpark and it won't have the pedestrian improvements on Davey Street and Collins Street; is that correct?

Ms BEACH - Through you, minister: no pedestrian improvements are required. We've done dynamic modelling that models people from their seat to their destination within the city, and we haven't identified a need to do any changes to Macquarie Street and Davey Street.

Ms O'CONNOR - So they would pour out of the stadium through the waterfront and down Davey, which is a four-lane road, and the modelling that MPDC has done says that that is an appropriate pedestrian movement response after a game?

Ms BEACH - Through you, minister: there's a seven-metre-wide space there, there's a bus layover lane in front of Zero Davey that cuts into the footpath a small amount, a temporary overlay to put in a protective barrier there to allow that full seven metres to be available allows for that full movement. There would be some minor operational implementation required. For example, the section of Evans Street between Macquarie and Davey, if that's temporarily closed for 30 to 45 minutes after an event, which is because most people leave all at one time, that allows for, effectively, a scramble crossing, and you get a large movement of people, but no capital investment is required.

Mr ABETZ - I think with information like that you can see how the TPC did come to the conclusion that these safety and transport issues were all manageable and doable. From the practical side, those things have been covered and looked at very carefully.

Ms O'CONNOR - There's been some work done over the last 10 years or so, maybe 15 years, on site decontamination. We know that it's historically a highly contaminated site. The works that were undertaken were for the original master plan for Macquarie Point. The TPC observed that the data that they were provided with about site decontamination wasn't necessarily up to date or relevant to the stadium. Perhaps Ms Beach could talk us through what's been taken off the site, what was found, and how safe it is from an environmental toxins point of view.

Ms BEACH - Through you, minister: the process started in 2015 when the *Macquarie Point Development Corporation Act* was amended, and that allowed for the first and only regulatory process for the certification of remediation in the state. It requires us to work with an environmental auditor who's nominated from a list identified as accredited by the EPA. The process of remediation, as the member noted, is informed by the contamination that's identified and the future purpose. A number of the reviews already undertaken by the environmental auditor were based on a previous master plan. We are going through a process with the environmental auditor to review those.

We looked at the current precinct plan to make sure if there are any further works required and to confirm the works that have been completed are consistent, noting that the uses are generally the same, they've just been reallocated across the site. We're not anticipating any issues. We have completed all the physical remediation works, but we are doing some monitoring. Our remaining works are to work with the environmental auditor as they go

through this review process and to do some monitoring of both soil and groundwater to make sure the outcomes that we've identified have been maintained.

The process of remediation is identifying and doing investigative works of what's required section by section, looking at those historic uses and then going through a certification process after we've done that work and monitoring between. In regard to your question about what's being treated and removed, there have been 85,000 tonnes of contaminated soil excavated that's either been removed or beneficially reused, so after treatment, so there's that -

Ms O'CONNOR - Where would you reuse something like that, that's got sort of hydrocarbons and leads and other toxins in them?

Ms BEACH - There are a variety of levels in the assessment, from level 1 to level 3. We can do soil farming on site to treat some of the contaminants. Of that soil, 72,000 tonnes have been removed or beneficially reused. There's been 2.3 million litres of contaminated groundwater removed, over 2000 soil samples and over 175 groundwater wells. We have 700 bore sites onsite from all of our testing. There's been 1400 soil samples to confirm the anticipated soil decontamination has been successful, and we've removed nearly a kilometre of ageing oil and diesel pipelines.

In terms of the specific contaminants that you asked for: we have removed asbestos-containing materials, spent fuel, coal tar, E. coli, arsenic, copper, lead, zinc, and other heavy metals, which have all been removed. There has been, in our most recent works in the south-west corner of the site, where the old gasworks used to be, we have also done some in situ solidification. That's similar to the works that happened at Bridgewater Bridge, pumping in a concrete slurry in through an excavator, and it mixes up the soil below ground and it stops any contamination of the groundwater, which is really important to maintain those environmental outcomes.

Ms O'CONNOR - To what depth are the 2000 soil samples being taken?

Ms BEACH - There are a variety across the site. We have done drilling down to check the distance, the composition and quality of bedrock, and have sampled down to that level.

Ms O'CONNOR - What level - sorry, what distance? To the bedrock, so -

Ms BEACH - It varies across the site. In the western side of the site, the dolerite is quite close. It is a reclaimed site; around two-thirds of the site is reclaimed, and around a third is original land and was original shoreline. It was progressive depth and the farthest would be around 19 metres.

CHAIR - Nineteen metres to bedrock at the deepest point, is that what you're saying?

Ms BEACH - Yes.

Ms O'CONNOR - And of the tonnage of contaminants that was removed, was it all sent to Copping? The material that wasn't, as you say, beneficially reused? That contaminated fill went to Copping?

Ms BEACH - Some, but not all. Level three contaminants go to Copping. The level two can go into other locations. Some has gone into McRobies Gully, for example.

Ms O'CONNOR - McRobies - to the tip? Hobart Tip? Okay, alright. And can you heading up the MPDC absolutely ascertain the site is decontaminated to the extent it doesn't pose any risk to human health?

Ms BEACH - The remediation is all around what's in the contamination type and the future use. That's why we use an environmental auditor to verify that. For example, we need to cap the soil, so once it's fully developed, we don't have to worry about runoff, where it's something we do need to manage while it's a construction site to minimise that harm and that risk. Once it's capped, it provides a protection. It's important that we check not just soil and groundwater quality, but also gas vapours, because that's a key risk we need to mitigate.

I am confident in the process that's gone through. There's a lot of corporate knowledge in the team in going through this process, and we've worked with an environmental auditor throughout. They review our work before we do it, after we do it, the outcomes, and post monitoring, which is a rigorous process.

Ms O'CONNOR - And final question on this line of questioning: The MPDC is working with the environmental auditor, but is there oversight from the EPA?

Ms BEACH - The environmental auditor is selected from a list of people who are accredited by the EPA. That's a very short list, being Tasmania, but it is a certified list from the EPA. They review the sample results that come out when soil is removed, it's then stored and then sampled to check that it is actually the contaminant levels we expected, and then that's informed before we determine where it goes off-site.

Ms O'CONNOR - Do you think all the contaminated soils that can be removed from the site have been? Notwithstanding what you said earlier, about capping the site.

Ms BEACH - The caveat to that is it depends what you build. If excavations are required, then some of that historical fill may need to be removed as well. That is something that we would be looking at, for example, in the stadium development, is managing historical fill.

Ms O'CONNOR - The stadium itself will require some excavations?

Ms BEACH - Yes.

Ms O'CONNOR - So, is there more contaminated fill to remove from under the footprint of the stadium?

Ms BEACH - Yes. There will be fill that we need to manage.

Ms O'CONNOR - How much, do you think? What's a rough estimate on how much there might be?

Ms BEACH - I'll need to check the amount. We are about to release a tender to work-start that process of the bulk excavation.

PUBLIC

Ms O'CONNOR - The bulk excavation. And you don't have any idea at this stage how much - what tonnage we're looking at?

Ms BEACH - I would want to check before giving you a number, but I can certainly get it for you.

Ms O'CONNOR - I put that on notice. Thank you.

Mr HARRISS - Thanks, Chair. Have we got an update on the status of cricket being able to be played at the stadium? My understanding is that it is not approved yet, not signed off. Have we an update?

Mr HEALEY - There's two parts to this one, and one is that Macquarie Point has been doing some really positive work with cricket to make sure they can work through and resolve all of the issues they may have with the shading and with meeting all of the standards required for cricket within the stadium. I understand that work has been very positive to date, and Anne may be able to update us further.

We're also talking just to cricket about the transitional arrangements and how they would transfer material from Ninja Stadium into Macquarie Point. Whilst I probably can't provide advice on the outcomes of all those discussions, because they are proceeding over the next couple of days, they are proceeding very positively. We should be in a position very soon to be able to provide more detail on that, but I'm supremely confident that cricket will be playing its product in Macquarie Point Stadium.

CHAIR - Test cricket, not just Big Bash?

Mr HEALEY - All forms of cricket; but I will leave it at the fact the discussions are proceeding in a very positive manner, and we are confident we can provide further information to members of parliament and provide greater confidence.

Ms O'CONNOR - We'd like to hear from Cricket Tasmania probably too.

Mr ABETZ - One of the things, and correct me if I'm wrong, but the roof will be particularly beneficial for cricket as the days can't be washed out or rain days can't interrupt the play, and therefore television rights, et cetera. Indeed, for concerts also, people thinking of providing all the gear, they guarantee that it won't be rained out or washed out.

Mr HEALEY - That's absolutely right. Unfortunately, because we needed to resolve issues, we've been looking at it in a very sort of deficit way, whereas in fact, once those issues are resolved - and we're confident that they will be resolved - this is a very exciting aspect of this stadium; in fact it will be a world first and will make this stadium quite iconic.

Mr HARRISS - Some of that has been around shading, so you're confident you're going to resolve the shading issue?

Ms BEACH - Yes.

Mr HARRISS - Does that create any other issues, like fixing the shadows? Does that create any issues that weren't there?

Ms BEACH - In addition to our general user meetings, we've been meeting weekly with Cricket Australia, Cricket Tasmania and their consultant on working through that. There are a few key things that are important for cricket: one is clearance height for miss-hits and hitting sixes, which we resolved early in the design process informing the dome roof design. The other is on, as you note, the fact that having a roof structure triggers a potential risk for shadows. What we've been working through is the type of ETFE. ETFE is the intended cover of the stadium, which is a thick plastic, and there's a range of specifications we can have for that. Going from a solid beam to a transparent material does have the risk of shadows.

As part of our study tours, we've looked at places like Forsyth Barr in Dunedin to look at the risk there. We have looked at a number of different specifications. What we've found from our study tours is there is a matte treatment that allows for the majority of the UV light to get through while dispersing the light, so it removes the shadow risk. We are working with cricket to co-design a test rig just to prove up that, but we've had really great support from cricket, and they're very confident in the work that we've done and the materials we've shown them. They have been and seen some of that material in situ on the Gold Coast where one of the distributors is located. I am very confident we will not only be able to resolve the shadow risk from the roof but also reduce the shadows you would normally get in a stadium because of the diffused light source.

CHAIR - Regarding the roof, some weeks ago, when we had a briefing, you assured us the roof design was basically complete, and you could provide the full design and engineering requirements. I still haven't seen that. Are you able to provide that to the committee?

Ms BEACH - Yes, I'm happy to provide any of the design details and we can focus on the roof ones for the 70 per cent design.

CHAIR - I was hoping that we would have had them before now because there was a commitment made.

I'll come back to one of Bec's questions, if I could. Of the \$36.5 million that is funded by equity, most of that Ms Beach described, Treasurer, was for recurrent expenditure, so why is it treated as equity?

Mr ABETZ - That would be because it's a cash injection to to a corporation or a statutory authority and it hasn't got its own income.

Ms BEACH - That's right. Because we're a public non-financial corporation we can receive funding in two ways, operational grants through the Department of State Growth and equity direct from Treasury.

CHAIR - Why wasn't it an operational grant then because it's for operations?

Ms BEACH - Because it's being capitalised. It's a work in progress for a capital project, so it is a capitalised activity.

CHAIR - Arguably, anyway. Before we go on, I note that Mr James Avery is in the room; can I just confirm that the only questions here [inaudible] answer in another session will be related to matters not related to Macquarie Point. If we have questions about the stadium in terms of Stadiums Tasmania, we should ask him now.

PUBLIC

Mr ABETZ - Especially with maintenance and operational costs, I think, Ms Thomas, member for Elwick, may have asked her questions on that.

Ms THOMAS - I was planning to ask them when we have sittings -

CHAIR - Apparently that's not an opportunity it has to be here, my intel tells me from outside the door.

Mr ABETZ - What a welcome.

CHAIR - We would've missed the opportunity if I hadn't intervened in that I might add.

Mr ABETZ - Mr James Avery, CEO of Stadiums Tasmania.

Ms THOMAS - Treasurer, I have a question, first of all, about where the asset and liabilities will end up. Can you clarify whether the asset and liabilities will rest with Macquarie Point Development Corporation or Stadiums Tasmania once construction is complete.

Mr ABETZ - We are going to transfer to Stadiums Tasmania. As to where the debt is going to land, that hasn't been determined as yet.

Ms O'CONNOR - It will land with the Tasmanian people.

Mr ABETZ - In any event, there is no doubt about that, but in what form?

Ms THOMAS - Are you able to explain the transfer process and including the timing and inclusions other than the debt, if that hasn't been determined yet?

Ms BEACH - We are working on term sheets, working with James's team where we will work through the specifics of the transfer, but we'd anticipate that at practical completion.

Ms THOMAS - I've been asking about this for a long time, and I will ask again at every opportunity and continue until I get an answer. When will a comprehensive asset management plan, if the Macquarie Point Stadium be completed, which entity or agency will produce that plan and will it be tabled in parliament prior to construction commencing?

Mr AVERY - Stadiums Tasmania will develop that integrated asset management plan and we will develop that once the main contractor has been appointed which is standard practice for a venue or a facility, a piece of infrastructure like this. That's certainly how it's been done with other venues nationally and internationally. Given it's a DNC and we're at 70 per cent design, the contractor will have a say on that last 30 per cent obviously. That could have a material difference in relation to the final design and therefore how we build out our asset management plan. In relation to whether it will be tabled to parliament, that is not something I would obviously make a decision.

Ms THOMAS - Treasurer, do you think the asset management plan is something you'd be willing to table in parliament?

Mr ABETZ - Once it's ready and once it can be developed, yes.

PUBLIC

Ms THOMAS - In terms of the lifecycle and maintenance liabilities ongoing, are you able to provide an estimate of the long-term servicing, maintenance, depreciation and renewal liabilities across the expected life of the asset?

Mr AVERY - Our clear view on this again in dealing with other venues and our own experience and expertise within the organisation, including with our board, is that it would be misleading to produce those sorts of numbers now until again we have a better idea of what the final design on the venue looks like. The contractor will obviously be engaging a range of different other lower-grade contractors to provide a lot of the mechanical plant equipment, and with that there will be warranties associated with those. We need to see what they look like before we can continue to build out that plan.

Ms THOMAS - Can you provide an estimate of 70 per cent? Based on the 70 per cent design and construct plans so far knowing that it will likely be higher.

Mr AVERY - If we did a number on that at the moment it would be wrong, simply, and venues, it varies wildly between venue to venue as to what they attribute to this figure to this plan based on the whole range of things. This is a unique design; there might be things that related to the roof that relate to this positively or negatively.

Ms THOMAS - That's part of the concern.

Mr AVERY - Maybe the degradation of the seating in the venue will be far less than what you would have a venue that's exposed to the elements more without a roof. There might be things related to the turf that worked the other way. That's why we're particularly keen, given the design, to see what the final design is because that will impact these issues that are going to be critical for us and our operating model.

Ms THOMAS - We just cannot possibly know until the final design is completed what the long-term costs of this asset are going to be ongoing to the taxpayer each year.

Mr AVERY - We've got a very good understanding of what the ongoing cost is from an operating perspective, but in relation to depreciation and in relation to lifecycle and asset-replacement, once the main contractor is appointed and they get about casting their eye over the design at the moment, they have very clear views on what's acceptable and what's not. We could do something, and they'll say that's a million miles away from what the reality is.

Ms THOMAS - But it is likely that the return, I think you've suggested, will cover the operations, but you don't know if it'll cover the maintenance and renewal liabilities of the asset. We just can't know that yet.

Mr AVERY - No, we can't know that yet. That is correct.

CHAIR - You did say you've got a pretty clear understanding of the operating costs, the annual operating costs.

Mr AVERY - Correct.

CHAIR - What are they?

PUBLIC

Mr AVERY - They average out to be in the vicinity of \$19 million per year.

CHAIR - What does that cover?

Mr AVERY - Total operating costs, so that covers things like salary and wages, IT and innovation, tech maintenance, admin and other miscellaneous expenses, turf maintenance, maintenance and utilities costs, event-day operations costs.

CHAIR - It doesn't account for, which is probably not your area anyway, notionally, it's another minister probably, this event attraction that doesn't include any money for event attraction?

Mr AVERY - That is correct. That doesn't include event attraction, correct.

CHAIR - From your experience in this field, would you have any idea of the ballpark event-attraction costs?

Mr AVERY - I think we know what the event-attraction costs are for a lot of the key events that are already being earmarked in our events calendar. For example, the deal the state government does with the Devils and does with cricket. The net result of that is that we get their content for major events, for example

CHAIR - Concerts or other major conferences.

Mr AVERY - Major conferences, the cost of acquisition won't be as high as it is, say, for sporting events. Concerts vary wildly. You could pay potentially \$500,000 to get a concert. You could pay \$2 million to get a concert.

CHAIR - Or more.

Mr AVERY - Or more, absolutely, yes, \$2 million is not the upper limit but just to give you that's a that's a range. It could be millions of dollars; it could be hundreds of thousands of dollars for one concert.

CHAIR - In your work at looking at these in terms of determining that the plan, if you like, for the events that you see can happen in the stadium, how much of other jurisdictions paid to attract concerts?

Mr AVERY - Again, depends on how many of those events you want. If I look at, for example, the WA government that made an exclusive deal to secure Coldplay and that was in excess of \$5 million.

CHAIR - They've got more money than us too, but anyway.

Mr AVERY - The point is the stadium authority would go to the government and pitch to secure those events, and the government will make a decision. Adelaide Oval would be outlaying a significant amount of money to secure their concerts because they have quite a few number of large-scale concerts. We're talking about one large-scale concert per year. I think there's public record in terms of the cost to acquire something like Gather Round.

PUBLIC

CHAIR - Have to fight with the South Australians to get that.

Mr AVERY - Frankly, we would think because we think the economic return is there, but again they're bigger venues that have a different offering in terms of their events calendar. Ours is probably more comparable to some of the smaller venues.

CHAIR - Let's just go to Gather Round for a moment. South Australians won't go quietly if it looked like Tasmania was going to steal Gather Round. They have two anchor teams, they have a bigger population, most of them live around their capital city - the majority of their population; they can afford, perhaps, to up the ante. We would have very limited capacity to do that as a state.

Mr AVERY - The AFL would make a decision on where the Gather Round goes to beyond just the financial contribution. Operationally, Tasmania is perfectly set up to run Gather Round in the north and the south and even the north-west of the state. The AFL will consider what the impact will be on the future growth of the game in that territory before committing to a deal. There's a range of factors that they make an assessment on. Clearly, the financial funding contribution is a significant factor, but it's not the only factor.

CHAIR - Going back to the concerts, you said that you're only looking to attract one large concert per annum?

Mr AVERY - At a minimum.

CHAIR - At a minimum? Okay, well that's changed.

Mr AVERY - Forecasting has one in there, but we would like to try to attract more.

CHAIR - When we look at that scale of concert, how much has South Australia paid for similar concerts to attract them?

Mr AVERY - Again, it can vary. You can be paying hundreds of thousands of dollars to acquire that concert, you can be paying millions -

CHAIR - You would have looked at this, James. I'm just trying to understand.

Mr AVERY - We are looking at it, and we're talking about events that we're looking to get before the stadium opens as well, and again, the conversations are at various levels. It depends on whether the artist wants to play a one-off exclusive in Australia and this is the location; whether the artist has a special desire to come to Tasmania or a connection with Tasmania.

CHAIR - What's the upper limit, then? You've talked about \$100,000 to \$200,000.

Mr AVERY - The upper limit, if I think I use the Coldplay model in Western Australia, I think from memory that was \$8 million to secure exclusive rights to host their concerts at that venue.

Mr ABETZ - That would have been to get other Australians to fly over to Western Australia for that.

Mr AVERY - Which is why they paid for the exclusivity -

Mr ABETZ - And then they spend time over there -

Mr AVERY - Which is part of what we're trying to do; to negotiate some exclusive content so people come to Tasmania from Australia and internationally.

Ms THOMAS - Just to round out, James, what you're talking about there, that operating costs are about \$19 million per annum, but you believe that there'll be revenue over and above that brought in -

Mr AVERY - Yes, correct.

Ms THOMAS - I think you've said before, \$1 million to 2 million above that, so \$21 million roughly you're thinking will be the revenue.

We heard earlier about the \$490.7 million in borrowings that would be required to construct the stadium, and the \$132.32 million in debt-servicing costs. So wherever the debt sits, either on the MPDC books or the Stadiums Tasmania books, it's going to have a significant impact on the equity ratio and solvency of those entities. Treasurer, how do you consider the risk to be managed there? I'm interested in your perspective, and I wonder whether the boards have done any risk analysis, either or both Stadiums Tasmania and Macquarie Point Development Corporation, and if the risk analysis or risk assessments that the boards have done about that could be provided?

Mr ABETZ - The MPDC board, I'm not sure whether they have, and Stadiums board -

Ms BEACH - Through you, Minister; as I noted, we're working on a term sheet around the transfer arrangements and making sure the different roles and responsibilities will be clear. In terms of the management of debt, I imagine both our boards will have a view, but as the minister noted, we're both instrumentalities of the Crown, and that will be a broader engagement with government around the best way to manage that debt.

Ms O'CONNOR - The bailouts will be there.

Ms THOMAS - Treasurer, I'm interested in your view on managing that risk and whether you would expect those boards to be doing internal risk assessments on what the impact of having that amount of debt on the organisation will be.

Mr ABETZ - They will undoubtedly look at that, but as a government we would be looking at that as well, to assist either MPDC or Stadiums Tasmania in dealing with that, taking into account all the other benefits that will flow from having this stadium -

Ms THOMAS - You've still got to be able to pay for it.

Mr ABETZ - If you get the \$360 million influx, the \$240 million influx -

Ms THOMAS - Not going to pay for it.

PUBLIC

Mr ABETZ - Or you forego all that opportunity, you forego a new hotel, if not two, you forego a lot of opportunities. That has to be taken into account as well. That is why there's a total commercial decision for the state. We believe this will be very much an economic enabler for our state.

Ms THOMAS - Have you asked Treasury to do any modelling on the impact on the two or whichever entity it ends up with? Have you asked Treasury?

Mr ABETZ - We have dealt with the borrowing costs that I read out.

Ms THOMAS - But I meant the impact -

Mr ABETZ - No. 7.2, 7.2, 21.9, 30.7 and 32. They were the figures that I indicated earlier. Then from that, you would reduce that by the extra economic activity, and the Lord Mayor's report talked about \$179 million extra economic activity to the state -

Ms THOMAS - To the state, not to the government's coffers?

Mr ABETZ - No, to the Hobart City Council area, in fact. That was restricted to -

Ms THOMAS - It's not going to pay for the stadium, minister.

Ms O'CONNOR - The Hobart City Council does not support the stadium.

Mr ABETZ - Yes, because the Lord Mayor said, ignore the economic analysis, which I funded.

CHAIR - No. Can we go back to the member for Elwick's question?

Ms THOMAS - The question was - and I asked you earlier today and you said perhaps raise that question later on when we've got this item. It was about the Treasury modelling on the the equity transfers that will be required into the future and also the impact on whichever government-owned business that it ends up resting with. The impact on their solvency because we've seen concerns with GBEs recently, we don't want to see a repeat of that, so how can we be assured? Will you ask Treasury to do some modelling on that?

Mr ABETZ - We have the figures -

Ms THOMAS - Not how you're going to pay for it, apart from borrowing?

Mr ABETZ - Out of the general revenue.

Ms THOMAS - Something is going to be cut elsewhere to pay for borrowings.

Ms O'CONNOR - Borrowing, service cuts.

Mr ABETZ - No, because there will be, on the other side of the ledger, income coming in. That is something that people unfortunately studiously avoid. That is something that does have to be realistically added into the equation.

PUBLIC

Ms THOMAS - The \$2.6 million in payroll tax you mentioned earlier -

Mr ABETZ - Just from the AFL.

Ms THOMAS - But there's not been any other amounts coming into the government coffers that have been quantified so far. I'd like to hear them if you have them.

Mr ABETZ - Well, I would assume that if you have a private precinct of housing and people buy -

Ms THOMAS - No budget for it.

Mr ABETZ - buy into housing. Nay, if the private sector develops it and then people buy the units or the houses in that area, there'll be stamp duty payable. If there's a new hotel built, one can imagine that hotel will have a wages bill which will be putting it into the payroll tax regime. That's another source of income. The list goes on.

CHAIR - Will these meet the debt repayment?

Ms THOMAS - \$132 million worth of it.

Ms O'CONNOR - According to the Auditor-General, \$70 million a year, he said. Up to \$70 million a year in debt servicing costs on the stadium.

Mr ABETZ - I haven't heard what he said in relation to that, but that is something that we believe is more than offset by the economic enabling. The reputational damage this will do to our state if we don't proceed will be phenomenal.

CHAIR - OK, we're out of time. Cassy had one on the energy matter.

Ms O'CONNOR - Has there been any discussion with Marvel Stadium which also has a roof which is retractable. As I understand it, because they tried to make their grass grow under grow lights, and in the first few months of operation, the power bill to grow the grass at Marvel Stadium was \$300,000. Has that been factored into projections on the operational costs of the stadium?

Ms BEACH - We have allowed space for up to 19 grow lights, but one of the things that's important around the impact on light is the size of the structure. By keeping the stadium only at 22.5 metres high, whereas Marvel is significantly higher, it creates a larger shadow. There's a large area of that field that needs to be constantly managed through grow lights. We would expect to have a significant reduction. I would need to check if it's been part of our modelling, but there have been some operational costs including this.

Ms O'CONNOR - Marvel Stadium has to constantly renew its turf and lay new turf every time it's used for an event or something like that. Have those costs also been factored into the stadium?

Ms BEACH - Through you, minister: yes, and it also depends on the frequency of events and the types of events. Working through with Stadiums Tasmania, they will be supporting turf

PUBLIC

management and replenishment. There will be a curator supporting all that work and turf farming to support -

Ms O'CONNOR - Not costed yet though, is it?

Mr ABETZ - That's part of the operational -

Mr AVERY - Through you, Minister: we have it in our operating costs. We've allocated as part of our operating model turf maintenance, including turf replacement, at \$1.6 million per annum, and that includes 500,000 per annum for unknown aspects related to turf replacement. We actually have -

Mr ABETZ - A substantial contingency.

Mr AVERY - We do, and we also have a curation team already operating at our other venues. In fact, our general manager of northern venues, who operates both venues in the north for us, worked at Marvel for 15 years in a whole range of capacities. We have been speaking to the venue regularly and we have quite a bit of information there.

CHAIR - What's your provision for energy?

Mr AVERY - We have maintenance and utilities costs, and that's standard general maintenance of 2.7 million per annum.

CHAIR - How much of that is energy?

Mr AVERY - I'd have to take that on notice to get that smaller breakdown.

CHAIR - The percentage of the -

Mr AVERY - In relation to power.

CHAIR - Yes, the power costs. What section was it under, did you say?

Mr AVERY - That's under maintenance and utilities costs.

CHAIR - Utilities would be in it, power, plus water and sewerage.

Mr AVERY - Power, gas, water, waste.

CHAIR - Can you provide a breakdown of the energy component of that, or maybe a full breakdown of what you've allowed for that in the operating costs of utilities?

Mr AVERY - Yes, happy to do that, through you, minister.

CHAIR - We will write to the minister on this.

Mr ABETZ - To remind us. Thank you.

CHAIR - Okay, we are out of time, so -

PUBLIC

Ms BEACH - Through you, minister: there were two noted items that I said I'd follow up that I can provide an update on, Chair. In terms of energy requirements projected for the stadium, the minimum load is 7.5 megawatts and a maximum of 9.74. In terms of the historical fuel projected site excavation volumes is 130,000 metres cubed.

Ms O'CONNOR - 130,000 metres of potentially contaminated fill under the footprint of the stadium?

Ms BEACH - Historic fill, yes.

Ms O'CONNOR - Thank you.

CHAIR - Thanks. We will write to you with the things that remain outstanding, but thanks for your appearance today. You are free to go.

Mr ABETZ - No, thank you. Thank you very much.

The committee suspended from 5.07 p.m. to 5.18 p.m.