



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Hon. Michael Ferguson MP

Monday 23 September 2024

MEMBERS

Hon Ruth Forrest MLC (Chair)
Hon Dean Harriss MLC
Hon Sarah Lovell MLC (Deputy Chair)
Hon Bec Thomas MLC
Hon Kerry Vincent MLC

IN ATTENDANCE

HON MICHAEL FERGUSON

Treasurer, Deputy Premier and Minister for Small Business and Consumer Affairs

Gary Swain

Secretary

James Craigie

Deputy Secretary, Budget and Finance

Dean Burgess

Acting Deputy Secretary, Economic and Financial Policy

Abigail Shelley

Deputy Secretary, Corporate and Governance

Martin Thompson

Auditor-General of Tasmania

Robyn Pearce

Executive Director, WorkSafe Tasmania

Brad Wheeler

Executive Director, Consumer Building and Occupational Services

The committee met at 9 a.m.

CHAIR - (Ms Forrest) - Welcome, Treasurer, to our budget Estimates session for the Treasurer, which includes your portfolio as the Treasurer in Treasury and Finance, and Finance-General. If you'd like to introduce the team at the table, and then I assume you'd like to make some sort of opening statement? That would be great.

Mr FERGUSON - Thank you, Chair, and good morning to you and to your committee. I'm joined today by the Secretary of the Department of Treasury and Finance, Mr Gary Swain, and the Deputy Secretary of Budget and Finance; Mr James Craigie. Dean Burgess, who is Acting Deputy Secretary, and Abigail Shelley, Deputy Secretary, Corporate and Governance, are available to the committee later in the hearing should that be required. I'm assisted at the table by Mr James Abbott, my chief-of-staff, who is not going to answer questions but will assist me.

I appreciate the opportunity to make some brief opening comments. The 2024-25 Budget is driving the delivery of our Strong Plan for Tasmania's Future. The goals are to take action right now on the things that matter to Tasmanians and make life more affordable. The Budget provides record investment in cost-of-living relief, health, housing and education, and we recognise the challenges in the national economy and the impacts that are being felt by Tasmanian households and businesses. While the national economic indicators are concerning, there's still reason to be optimistic with our plan for investment in services and job-creating essential infrastructure that will support future generations of Tasmanians.

The Budget, and, included in that, our fiscal strategy, sets the path for a return to surplus by 2029-30. We believe that now isn't the time for austerity measures. We want to support our economy and our strong public services.

If I can say as well that since last year's Budget, I have been clear that the state's finances are under pressure. The Budget reflects the decisions that we made during the pandemic at an estimated cost between \$1.5 billion and \$2 billion.

The government also did not shy away from the important findings of the commission of inquiry, agreeing to implement all 191 recommendations. The Budget is providing funding of \$423 million to meet the cost of the recommendations in order to keep children safe. This, together with the provision of \$649.9 million for the estimated cost of current and future claims, means that more than \$1.1 billion is available from Tasmania's public finances to keep children safe and to compensate those who have suffered harm.

The fiscal strategy that I referred to earlier is a fundamental element of our 2030 Strong Plan to rebuild our fiscal buffers and to provide budget flexibility to be able to respond to future shocks. The government has committed to return the net operating balance to surplus by 2029-30 in line with our plan. We've also committed to keeping our debt position manageable.

The Budget delivers record investment in cost-of-living relief, together with record investment in health, housing and education. Over the Budget and forward Estimates, we're seeing \$12.9 billion into health services across our state, which is an increase of 6.7 per cent, and \$9.4 billion into education, which is increasing by 6 per cent over the same period. Health and education now come to 58 per cent of the total expenditure across the Budget and forward Estimates years.

The Budget also continues to deliver on our \$1.5-billion plan to provide 10,000 more social and affordable homes by 2032, with Homes Tasmania to invest a massive half-a-billion dollars over the next four years.

We're supporting growth in our economy. There's \$5.1 billion in infrastructure over the next four years. Of that, \$1.9 billion is dedicated to roads and bridges, \$650 million into health and hospital infrastructure, \$359 million into schools and education, and \$287 million into keeping Tasmanians safe. As I said earlier, the Budget is a budget for our times, delivering on our plan and delivering the things that we committed at the election. We're also supporting our community through the provision of essential services and cost-of-living relief.

I look forward to your questions and discussion through the hearing, Chair and committee.

CHAIR - Thank you, Treasurer, for those opening comments. I appreciate you've told us that we might be able to achieve a break-even budget in 2028-29, and a possible surplus in 2029-30. If this is a goal or a target that means something to the government, shouldn't it be part of your fiscal strategy, and if so, why isn't it?

Mr FERGUSON - Thank you for the question. It's a fair question. The goal that we've adopted is to take a position of, as you've indicated in the question, a balanced operating position in 2028-29 and a surplus position in 2029-30.

I respect the notion of it being incorporated into the Fiscal Strategy, and I will ask the Secretary and the Deputy Secretary to fill it in if needed, but I believe that the Fiscal Strategy is about the goal that we need to set out for 2032. Last year I set out a new Fiscal Strategy, replacing the one that we had since 2014, noting that the budget was under significant pressure and challenge -

CHAIR - Mostly COVID-related and that's why it changed. We accept that.

Mr FERGUSON - I would disagree. I think that's a part of it, but, as we indicated last year, it wasn't just the fact that the budget had been walloped by the pandemic, we also recognised a range of pressures. The 11 strategic actions in the Fiscal Strategy helped to paint a picture about the wider perspective that the Fiscal Strategy ought to adopt to bring our budget into a stronger position over years. We didn't feel short-term targets were going to cut it, and they were probably not realistic in the first case -

CHAIR - On that, Treasurer, the targets in the strategic actions and targets in Table 3.8 go out to 2032-33. You're saying we will have a possible surplus by 2029-30 -

Mr FERGUSON - That's right.

CHAIR - which is almost there. I go back to my question - shouldn't this be a fiscal strategy? We'll come to the other fiscal strategy shortly, but -

Mr FERGUSON - I would point out that there are 11 strategic actions in the Fiscal Strategy -

CHAIR - The question is, why wouldn't you include this as one, or the 12th one, say?

Mr FERGUSON - Well, one of the 11 in fact does exactly what you're suggesting in the sense that it does have a four-year fiscal balance as one of the goals or one of the targets in the Fiscal Strategy.

CHAIR - How do we know whether we're on track with Fiscal Balance No. 5 - Strategic Action?

Mr SWAIN - If I may, I point out that No. 5 implicitly recognises that you would have to have a net operating balance in surplus to achieve No. 5 over time, so you could infer that No. 5 encapsulates getting a net operating balance back to zero as a stepping stone on the way to achieving No. 5.

Mr FERGUSON - I just want to go on with a quick point - I realise you'd like to move on -

CHAIR - I'll come back to that.

Mr FERGUSON - but my point is that the 11 actions that are adopted and targets - in the preamble to the Fiscal Strategy, it's made clear that there isn't a single indicator for budget sustainability, but taken together these 11 can present that. We're committed to this not on a rolling basis, but on a targeted basis to 2032. With them taken together and with the synoptic view of the 11 actions, the intention is to return the budget to a stronger and more sustainable position by 2032.

CHAIR - Treasurer, while you're on budget papers, on page 9 of Volume 1 it explains a major drawback in including capital grants when trying to derive a figure for the operating outcome. This leads into the fiscal strategy question. Why do you continue to use it when the fiscal balance doesn't actually reflect the capital grants?

Mr FERGUSON - I will ask the Secretary, and perhaps more properly, the Deputy Secretary, Mr Craigie, to speak to this, but we provide the underlying net operating balance voluntarily. It's not actually -

CHAIR - I understand that, and other states don't do it, so all power for you for doing it.

Mr FERGUSON - We're not looking for praise; I just make the point that it's not required under the accounting standards, but we voluntarily keep providing it in our Budget. I could be wrong. I believe we may be the only jurisdiction that does that, and that's to provide that deeper view of the budget position.

Also, we believe that it is a very safe assessment and belief that long term into the future, the Australian Government will continue to provide those investments to state budgets and, therefore, we wouldn't suggest that using the underlying net operating balanced line should be interpreted as a risk necessarily to the budget, because the Australian Government has structurally got that support for state and territory budgets now.

I'll ask Mr Craigie to provide any further detail that he can.

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Mr CRAIGIE - Thank you, Treasurer. The only comment I would add is along the lines that the Treasurer's already alluded to. There are 11 strategic actions and no single measure is really an ultimate proxy for sustainability, but the 11 together provide a more comprehensive view. Strategic action 5 has both the general government sector and the total state sector fiscal balances as measures are a good proxy.

CHAIR - Treasurer, when and if you achieve an operating surplus, as measured by the fiscal balance, the fiscal balance will still be in deficit because of infrastructure spending. That's correct, isn't it?

Mr FERGUSON - It could be correct, but because it's beyond the forward Estimates it's too early to say. The commitment the government has outlined is that we would see a net operating balance surplus position in 2029-30. I don't try to correlate that to a fiscal balance position in the same year, but that is not impossible. I'm not stating that as a goal, but we do wish - within proximate years of the net operating surplus position in 2029-30 - we also hope to see borrowings being capped out, if I can use that term, and to plateau, but the 2029-30 target is the net operating position surplus that we're looking for.

CHAIR - If the infrastructure spending continues roughly as it is that would be a fair statement for me to make.

Mr FERGUSON - It could be, but it would depend entirely on the size of the net operating surplus in that year. It would be a hypothetical discussion. I'm happy to go there with you, but because it's beyond the forward Estimates, we are confident that we can achieve that surplus in 2029-30 financial year, but we wouldn't be setting any expectations today about what the fiscal balance in that year would be.

CHAIR - To take that another step further, if you are to achieve a break-even fiscal balance, you're still likely to need borrowings to make equity contributions into government businesses as well. Am I correct about that?

Mr SWAIN - Yes, that is correct.

CHAIR - We're not seeing the full picture in this. That's the point I'm making. What are the assumptions you're making that will achieve these claims, where the intention is to have a fiscal balance as described by 2030?

Mr FERGUSON - I'm sorry, what was the question?

CHAIR - What are the assumptions you're making? We've seen in the Budget, the budget efficiency dividend, there is low growth in employee expenses, and reduced spending on operating across the forward Estimates. Is that what you're assuming that that will continue? What assumptions are you making to claim that you aim to have a fiscal balance effectively in 2029-30.

Mr FERGUSON - If I may correct you, we're not suggesting a fiscal balance position in 2029-30. We're proposing a net operating surplus position in 2029-30, but it's a work in progress. We are seeing very controlled, constrained expenditure growth over the Budget and forward Estimates, noting that the 2024-25 year has seen significant growth in expenditure on

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the basis of significant commitments that we made in the 2030 Strong Plan document at the election.

You are asking me what assumptions are being made, but we're also seeing the revenue growth outpace the expenditure growth over the Budget and forward Estimates and, as we have charted that position -

CHAIR - Can you show me where I can see that?

Mr FERGUSON - The revenue and expenditure growth?

CHAIR - Where the revenue truly exceeds the expenditure growth.

Mr FERGUSON - It's on page 8 of BP1 where you can see the revenue projections out to 2027-28 compared to expenditure growth over the same period.

CHAIR - Does that include all your expenditure?

Mr FERGUSON - All GGS expenditure, yes.

CHAIR - Once we take in the total state sector, a different story?

Mr FERGUSON - Yes, because the total state sector is outside - includes more than just GGS.

CHAIR - Does that measure include equity and transfers to the government businesses?

Mr FERGUSON - I don't believe it would include equity. The point I am making is that revenue growth - I am not saying that revenue exceeds expenditure, I am saying that revenue growth exceeds expenditure growth over the Budget and forward Estimates.

CHAIR - Expendables still exceed?

Mr FERGUSON - Yes, because even in 2027-28 we have, as you would know, a deficit position.

CHAIR - I apologise. I thought you said you were going to be spending less than what you are bringing in.

Mr FERGUSON - I was perhaps referring to the expenditure growth is significantly managed and the revenue growth is -

CHAIR - By cutting expenditure?

Mr FERGUSON - -by constraining expenditure and with the efficiency dividend in place.

CHAIR - That's one of the assumptions, the efficiency dividend?

Mr FERGUSON - Yes.

CHAIR - That's not going to get there on its own. What else is there that sits behind this?

Mr FERGUSON - I will, if I may refer to the Secretary and Deputy Secretary as well, but yes, I acknowledge that these figures that we're examining make assumptions about the revenue being reliable. By the way, the revenue line takes full account of the GST position as we best understood it when the Budget was brought down and that's not always the case. Often when we're sitting at this table we don't have documented - because of the proximity of the federal budget, it's not always the case that it's up to date. It is in this Budget and it also assumes that the efficiencies are identified and achieved. I'll just ask the Treasury officials to help.

Mr SWAIN - I might flick to James in a moment. I was just going to make the comment that the expenditure forecasts are constrained, but that is in the context of an unemployment rate of 4.1 per cent, so there's also an issue of whether there are spare resources in the economy to even support expenditure beyond what we're currently forecasting. That's been a significant discussion in relation to things like the commission of inquiry where the initial estimates for expenditure were higher than what's in the Budget and we related that to FTEs and then - you can't actually see where those employees would come from. There's a practical element to the expenditure forecast as well in terms of resource availability.

Mr FERGUSON - If I may say unemployment 4.3 per cent. Can I just reinterpret that for the committee in case there's any doubt. The position the Secretary is outlining is that we're providing the necessary funds to meet those expenditure requests, but because unemployment is low and labour availability is relatively low, the challenge for agencies is often finding the staff to do the work that is funded? To the extent that that's not achieved, there's a potential for underspending if the staff can't be identified and found.

CHAIR - Treasurer, in your opening comments you talked about debt being normalised. Can you actually define what you mean by normalised and can you pinpoint a time when you think that will happen?

Mr FERGUSON - I don't think I used that word with respect here. I think what I said is more words along the lines of making sure that they're manageable.

CHAIR - You have, maybe it wasn't in your opening. You have said that debt will be normalised in some of your public comments since the delivery of the Budget.

Mr FERGUSON - I don't challenge what you're saying, except that it's not my usual expression. I may have used that language at some point, but the position I adopt is that I'm very conservative on borrowings. I don't want the state going into unnecessary borrowings and to make sure that the extent to which we lean into borrowings is to achieve some of our fiscal and economic targets that we have.

We've been prepared as a government to borrow to build, certainly to borrow to work through the pandemic. As we're working through the pressures that the budget faces right now, we accept that there's a role for borrowings in the Budget and forward Estimates, but as an individual and as a representative of the government, I'm not cavalier about this. I want to make sure that our borrowings are always at a manageable level and do not continue to grow in a way that would cause concern to this House or to the community generally.

CHAIR - Haven't they grown in these forward Estimates to a point that would raise some concerns?

Mr FERGUSON - There has been concern raised and I understand and respect that. The borrowings position that is provided for in the Budget, which in the GFS sector is \$7.5 billion and total net debt which includes, as you know, those range of liabilities including lease liabilities \$8.6 billion. We need to carefully consider that in the future. I don't want to see that continue to grow at those rates beyond the forward Estimates and that's why we have the fiscal strategy that we do. What I want, and what the government wants, is to find the pathway that allows that fiscal balance to be a balanced position on average over a rolling four-year period because then you're more or less able to escape needing to undertake further borrowings.

CHAIR - If we go to strategic actions and targets on page 46 of your Fiscal Strategy chapter. Strategic action 2 is gross debt per capita, the general government sector - from the outcomes of \$16.2 million, this year's Budget is \$19.5 million. The target is less than \$20 million and we're awfully close to breaching that even though we're a long way from it, in terms of years, from this year to 2032-33. With the known risks - and we'll come to the risk chapter a bit later in the budget paper 1 because there are plenty there - there are many known risks. How are you going to assure us that you, on behalf of the government, are not going to breach this target and see it over \$20 million?

Mr FERGUSON - Not \$20 million, \$20,000 per capita.

CHAIR - Yes, sorry, \$20,000 per capita.

Mr FERGUSON - I think it's realistic to expect that over the Budget and forward Estimates that action will be challenged, but this is not about the current financial year, or even over the Budget and forward Estimates. It's really about what are the range of indicators for success that public funds can be accounted for by 2032, and to make that the focus. Even though, as you reflect in the strategy chapter, Treasury is reporting the 2024-25 expected outcome for each of those strategic actions and targets. In the end, it's really about how we return the budget to those fiscal indicators by 2032.

CHAIR - The question is: do you expect it to go above this target in the meantime?

Mr FERGUSON - I would expect it to, over the forward Estimates. I don't know if others would like to comment, but you can see plainly what the change to the net borrowings position is over the Budget and forward Estimates period.

CHAIR - The chart at 3.1 on page 47 of budget paper 1 indicates that by 2025-26 it'll be above -

Mr FERGUSON - It exceeds the target, yes.

CHAIR - That doesn't concern you or does it does concern you?

Mr FERGUSON - It does concern me. Every one of the strategic actions concerns me. As a politician, as the Treasurer, in the Budget last year, I made a very deliberate decision that we were going to change the fiscal strategy, that we would need to have a greater sense of reporting and transparency around the health of the indicators. I personally took the view that

the fiscal strategy that it replaced didn't provide that level of transparency that was needed for the future of the budget position. I accept that there's been a political risk, but I wanted to do it because we need to have a return to a more sustainable budget position coming out of the pandemic. It's very hard to achieve that, but if we don't have the greater transparency that you are now, at the table, able to enjoy, potentially -

CHAIR - We'll come to that, whether it is.

Mr FERGUSON - Potentially we wouldn't be able to have this conversation.

CHAIR - Strategic Action No. 4, the cost of debt, including defined benefits superannuation to cash receipts as a percentage, we have breached that target; it was less than 6 per cent, now it's 6.7 per cent. We know that Tasmania has a higher per capita liability regarding our superannuation to other jurisdictions. When we talk about the actions you're going to take to address it, we're already breaching these targets. The job is much larger, wouldn't you say?

Mr FERGUSON - Last year, when the Fiscal Strategy was brand new and first introduced, even over the forward Estimates it was already identified that it wouldn't be breached over last year's Budget and forward Estimates. But it doesn't change the fact that we need to have these guideposts in place, in my view. I respect your own opinion, whatever that may be, but we wanted to put these out there, as these are the guideposts that not just this government, but the state in general, ought to have as our ambition for 2032. That doesn't mean that the only goal can be that by 2032 every single one of these indicators is being met. As the preamble in the chapter indicates, there isn't a single measure of fiscal sustainability, but taken together, it gives policymakers, commentators and others the opportunity to see how we are tracking on these different measures.

CHAIR - You do say in the Fiscal Strategy that there's going to be a review of the targets in 2026-27, which is a couple of years away. Is that to look at the actual targets or look at the strategy? I'm just trying to understand, if we see the targets being moved to reflect the challenge and not - which makes it easier just to ignore the problem - what's the purpose of that review?

Mr FERGUSON - This is a midpoint review of what was a 10-year strategy to 2032. I might invite the Secretary or the Deputy Secretary to discuss how that review may actually occur. I think it would be a midpoint reassessment of how we are travelling, and what do the next set of targets need to - how we're going towards 2032, and possibly even setting the next set of targets as well. We haven't given consideration to that at this point in time, Chair, but I'd be happy for the officials to give their own comments.

Mr SWAIN - I'll make a narrow comment; James may have a broader one. Some of the metrics are set in nominal terms. For a start, you might want to consider whether they're still the right nominal values, depending on the inflation profile in the first period of the Fiscal Strategy. There is a comparative point also looking at what's happening in other jurisdictions. But I think your point is well made. If you're going to have targets, you can't be moving them every three to five years for them to have ongoing meaning.

CHAIR - Correct. You've said it here in your own strategy under No. 3 net debt to gross state product as a percentage - the higher the ratio, the higher the risk, and that's another one that, not surprisingly, has exceeded that.

I just want to go back to the greater transparency you talk about, Treasurer.

Mr FERGUSON - Before you do, may I just observe, though, in last year's Budget and forward Estimates, with the new Fiscal Strategy, the same observation could have been made that we were on track to exceed the targets; but we still wanted to put the targets in place to give policymakers, politicians, commentators and the broader public the sense of scrutiny that we need to take actions to return the budget to a more sustainable position. The best time frame to do that is over a controlled 10-year time frame so as to not itself present shocks to our economy, but nonetheless to have that discipline in place.

CHAIR - If I go back to the original question, what's the plan to get there? What are the assumptions being made about even just returning to a fiscal balance? For a reader it's hard to see how that's going to be achieved other than producing operating expenditure.

Mr FERGUSON - Or managing it and then allowing the revenue growth to allow that more sustainable position to emerge over time, together with the efficiency program. But we know that it will be an ongoing challenge. It will be an ongoing challenge for future budget Estimates many years into the future.

CHAIR - I accept that it's easier to read some commentary around the strategic actions and targets that you've got here. If we go to table 3.8, page 56, for some of them, it's impossible for me as a reader, unless I go back and perhaps look at last year's budget paper and then wait for several more, to actually understand if we are tracking, whether we are likely to meet a fiscal balance, going back to fiscal strategy 5 or strategic action 5. It says the target is a balanced fiscal position over a rolling four-year average. So how are we tracking? How will we know?

Mr FERGUSON - I hear what you're saying. It is a target to be achieved. It's one of the 11 targets that's set out for 2032-33. I hear what you're saying.

CHAIR - It's a bit pointless putting this in without some sort of indication of whether we are actually on track or not.

Mr FERGUSON - Can I express a slightly different view on that? Because the indication of current performance in that metric being demonstrated shows that it's not being met, I think propels the parliament and the community to understand that we need to have measures in place that allow the Budget to improve that position over time because it's not being met right now. I think it's part of the accountability that's designed in the strategy so that you don't have a government turning up to an Estimates committee saying, 'Look, we're meeting all our targets'. We've actually got very challenging targets to meet over the 10 financial years of the strategy, and that one being one of the ones not being met at present indicates that action is needed.

CHAIR - So maybe there could be some traffic light signals or something like it on this to show which, if there are any, are actually on target. I think for a reader it would make it easier to understand.

What disturbed me greatly, Treasurer, was one of the comments in the Fiscal Strategy here that this relates to the cost of debt, including the defined benefits superannuation to cash receipts that future budgets will address strategies. It seemed like the can was being kicked

down the road. I would have hoped that there would have been a bit more detail about what big actions the government was going to take in this Budget or in this chapter - not necessarily in this Budget, because clearly you can't do it all in one budget - but rather than say, 'Don't worry about it, nothing to see here. Just wait until future budgets and we'll tell you then'.

Mr FERGUSON - With respect, that might be interpretation, because this Budget acts in ways to try to move towards the greater sustainable position that we're looking for. I believe that what is indicated here on page 48 is where Treasury is suggesting that it will need future budget action as the new financial years come into the forward Estimates.

CHAIR - That shouldn't be a surprise to anybody after the last two fiscal sustainability reports prepared by Treasury. Is there any indication that Treasury might produce an earlier one based on all these challenges that we're seeing writ large here? The next one is 2026.

Mr FERGUSON - Yes, it's due in 2026. I don't see a need for it to be done earlier, but I wouldn't rule it out. It would be a fair bit of work to bring it forward, but I'll throw it to the Secretary.

Mr SWAIN - Yes, we could bring it forward. One of the discussions we've been having internally is also the rate of repair, so noting that government's expenditure is a significant component of state final demand, which feeds into gross state product, so the rate of growth across the economy - we need to find a measured path back. One of the initiatives in the Budget is to increase the modelling capacity of Treasury so that we can look at that pathway in a little bit more detail.

On that basis, you could bring it forward, but I'm not sure that there would be huge benefit in that until we've got the net operating balance closer to zero.

Mr FERGUSON - I observe as well, Chair, if I may, that the previous financial sustainability report was at 2021. Even with the range of scenarios - I think there were four scenarios - the lowest scenario was something like \$15.9 billion net debt by the mid 2030s and the highest was up in the high 2020s - was it 2029? It already provides the level of insight to us as policymakers and politicians to recognise that fiscal action or budget action is required. That's why we've introduced the new fiscal strategy.

These are uncomfortable conversations between ministers and their departments, and between politicians of different parties, but these are the decisions that we need to be prepared to make.

What the Rockliff Liberal government has decided to do is to not rush to these outcomes, because we know that doing so is likely to create significant shocks in the economy, and potentially the perceived gains would be written off by the losses and the social disruption and the loss of employment.

CHAIR - When we look at successive budget papers, not just this one but previous ones, the very informative Policy and Parameter Statement - it's a good document in that it provides a lot of detail. The challenge we're facing now, almost entirely if not entirely, is policy decisions that have seen the serious deterioration in the state's financial position. Is that a fair statement?

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Mr FERGUSON - Yes, I think so. I would agree. That's not to say that those policy decisions are the wrong decisions. I'd stand by that, however, there is an action and an effect. The action is that the government is making policy decisions to invest more in health and education and the commission of inquiry. That \$423 million additional spend is a policy decision and it also hurts the Budget, but as I'm sure everyone at this table would agree, we need to do this. We need to meet these responsibilities. It has an effect on the Budget, a negative effect, but they're policy decisions -

CHAIR - No-one disagrees with you.

Mr FERGUSON - I know that you weren't. I've answered your question very bluntly. The answer is 'yes', but there are reasons for those policy decisions.

CHAIR - The \$1.44 billion in election commitments is all policy, and we've had two of those in early succession, and then you have other infrastructure projects that are all policy decisions. They all contribute to this, so I don't think anyone would argue that the money that's been committed to fund the commission of inquiry recommendations is not needed or appropriate, but should there be greater restraint in some of the other areas?

Mr FERGUSON - I would agree that we need to show restraint with new spending decisions.

Ms THOMAS - That was one of my questions as well, Treasurer. Given that during last year's Estimates in June 2023, you said the forward Estimates charted a pathway back to an operating surplus of \$12.7 million in 2025-26. What happened? We've talked about policy decisions and election commitments perhaps having an impact as well. How can we have confidence in the forward Estimates given that there has been that significant change one year on in the return-to-surplus forecast?

Mr FERGUSON - Thank you, Ms Thomas. I will ask our officials to assist me with this answer. First of all, you can have confidence in these forward Estimates in the budget papers. We've done a very thorough job, not just of funding election commitments, but we've gone beyond that and made policy decisions that in some ways present an even more realistic view of the future of the state's finances over the Budget and forward Estimates.

I say that because, for example - and I will just pick one example - we've funded the hospitality and events portfolio. I think I might be able to say it's the first time that that portfolio, with known and expected cost of investing in events coming forward, has actually now been funded rather than treated as a risk in the budget papers.

Had the government not done that, we probably would have picked up those expenses in future budgets, so I believe that the forward Estimates are an even more realistic picture than before. I would also hasten to add that in the February RER, the revised Estimates report, because of the known and expected profile of spending across agencies, including the commission of inquiry responses, it actually took away the surplus years that were forecast in last year's Budget.

The mid-year update in February presented us with four years of deficit budgeting going forward. That's because, when we were in a stronger position because at that point we had the commission's final report, and we had early advice from agencies about the cost of responding,

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we incorporated those into the February RER. That was in the context of people talking about an election coming down - in fact, the election was called on 14 February. The RER came out -

CHAIR - On 15 February.

Mr FERGUSON - -by statute, so we'd already loaded these extra costs because we were trying to present a much more realistic view of the finances going forward. I am making the point here, Ms Thomas, that even prior to a single dollar having been committed at an election, we were already in that position because we were reflecting these extra costs. I think the figure was \$230 million of commission costs that for the first time were reflected in those forward Estimates. I wonder if you can add to that answer?

Mr SWAIN - Only that in the RER, I think the original provision was 90-80-70 across the Budget and the forward two years. As that was going on there was a lot of work between the five departments, which Treasury was also involved in, looking at the potential cost of the implementation phase of the commission of inquiry across the 191 recommendations.

That's translated into a much higher expense provision in the budget than was in the RER. At the same time, Justice was working through the exercise of quantifying known and future civil liabilities in relation to children abused in care, which is how you get to the \$1.1 billion that's in the Budget. The \$500 million additional expenditure in the one under the \$570-odd-million provision - no-one knew when the commission of inquiry commenced that you would end up with expenditure at that level, and I don't think it would have been predictable that you would have had that coinciding with an election budget.

We've had a couple of things coming together, but if they hadn't been reflected, we know the commission of inquiry wouldn't have gone away. It was always going to have to emerge at some time into the budget and forward Estimates.

Mr FERGUSON - Does that add value to your answer, Ms Thomas?

Ms THOMAS - Yes, it did.

Mr FERGUSON - The point, to quickly recap - I can only speak of my own time as Treasurer, but at every juncture I have attempted to present the most realistic and most reliable Estimates going forward. When I've brought through, for example, supply and appropriation bills, I've provided, in advance, as much information - more than has been provided in the past - only because I'm seeking at all junctures to present the people that I asked to vote for different pieces of legislation, in particular appropriation bills, the greatest possible insight into the health of those numbers and the truth behind them.

CHAIR - You knew you wouldn't get them through without that in our House. I'm just saying.

Mr FERGUSON - I think it has in the past.

CHAIR - You have been much more forthcoming.

Mr FERGUSON - I took the view that if we were going to be asked for the information and we're going to end up providing it, why not put it in the first package. It served me well, I think.

CHAIR - Just following on a bit from things we've been discussing, if I could take you to the Income Statement on page 61, for General Government, it shows quite small growth over the forward Estimates in nominal terms, but if you adjust for inflation, there's a real decrease and the real decrease is even greater for expenses. Treasurer, you said the government won't be implementing an austerity budget or austerity measures, but isn't this what you are actually proposing with this? It's spending less each year on services in real terms when you adjust for inflation and other matters.

Mr FERGUSON - We're doing our best to live within our means and to move towards what is not even a balanced position, but to move to a much healthier negative \$63 million in 2027-28. It is a strong attempt by the government not just to fund the things that are important to Tasmanians and the many commitments that we've made, but to manage to show discipline as much as possible and not make new policy decisions that make that challenge harder.

CHAIR - Is it not austerity then, when you're cutting back on expenditure like this?

Mr FERGUSON - We could cut back much harder, much sooner; but we've chosen not to do that. That for me would be an austerity measure budget. On the other side of the same coin, we need to be asked - and you do ask and others ask me - why we are still in deficit, and that's the reason: because we could cut back harder sooner and we could return to a balanced position considerably sooner should we wish, but we also put an economic lens on this and a public services lens on this. Perhaps I don't have to repeat myself, but we are aware of those risks and we wanted to make this a medium-term ambition rather than a short-term one.

CHAIR - If you add on top of this the reality that the expenditure is really declining, and for some of the reasons you've outlined, with our population also growing slowly, in per capita terms the fall in real spending becomes even greater, so to say it's not austerity or some form of austerity seems a bit unbelievable.

Mr FERGUSON - Well, let me explain. For me, the use of the word 'austerity' was also in the same sentence as the word 'slash and burn' in my budget speech. I think the point is, we could take more dramatic measures more quickly, but my definition of austerity would be a much more disruptive and sudden change to the finances where you would, for example, cut existing programs, abandon election commitments that were made in good faith and voted on in good faith, cut the number of public servants, significantly cut services or increase revenue lines.

CHAIR - What about infrastructure? You haven't mentioned it.

Mr FERGUSON - Or cut infrastructure or sell things, not because you want to but because you have to. That's what I mean by austerity. This is a slower pace of returning the budget to a balanced position. For me, an austerity budget would be the one that you and I both lived through in 2011-12 - massive disruption in our community; the state went into recession.

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CHAIR - There has been others in the past too, beyond that. How long do you expect spending on services as outlined here to keep falling? Do you have longer term projections? Could you provide some projections beyond the 2027-28 forward Estimates?

Mr FERGUSON - I think I can, but I'm happy to speak to my officials here to assist the answer.

Mr SWAIN - We haven't got protections, sorry. This actually came out with the Independent Review; we haven't got projections outside of the exercise we do every five years, which is the Financial Sustainability Report, so we don't otherwise maintain them. The ones we have now are very dated. The last Financial Sustainability Report was 2021.

CHAIR - Hence my question, will you perhaps look at this again to give us some indication if this is going to continue on this trajectory. We have no idea - is that what you're saying?

Mr SWAIN - At the moment we're scheduled to do that work in 2026, as we talked about earlier.

CHAIR - Yes.

Mr FERGUSON - I think the Chair is asking a slightly different question, which, if I can have a response, is in relation to the forecast expenditure.

CHAIR - As recorded in the Income Statement.

Mr FERGUSON - These are based on growth in Health and Education as well. It also reflects that a number of the commitments and policy decisions that have been made have a shorter term effect and a shorter life. They might in fact be fully reflected in 2024-25 or run over a one-, two- or three-year period. That's the shape of the expenditure profile going forward, noting as well that the revenue growth, while modest, is real and it is there. That's an important principle, over a medium period of time, to achieve a more sustainable position going forward where, effectively, you're managing your expenditure and anticipating your revenues. The revenue risks, by the way I should mention, is that the GST 'no worse off' guarantee has now been locked into these forward Estimates for revenue projections, but that's only for a further three years. What year does it run to?

Mr SWAIN - 2029-30.

Mr FERGUSON - 2029-30. That's a risk going forward for the Budget. We need to see that locked in.

CHAIR - We might come to that in one of the other line items related to GST, if you like. We have some questions about that.

Mr FERGUSON - Of course.

Mr SWAIN - Treasurer, if I may, just a couple of things to note. That \$10 million in 2023-24 of course includes the half-billion-dollar accrual provision for civil settlements and

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the 2024-25 doesn't have a range of one-off grants through the election commitments. Both those years have effectively -

Mr FERGUSON - A bump effect, if I can use that term in 2023-24 and 2024-25.

Mr SWAIN - So 2023-24 has the half-billion-dollar accrual provision for settlement of civils and -

CHAIR - Which is related to the commission of inquiry? Just to be clear.

Mr FERGUSON - In part, but -

CHAIR - There are others, I guess.

Mr FERGUSON - Yes, exactly.

Mr SWAIN - 2024-25 reflects that a range of the election commitments are in fact one-off grants that, if you like, affect that year in particular, but not the out-years to the same degree.

CHAIR - Is it possible to get a bit of a number that relates to that? I think you gave us a figure earlier, Treasurer, about the commission of inquiry amount that would be included in this in 2024-25. Obviously, there would be some election commitments in 2024-25 as well as 2025-26. Are we able to get a breakdown?

Mr CRAIGIE - Through you, Treasurer, there are tables in budget paper 2, volume 1, on pages 5 and 7 that show the impact on the Budget of the election commitments and the commission of inquiry expenditure. Table 1.1, which starts on page 5 and continues on to page 6, shows the election commitments; Table 1.2, which starts on page 6 and goes over to page 7, shows the commission of inquiry. Pertinent to the conversation we've just been having, if I look at the table on page 5 under the line item Total Operating Services, you can see the impact of the election commitments over time. It's \$263 million in the Budget year and that falls to \$97 million across the forward Estimates. I think the point that's been made is the profile of these expenditures has an impact on total expenditure.

CHAIR - I am sure it does. I'll go back and study that further.

Mr FERGUSON - You can see why Mr Craigie is in the role that he's in.

CHAIR - Correct.

Mr FERGUSON - He's very good at what he does.

Is that useful?

CHAIR - Yes, I'll have to go back and look at it again. It's not easy to pull out the specific impact on the income statement there, because -

Mr CRAIGIE - There's an appendix to that chapter that goes through every individual election commitment by agency.

CHAIR - Yes, I know, that's why the budget papers are so thick this year.

Mr FERGUSON - Just checking as well, I think I know the answer, to the Deputy secretary, the number is under Total Operating Services on page 5 of that budget paper 2 is a direct correlation to the expenditure line that we've been looking at on page 61 of budget paper 1. It's a direct correlation, isn't it, to the expenditure line?

Mr CRAIGIE - Yes, that's right, Treasurer. The conversation around this has been that the profile is very flat or in fact goes down. I think the point that we're trying to make is that that profile has been heavily influenced by the profile of the election commitments, which have significant expenditure in the early part of the forward Estimates and a diminishing profile across the last couple of years of the forward Estimates. If you back them out and say they're a one-off, the underlying expenditure has a very different profile.

Mr FERGUSON - By the way, on the same table that you took us to on page 61, the revenue from transactions, so that obviously includes GST. I realise you would all know that, but that's a most recent assessment of our GST position. It is just a little bit short of \$400 million down on what we understood our GST predictions were from last Budget. As we all know, GST fluctuates up and down more or less constantly through budget cycles, so the extent to which we can see economic recovery occur nationally and see consumption return to more healthy rates going forward, there is an upside opportunity on those grants.

CHAIR - Probably not in the short term, I wouldn't think.

Mr FERGUSON - No. This is the most recent assessment. If we can see some economic recovery nationally and some stronger growth, particularly if we can see some relief from the RBA on interest rates, we might be able to see some rebounding occur in the economy, which could translate directly to stronger revenues through GST.

Mr SWAIN - Treasurer, pertinent to that is the CGC Methodology Review - the five-year review - is scheduled to complete in February, so that would be an important point.

CHAIR - I'll come back to that when we get to the GST line item, if you like? There are a few questions around that. Rebecca, do you have a question?

Ms THOMAS - It was related to GST, so it might be better placed there.

CHAIR - We might do it under that line item.

Ms THOMAS - It is about exploring other revenue streams.

CHAIR - Ask it and we'll see if it fits here.

Ms THOMAS - You've talked about the volatility of GST revenue and it makes up 39.3 per cent of government revenue; 65 per cent of government revenue in total is made up of grants. Given we know how volatile it is, what exploration has been done of other revenue streams?

Mr FERGUSON - We're really not focused on new or increasing taxation. I respect the question. We don't believe that that is the answer for our challenge at the moment, however, we have seen some healthy growth in the actual revenue like the state revenue and state taxation line item - I might ask Mr Craigie to take us to the right location - is holding up quite strongly, and better than I think some people might have expected.

We've seen, perhaps, some stronger activity in the real estate market than was expected as you saw interest rates going up, but as a matter of policy we're not increasing taxation. I would be happy to answer more detailed questions about why, but in principle at the election we committed to not increasing existing taxes or introducing new ones. We're really about managing our expenditure growth while still supporting our capital program and having that mid path or that mid-term path to a more balanced position.

Ms THOMAS - What we've heard is that you don't want to dramatically cut the spending. There is quite a heavy reliance on grants as a source of revenue and we know that that's volatile. Government grants amount to 65 per cent; 20 per cent is taxation; 5 per cent is goods and services; and 2 per cent is fines and regulatory fees. Are you fairly comfortable with that as the revenue model?

Mr FERGUSON - I'm never comfortable as the Treasurer. I'm always focused on managing risks and presenting the best possible response in the financials to the economic circumstances that are external to us.

We know that if we increase state taxation, that on its own can have a chilling effect on the economy. Most businesses are feeling the same pressures that households are around the cost-of-living challenges. We know that if we increase taxation on household expenditure like car registration or other forms of revenue to the state, that would affect the hip pocket of Tasmanian families, so, yes, as a matter of policy, we've taken that position.

You mentioned the fluctuation in the GST. Yes, I agree with you. It does ebb and flow, and these numbers indicate a reduction of \$390 million on GST compared to last year's Budget and forward Estimates. I'm constantly concerned about that, and that's why the GST 'no-worse-off commitment' is so important to us, which I know we'll explore at a later output. That's important to Tasmania. It should be important to every state and territory, because Western Australia is getting a runaway golden handshake at the moment, and the extent to which that is kept in perpetuity is an argument for us to have the 'no-worse-off guarantee' in perpetuity.

Ms THOMAS - Do you have concern that continuing to spend more than we earn has a significant and compounding impact on future generations when it comes to levels of debt?

Mr FERGUSON - Yes, I do, provided that the decisions that we make as policy decisions, whether they're expenditure or capital, are still the decisions that we're deliberately taking to protect those kids and those future generations with their current quality of life, strong health and education services, and the capital program which underpins strengthening the economy at a period where private capital is challenged. We're taking that balanced view here, but it is a goal to make sure longer term that we are living within our revenues.

CHAIR - If I can follow up from you, Bec, we have been talking in part about Fiscal Strategy 6 - own-source revenue as a percentage of total expenditure. The chart on page 50

shows that even at 2028, there's no indication that we're going to meet the target there. With regard to that fiscal strategy, what specific measures do you believe will help us get back to 37 per cent?

Mr FERGUSON - Growth in the economy, absolutely. Growth in our population; growth in our economy.

CHAIR - Well, that is going the wrong way.

Mr FERGUSON - It isn't. Our population is growing and our economy is growing. They're not going the wrong way.

CHAIR - They are going very slowly.

Mr FERGUSON - They're modestly growing. As some people said, we're in recession. We absolutely haven't been, but yes, the answer to the question would be to see our economy continuing to grow, and over time those revenues are in a way a reward for the state for the growth that we've been able to achieve in our economy.

CHAIR - What modelling sits behind chart 3.2? Is there any modelling that tells us how we're going to get there? You say growing the economy - we can argue about that but we're not going to. I'm interested in what modelling's been done that would give some reason for me to have confidence that maybe in 2029 we might get back to that.

Mr FERGUSON - One of the reasons for the shape of that graph that you are seeing is the policy decisions on expenditure, because of course that is the denominator in that fraction.

CHAIR - That's why it's taken the big dive.

Mr FERGUSON - Also the recovery that you see in the expenditure decisions going forward with the growth in state government own-source revenue helps to see that dotted line track us back to the target position.

CHAIR - I'm interested to know what sits underneath those dotted lines.

Mr FERGUSON - I'll defer to our Treasury officials.

Mr SWAIN - James may have a more detailed answer to this, but I can say broadly that the projection we have of state taxation over the Budget and forward Estimates is to grow by \$336 million, which at the moment is pretty much offsetting the decrease in GST. There's also an improvement, I believe, in the return from government businesses when you take out the effect of the Mersey Hospital arrangement coming to an end. While those returns have a slight decline, if you take out Mersey, they're actually increasing. I think it's those two things.

CHAIR - You can't take out Mersey, because the money stops, unless we're going to get another big whack from the government, which is unlikely.

Mr FERGUSON - It gets returned to activity-based funding post that period.

CHAIR - That is right, which is a different arrangement to what it has been under.

Mr SWAIN - You're right. That's still being worked through as part of that Health negotiation, and I'm sure the Health minister can talk to that in more detail.

CHAIR - We don't have him across the table. I'm interested in the assumptions that you're making. Were you assuming that GST is going to improve? Is that what you're telling me?

Mr FERGUSON - No, I don't think that that's what it suggests.

CHAIR - What are the assumptions of modelling that's been done that sits behind this rather steep rise after a very big dip?

Mr CRAIGIE - The chart is just a visual representation of the Fiscal Strategy target, and it's using the forward Estimates, so it only goes to 2028. We've made the comment that we haven't got forecast beyond 2028. The chart is just, as the Treasurer alluded to, the maths of revenue going up and expenditure staying relatively flat.

CHAIR - Declining in real terms, to be fair.

Mr CRAIGIE - This is a nominal chart, not a real chart.

CHAIR - Yes, I know.

Mr CRAIGIE - So it's just the maths -

CHAIR - The income statement tells us that though - that it's declining in real terms.

Mr CRAIGIE - Yes, but this chart is - as the Treasurer alluded to, it has general government sector and source revenue as the first line and the denominator is total operating expenditure. It's purely the maths behind what's in the income statement, in a visual representation - that's the modelling behind it, it's that simple.

Mr FERGUSON - Is that a satisfactory picture?

CHAIR - I don't think I'm going to get any more either. I understand the difference.

Mr FERGUSON - Numerator was the word he was looking for.

CHAIR - With our number 7, which talks about government business - we might come back to some of these questions related to the interaction of government business later - I note on page 51 it says:

Given the capacity of GBEs and SOCs to separately raise revenues, these entities should, over time, not be a net drain on the General Government sector. This measure can vary materially on a year-by-year basis.

I appreciate that. Treasurer, when will you or the or Treasury be developing the framework and process for credit ratings of GBEs and SOCs? Because this was committed to some time ago as I understand it.

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Mr SWAIN - I might need to take that one on notice unless we have a more up-to-date answer. I know some work has been done in shareholder policy markets branch in that regard. I'm not sure of its status. I need to come back to you on that.

Mr FERGUSON - Can we just take a moment to check?

Chair, Mr Burgess can attend the table if required but the advice I have is that it is in progress and it is expected that it'll be finalised in time for the next budget.

CHAIR - Will it be published elsewhere before the next budget? Will we see that?

Mr FERGUSON - Chair, if it's okay with you, I invite Mr Burgess to the table. Is that okay?

CHAIR - Yes.

Mr FERGUSON - Dean Burgess is the Acting Deputy Secretary.

Mr BURGESS - Can I confirm the question again please.

CHAIR - I understand Treasury was to develop a framework and process for credit rating of GBEs and SOCs, where is that at and how will it be published or notified?

Mr BURGESS - The intention is - we have started looking at it, but even by Treasury standards it's a very complex set of issues to look at. The time frame, it may be in the Budget somewhere, is to be reporting back for the next budget. So, while we haven't discussed the process that we'd go through with government, I expect the latest we would see it would be in the next budget.

CHAIR - How will we see it represented in the next budget? Where will we see it?

Mr FERGUSON - Chair, I'm very happy for Mr Burgess to speak freely and the Secretary, but I'm not sure that progress in setting out those credit rating outcomes is necessarily going to find its way into the budget. The indicator is more about seeing if the impact of government businesses' activities is positive for the budget and, while that might be tangentially related to their credit rating, it's really about business performance. Do you have anything to add to that?

Mr BURGESS - No, you're right Treasurer. Once it's in place and complete, it's part of the suite of metrics and measures that the government uses to manage its portfolio holdings in the businesses.

Mr FERGUSON - Does that make sense?

CHAIR - I'm just wondering how we're going to have any vision of it.

Mr BURGESS - That's not yet determined and there could be a range of different ways to draw. However, as the Treasurer rightly points out, it may be in the Budget as a reported

measure, but it's not a budget tool. It's a tool for the government to manage its ownership and businesses.

CHAIR - I appreciate that Treasurer, but I also appreciate that this is an important factor that would shed some light on how the GBEs are performing overall, and SOC's.

Mr SWAIN - It is effectively represented in chart 3.3.

CHAIR - Which is where I am. The actual credit rating?

Mr SWAIN - No, the net contribution or otherwise.

CHAIR - Yes, I understand that.

Mr SWAIN - It is difficult to answer in more detail because we haven't completed the work or given the government any advice on that work yet.

CHAIR - But it's expected to be done before next year, before next May?

Mr FERGUSON - Yes, it is. If you'd like, I'm happy to offer to take that on notice and provide the committee with some more considered thinking through the week. Would you like that?

CHAIR - Yes, that would be great.

Mr FERGUSON - And even give our colleagues an opportunity to think about how it may be discussed in future budget papers?

CHAIR - Thanks.

Going back to the Fiscal Strategies, Treasurer. In the government business infrastructure investment one, you've noted that the development of a framework to support this action is underway. We talked about this in another committee, you'll recall. I assume we're talking about the same framework here as in the public accounts committee, where we were talking about capital programs?

Mr FERGUSON - Did we explore it in respect of government business?

CHAIR - We did. We were effectively told the framework was imminent.

Mr FERGUSON - I think it may be different. There's a lot in common with what you're saying -

CHAIR - Yes, that's what I'm trying - yes.

Mr FERGUSON - I think that was more about large state government capital projects meeting Infrastructure Australia guidelines, but I will defer to your memory.

CHAIR - That's why I'm asking a question, I'm not sure. Is this framework that one or is this a different framework that's being developed. It says 'framework will include a new

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guideline and Treasury instruction,' which sounds very similar to what we discussed in PAC. I'm trying to understand what this is.

Mr FERGUSON - I will ask -

Mr SWAIN - This is number 9.

CHAIR - Yes, Strategic Action 9.

Mr SWAIN - I believe that is about applying Infrastructure Australia's cost-benefit analysis to major infrastructure projects from government businesses. I am trying to recall whether there was a threshold scale of investment.

CHAIR - It was \$50 million wasn't it?

Mr FERGUSON - In excess of \$50 million, yes.

CHAIR - The question is, where is that at?

Mr FERGUSON - It is underway. I think that's, in fact, what was a footnoted. Yes, it is underway. I will ask the Treasury officials to let you know how that's going and when it will be completed.

That might be another one for Mr Burgess. I invite the Acting Deputy Secretary back. Fiscal Strategy action number 9.

CHAIR - If you can pull the microphone back around, Mr Burgess, please.

Mr BURGESS - This is different to the previous discussion around the credit rating framework?

CHAIR - Yes. We were told in the public accounts committee that the work on the framework was close to completion - to make sure that projects that are greater than \$50 million are in accordance with Infrastructure Australia's assessment framework.

Mr FERGUSON - The question is: it's underway, but when will it be completed?

Mr BURGESS - To be honest, I need to take that on notice. I'm not across where that's at, I'm afraid.

Mr FERGUSON - Chair, if you're happy, we'll take that on notice and if we can present that information to the hearing today, I would like to do that. If it takes a little longer then I'll write to the committee through the week.

CHAIR - Treasurer, one would expect this to be available for currently on-foot projects to guide them - is it? Or is it only for new projects?

Mr FERGUSON - It is for new projects.

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CHAIR - Where does the Mac Point, say, fit into this? Will that be required to meet this or is that not?

Mr FERGUSON - This is for future decision making. It is intended to be a support instrument for future decisions - a decision support tool for future investment decisions of greater than \$50 million in government businesses, GBEs and SOC's.

Mr SWAIN - In relation to Mac Point, it has a specific set of arrangements, as you know, associated with POSS, where under the guidelines from the planning panel, they have to do a range of analyses. I believe that includes cost-benefit.

CHAIR - I am sure it does do. Are they required to consider Infrastructure Australia's assessment framework in their consideration?

Mr FERGUSON - They have published their own assessment guidelines actually.

Mr BURGESS - The Planning Commission put out its own guidelines that the submission had to comply with. Treasury provided comments on those related to the specific point that the criteria should link back to Infrastructure Australia's guidelines. As, from a practical point of view, that avoids the Planning Commission having to stipulate all of those requirements and matters.

Mr FERGUSON - Chair, if you're happy, I'll take that on notice and see if I can come back to your committee while I'm with you today with some extra information on those matters. If it takes longer, I'll write to the committee.

CHAIR - Okay.

Mr FERGUSON - We're still happy to answer your questions, now.

CHAIR - Yes, that's fine. If you can get it during the day, we won't send you a letter. When you look at Fiscal Strategy - I'm not sure, these are strategic actions and targets 10 and 11 - the growth in these appears to be above the target. Am I reading that correctly?

Mr BURGESS - That's correct.

CHAIR - Assuming that this is to try to rein it in, if you like, what actions do you expect to take under this to try to pull these things back?

Mr FERGUSON - Possibly this indicator will be one where we deliberately exceed it because we're growing public services, but it doesn't change the fact that it's one of the indicators towards a synoptic view of what budget sustainability would look like in 2032, noting that it's linked to population. It also would suggest that even if you exceed it to the extent that your population has been growing - by the way, when your population grows, your GST grows - you're potentially able to improve that metric, even with the same number of public servants.

CHAIR - Are the budget efficiency dividends factored into this to try to reduce this? We will be asking other ministers besides you at a later time about where the budget efficiency dividends are being found because there's an out-years requirement as well, ultimately

you get to people, and some places only have people to cut. Is this factored into the budget efficiency dividend in these figures already?

Mr FERGUSON - In these figures already, it is a real-time representation of what the outcome is presently compared to the pegged target, which is 5315 FTEs per 100,000. That metric, because it's a ratio, fluctuates based on the number of public servants as well as our overall population. I would say this isn't linked to budget efficiency dividends - I'm just checking to my left. This, in itself, on its own, is not linked to efficiency dividends. What it is though, is just a simple indicator, like I referred to earlier, those guideposts that would tell us the extent to which we're away from what could be seen as a sustainable position in 2032.

CHAIR - Acknowledging that we do have slower population growth than we have had, so it could go the other way.

Mr FERGUSON - We saw a massive population growth through the pandemic phase, as you know. It's still positive but moderated, yes, I accept that. Certainly our public servants growth has exceeded population growth, yes.

Ms LOVELL - I'm not sure that we're there yet, Chair, but I did have some questions about the efficiency dividends for this current financial year. I'm not sure if now is the right time.

CHAIR - We're in 1.1, which is Budget Development, so you can ask it here if you like.

Ms LOVELL - Thank you. Treasurer, I had some questions about the efficiency dividends for this financial year and the forward Estimates in this Budget.

First of all, regarding the efficiency dividends allocated to Treasury and Finance, have you identified what savings will be made and would you be willing to table those for the committee?

Mr FERGUSON - I would be happy to provide the committee with whatever we are able to, and I'll look to the Secretary to support that. What was the first part of your question though?

Ms LOVELL - Whether you've identified where the efficiency dividends or where the savings will be made and whether you'd be willing to table that strategy for the committee.

Mr SWAIN - Yes, the short answer is, we have identified the budget efficiency dividends for Treasury. We've gone through and had a look at both operational expenditure that's non-salary and the establishment, and effectively have a range of savings measures identified specifically. In terms of the establishment review, we found that we have a number of positions that are either vacant or will become vacant over the three-year period. We are progressively removing those positions as they become available. That's part of it. There's also a range of operational cost savings, some relating to changes in the way that we're managing some insurance risk in relation to a couple of the superannuation schemes, so that provides an ongoing saving. There are some savings in relation to IT licencing, where we have effectively paid out a licence to remove an ongoing cost as that's proved to be more efficient.

We are anticipating some rent savings by shrinking our footprint a little bit.

We're looking at the way that we fund overtime. Currently it's funded from within branches. We think we can manage that a little bit more aggressively, and we have one position that will be funded by a provider in the future that was previously funded in Treasury. So, we have a set of specific measures that cover the 2023-24 Budget efficiency dividend.

Mr FERGUSON - I think you mean 2024-25?

Mr SWAIN - Sorry, the dividend that was foreshadowed in the 2023-24 Budget, the 2027-28 -

Mr FERGUSON - Ms Lovell was asking us about our current financial year targets.

Mr SWAIN - Yes. We haven't yet worked through 2027-28 as it hasn't yet been allocated. But for 2024-25, 2025-26 and 2026-27, we have specific measures set up.

Ms LOVELL - Are you willing to table those?

Mr FERGUSON - I just need to check something, Ms Lovell, for a moment if that's okay.

Ms Lovell, if you're comfortable, I'd be happy to take it on notice and provide some level of detail that I believe will satisfy the question. Just for a matter of process, I believe it's a publicly stated position in the budget efficiency dividend process that while agency heads are responsible for developing those and to manage within their budgets, there is a process that involves the Budget Committee of Cabinet. I'm able to say that in this case, with this department, that has gone through that process, but you will find through the course of the week that others have not yet advanced that far. They may therefore not be as able to be as forthcoming as I can.

Ms LOVELL - Is the Budget Committee a whole-of-Cabinet committee? Can you share who sits on that committee?

Mr FERGUSON - I can. I wouldn't normally because it's the Premier's sole right to do that, but given that the Premier has previously disclosed it, I chair the Budget Committee of Cabinet. The Premier is a member of the Budget Committee of Cabinet, as is minister Ogilvie. Oh, and in another House, the Premier has done so - minister Abetz and minister Street, the Minister for Finance.

Ms LOVELL - Thank you.

Mr FERGUSON - That should give us five, does it?

Ms LOVELL - It does. Thank you.

I had a further question about the efficiency dividends allocated to other agencies. Is there a process for them to report back to Treasury on how they're finding those?

Mr FERGUSON - Yes, there is, as well as the Budget Committee of Cabinet.

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Ms LOVELL - Okay, and given that the savings for this year were identified in the last Budget and we're more than 12 months into that process, would you expect that they would have identified those for this financial year at least?

Mr FERGUSON - In a perfect world, yes, but we don't live in that perfect world. If I could correct one thing in your question, Ms Lovell, the global figures were settled in last year's Budget, but they weren't allocated specifically by agency until - I'll ask for a month in a moment - a later point after the RER. They've only been allocated to agencies at some point, shall we say March onwards. At some point onwards those from their agencies become aware of what their target is for the 1 July to 30 June period of time to implement. That's why there are very different levels of preparation, if I can put it that way.

Ms LOVELL - So, March onwards, if you're not able to be more specific?

Mr FERGUSON - I can be more specific. I'll obtain the date for you or the month if you'd like.

Ms LOVELL - Was it close to March, do you think?

Mr FERGUSON - We were in an election in March, so it was post-RER when agencies were advised. Look, I'll get you the date for today's hearing.

Ms LOVELL - Thank you.

Mr FERGUSON - I'm not trying to be tricky about the date; I'm really trying to point to the process.

Ms LOVELL - This could be a normal process, but that doesn't seem to be a whole lot of time for agencies to find fairly significant savings in a lot of cases. Is that normally the amount of time that would be?

Mr FERGUSON - There is no normal because we haven't had an efficiency dividend for many years.

Ms LOVELL - Do you think it is reasonable then? It just doesn't seem to be a lot of time for agencies to prepare for -

Mr FERGUSON - That's why some of them aren't. As the Chair of the Budget Committee of Cabinet - I never talk about Cabinet, obviously, but I am able to say I'm aware that very few agencies have actually had their savings measures approved, but this one has.

Ms LOVELL - Do you have an expectation as to when agencies will need to have those approved in order to achieve them for this financial year, given that we're three months in?

Mr FERGUSON - Exactly. Without being tricky about it, it's a financial-year outcome that is sought here, so it isn't necessarily the case that it has to be implemented on 1 July, but in that perfect world that we don't live in, you would normally have them in place on 1 July to get the full-year benefit of their targeted efficiencies. You'll find, as you sit on this committee through the week, that probably not too many agencies are down that path yet, but that's the

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task that we as a government face, to try to help them to get there and at the same time protecting the frontline services that both sides of this table are committed to.

Ms LOVELL - If they don't achieve them in this year, is the expectation that they would roll over into next financial year?

Mr FERGUSON - I haven't had that question before. It is a structural adjustment that is sought. That's the whole benefit of an efficiency framework, so that the benefits achieved are - what's the word - enduring?

Mr SWAIN - More systematic.

Mr FERGUSON - They are long term in terms of their effect and in terms of the benefit they provide to the shape of the expenditure curve.

The Secretary is advising me that agencies were advised as early as September of last year. I apologise for saying March.

Mr SWAIN - Of course, there was an election in the meantime, and as the budget process gathered momentum post the election result being understood, it was reconfirmed in that post RER period, which is after March.

Ms LOVELL - Okay, so they've had a bit more time to -

Mr FERGUSON - Yes, because we've just corrected the record. To be clear about that, that's the allocation of their target, not their measures being approved, because in fact very few agencies have had their measures approved.

Ms LOVELL - But they've known since September last year the quantum that they've needed to achieve?

Mr FERGUSON - Yes.

Ms LOVELL - Right. Okay.

Mr FERGUSON - Most of them could have guessed it, by the way, based on their rough share of the budget. But if you did explore us, we can explain how it was determined that it wasn't a blunt tool of what their share of the budget was. It was slightly more reflective of their capacity to shape their own expenditure decisions, given that there are a lot of federal grants, and they can't necessarily make savings on a federal grant.

Mr SWAIN - In essence, items that agencies didn't control were netted out, and the saving was applied to the expenditure that they had a reasonable level of control in relation to.

Mr FERGUSON - I apologise for saying March, Chair, but I was doing so on advice. Just now we've corrected the record and I hope that's useful.

CHAIR - For clarity on the tool that was used, it was basically netting out the specific-purpose grants or things like that that can't be used for any other purpose. Is that correct?

Mr SWAIN - Yes. Australian Government payments, administered items, capital items - things that couldn't go to an ongoing operational expense saving.

Mr FERGUSON - Or where you're not allowed to.

CHAIR - Obviously, under Australian Government funding. It was limited, then, to operating expenditure? I'm just trying to understand how the tool actually worked.

Mr FERGUSON - Yes, I think that's right, Chair. We wouldn't have put -

Mr CRAIGIE - Treasurer, I can explain that, if you like?

Mr FERGUSON - Yes, and can you also clarify that it doesn't apply to the capital program?

Mr CRAIGIE - For larger agencies, the budget efficiency dividend allocation is a portion based on the average value of agency appropriation, adjusted to remove non-operating infrastructure; expenses funded from the Australian Government through SPPs; administered expenses, so things like the non-government schools grants, et cetera; controlled grants and subsidies, so for example, the school bus services or the NDIS state contribution, which we can't really adjust; and Finance-General as well, because it had predominantly administered payments.

CHAIR - Can I just clarify, then, the budget efficiency dividends that Mr Swain outlined cover Finance-General, or just Treasury and Finance?

Mr CRAIGIE - Just Treasury and Finance.

CHAIR - We will ask again when Mr Street turns up.

Mr CRAIGIE - Not Finance-General. The Finance portfolio has some say in this.

CHAIR - Which weren't named up in that list that Mr Swain provided?

Mr CRAIGIE - That would be across the department.

Mr SWAIN - That's the total agency saving across both the Treasury and the Minister for Finance.

CHAIR - It does include both?

Mr SWAIN - Yes, we haven't disaggregated them. We've just got a total savings target for -

CHAIR - That is why I asked the question.

Mr SWAIN - Sorry if I was unclear. It was an agency target not related to the ministers that the agency was reporting to.

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CHAIR - If I could go onto page 148 of budget paper 1, which is the net debt and GFS net debt. Are you able to provide a chart. I'm pretty sure I mentioned this in my budget reply; I'm sure you would have been watching, Treasurer - showing net debt and unfunded superannuation liability as a percentage of GSP over the forward Estimates for Tasmania and each of the states and territories?

Mr FERGUSON - I don't think I can do it for each of the states and territories. Could I ask you to repeat the first part of the question, please?

CHAIR - Could you provide a chart showing net debt and unfunded super liability as a percentage of GSP over the forward Estimates for Tasmania and the states and territories, to make a comparison?

Mr CRAIGIE - Is that chart 7.3, which is done at 2025? You want that across the forward Estimates?

Mr FERGUSON - If we take you to the next couple of pages -

CHAIR - Sorry, I was on the wrong page.

Mr CRAIGIE - Page 151 is general government and super as a percentage of GSP by jurisdiction as at 30 June 2025.

CHAIR - That is?

Mr CRAIGIE - I'm trying to clarify, Chair, whether that's the chart you want, but you want it with forward Estimates data?

CHAIR - Yes, I was on the wrong page.

Mr FERGUSON - I don't know how we do that when we're not necessarily sure about what future state budgets will have in other jurisdictions though. That'll be the challenge.

CHAIR - We can send it to you and see what you can do.

Mr FERGUSON - Sure. I think what you're asking for is chart 7.3 taken forward three years.

CHAIR - Yes, my apologies, I went to the wrong page. It was page 151.

Mr FERGUSON - I certainly will do as you ask and provide what I can. I will put a note of caution in advance that none of us really knows what other states and territories are hiding in their budgets that will emerge in future years. I don't know if they're being as deliberately realistic as I've sought to be with our Budget. I have my suspicions.

Mr SWAIN - Treasurer, also the discount rate which moves over time will also affect the super liability quite significantly.

CHAIR - For all states, including Tasmania. It affects us as well. Treasurer, one of the things I've noticed in this year's Budget is the significant increase in the number of equity

investments into government businesses, such as the increase, which tends to fall below the radar - that the cash surplus figure and the cash flow statement on page 66 is almost becoming a bit meaningless because it becomes harder to appreciate the full picture. That is in budget paper 1.

Do you agree that having equity transfer - all of them, not included in this - makes it more difficult to appreciate the full picture and thus measure their impact?

Mr SWAIN - The equity injections are disclosed in the cash flow statement.

CHAIR - All of them?

Mr SWAIN - In the aggregate, yes, on page 65. Two lines up from the bottom under the heading 'Net Cash Flows from Financial Assets' shows equity injections across the forward Estimates. There is also a table on page 22 that shows where equity injections are going to government businesses for the purposes of infrastructure.

CHAIR - This one doesn't outline the one to TasNetworks.

Mr CRAIGIE - No, because that's not an equity injection; that's for capital investment; that's a make-good equity injection.

CHAIR - We will come to that because it was referred to.

Mr CRAIGIE - That's in the cash flows. Broadly, it shows - I am on Table 6.2, Chair - that government businesses in 2024-25 is \$229.7 million, and other is \$76 million, so that's roughly \$300 million and the cash flow in that year is \$409 million, so the \$103 million difference is the equity injection to TasNetworks to make good for the [inaudible].

CHAIR - How would a reader possibly figure that out?

Mr CRAIGIE - The equity injection to Macquarie Point is disclosed elsewhere, the \$103 million.

Mr FERGUSON - I think the question from the Chair is, how would the reader identify the TasNetworks one?

CHAIR - The \$103 million are TasNetworks, not Macquarie Point. You said Macquarie Point.

Mr CRAIGIE - Sorry, to the make-good - yes, that is to TasNetworks for the Marinus Link. Sorry, my mistake.

That's separately disclosed. Table 6.2 is equity injections for infrastructure and the equity injection to TasNetworks for the Marinus make-good is not for infrastructure.

Mr FERGUSON - Deputy Secretary, the question is -

CHAIR - How will I possibly be able to identify that easily?

Mr FERGUSON - How would the reader identify the TasNetworks?

CHAIR - Without reading through everything and cross-referencing, which, when we've got a week, from the time we get the budget paper to deliver a budget reply and then turn up here, to fully understand that.

Mr CRAIGIE - The Marinus make-good is a key deliverable in the Treasury budget chapter.

CHAIR - Yes, it is, it is listed as an equity reinvestment on page 372, budget paper number 2, volume 1. You see the problem here, Treasurer, surely? Anyway, we're on the same page now, I think, aren't we?

Mr SWAIN - Yes. I think it is a fairly unusual circumstance, coming out of the sale of a business.

CHAIR - It required a footnote then; there's no footnote to the cash flow statement at all to assist the reader here to understand that.

Mr SWAIN - Absolutely, I did go through this exercise myself of reconciling the \$1.2 billion in equity to a \$1.35 billion cash arrangement. It would be a very unusual circumstance when you're selling the state interest, effectively, equity interest into a joint venture involving the Australian, Victorian and Tasmanian governments.

CHAIR - One would hope it is fairly unusual.

Mr FERGUSON - I will say, Chair, I'm going to accept at face value exactly what you're saying and draw your attention to a footnote at the bottom of Table 5.9, budget paper 1, which is on pages 113 and 114. Footnote 4 does discuss the equity payment to make TasNetworks 'whole' in respect of the sale, but I nonetheless accept your observation that it's not made more clear than that. So it is there, but I take your point.

CHAIR - The impact on the cash flow statement is the point I was making and there is no footnote there.

Mr FERGUSON - I have accepted that, but I don't have the expertise that Mr Craigie has, so noting that, Mr Craigie, is there any other way in which that could have been more plainly documented?

Mr CRAIGIE - To the Chair's point, a footnote in the cash flow statement would have clarified the matter. The \$103.5 million is disclosed elsewhere in a couple places, but there is sometimes confusion around the treatment of equity payments because if it is for capital purposes or for debt repayment or other things, it's not for infrastructure.

Mr FERGUSON - Can you say where else it has been documented?

CHAIR - It's in budget paper 2, volume 1, page 372. That's where there's a better description of it.

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Mr CRAIGIE - It's a key deliverable in the Treasury and Finance chapter. It's in a table on page 372 and there's some narrative on page 373 that describes what the payment is for.

CHAIR - Then it's listed over in Treasury and Finance as an equity reinvestment. To me, it was an equity transfer. When I read that, that's what my head tells me. I'm not the Treasury boffin but -

Mr CRAIGIE - No, that's correct; it is an equity transfer into TasNetworks, but it doesn't qualify for Table 6.2, which is infrastructure because it's not for the purposes of building something, it's to make them good. It's effectively for them to repay debt. It's a cash flow.

CHAIR - I'm just trying to understand this because I acknowledge it's an unusual situation. It's probably the one time, one would hope, we'll see something like this. As we've said, there's \$103.5 million found in budget paper 2, volume 1, on page 372, as a TasNetworks equity reinvestment paying for the General Government share of Marinus, when it was shifted to the new entity. Am I right so far?

Mr FERGUSON - That reflects TasNetworks' investment to change their balance sheet.

CHAIR - I think Mr Craigie said that it was to make whole TasNetworks with respect to borrowing. Is this the amount of money that TasNetworks had to borrow to undertake the work to date until whatever date it was when this was handed over?

Mr CRAIGIE - I'm not sure I can answer how TasNetworks have funded their investment into Marinus, but the recognised value that they are getting for that investment is estimated to be \$103.5 million, which is the value of the state's contribution.

CHAIR - Say that again, the \$103.5 million -

Mr CRAIGIE - The equity investment that the General Government sector is making into the entity in 2024-25 -

CHAIR - Into the entity of TasNetworks?

Mr CRAIGIE - Yes, is \$103.5 million, and that is in recognition of the investment that TasNetworks has made into Marinus prior to its sale.

CHAIR - I could be wrong on this and this may not be a question that can be answered at your side of the table either, Treasurer, and I accept that may be the case, I can ask Mr Duigan perhaps, but hasn't most of TasNetworks' Marinus Link expenditure to date been funded by federal grants?

Mr FERGUSON - A lot of it has been.

CHAIR - Are we saying there's been more money spent than \$103.5 million, which I assume were borrowings from TasNetworks, otherwise why are we paying it back to them?

Mr SWAIN - I believe that's correct, that that amount excludes Commonwealth grants because it's tied up with the sale agreement where a figure needs to be settled in terms of

ensuring that Tasmania is not asked for any future contribution that might be required, that our investment to date is recognised.

CHAIR - Our investment to date was \$103.5 million that TasNetworks borrowed to deliver?

Mr FERGUSON - We're not sure about borrowed, but certainly the expenditure that TasNetworks carried to get the project to the point where that shareholder agreement could be signed -

CHAIR - Exclusive of capital grants from the feds?

Mr FERGUSON - I'm not going to make that statement because I would need to take advice, but the effect on TasNetworks' balance sheet is remedied with this equity reinvestment. Maybe we should take it on notice, but it could be exclusive of the federal grant.

Mr SWAIN - That's what I believe, but we should confirm.

Mr FERGUSON - What if we took that on notice, for the benefit of the record?

CHAIR - I'll just make a note there.

Again, you may not be able to answer this, but what did the the General Government then contribute to its share during this transfer process? Was it just the work in progress on TasNetworks' books or was it a different figure?

Mr SWAIN - There was no additional payment. It was just the work that had already been done. Effectively, all the works on the project, all the work to date was transferred into the new entity, and there was a recognition that there would be expenditure from the state.

CHAIR - It's basically the book value of the work in progress?

Mr FERGUSON - The value of the MLPL company, shall we say, which was a subsidiary of TasNetworks? What's the best way to describe it? Marinus Link Pty Ltd was a company with a value held by TasNetworks. That asset was transferred to the new ownership model.

CHAIR - As contributor capital, basically.

Mr FERGUSON - Effectively, the value of that company, including its IP and its procurements, had a value. It wasn't a negative value, it was a positive value. That was transferred away from TasNetworks, which was prepared to wait until this Budget to be made whole for the loss to their balance sheet of the investments it had made into that entity, which it then transferred for nil consideration -

Mr CRAIGIE - It is a little more complicated Treasurer, if I may.

CHAIR - I'm sure it is.

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Mr CRAIGIE - In order to enter into the transaction with the Commonwealth and Victoria and the state, Marinus Link Pty Ltd was sold and it issued 1000 shares at the cost of a dollar each to the three entities. Tasmania has a 17.7 per cent interest in that entity, so we had to pay \$177 to acquire our shares.

In addition to that investment, the shareholders have recognised the contribution to date as value. That means, as the project is developed and the other shareholders are asked to contribute more capital, we will get recognition of the \$103 million that's been provided to date.

CHAIR - When you go to ASIC and have a look there's a lot more shares than 1000 issued. There 167,195,000 shares issued.

Mr CRAIGIE - In Marinus Link Pty Ltd?

CHAIR - Maybe I need to ask the minister for Energy more about that, I don't know. ASIC's site clearly outlines the number of shares that were issued. Do we know what the Victorian government and the federal government contributed in cash for their 82.3 per cent share?

Mr SWAIN - As James was outlining, as there are future calls, they'll have to put in funds to the proportion of their equity, but we won't need to put in any funds until we have fully absorbed the previous contribution of 103, effectively.

CHAIR - There's more to it. I'll ask minister Duigan about how that will work in the future. It is your understanding, then, Treasurer, that the Victorians and federal government didn't put any actual money in - they were just issued the shares?

Mr SWAIN - They are taking on obligations. MPL, we are talking about equity here, it'll also be borrowing in its own right as an entity. They took on the obligations commensurate with their equity share. That is my understanding.

CHAIR - It is an unusual beast, isn't it? Any other questions on 1.1? We'll try to have a break about 11 a. m., minister, for a cup of tea.

Mr FERGUSON - Whatever you want.

CHAIR - We'll go to 1.1. This output group refers to a range of risk mitigation strategies, it might be helpful to go to the risk and sensitivities chapter of the Budget. I want to ask a few questions about those. This is probably a good spot to ask questions relating to GST because that's one of the risks identified.

This may be a question for you, Treasurer, but if it's not, you can direct me to the Minister for Finance.

On page 8 of budget paper 2, it talks about the risk to the state's financial position including the scheduled expiry of the 'no worse off guarantee,' which you mentioned earlier, and falling commodity prices that would result in decline of Tasmania's share of GST revenue. It's potentially not only the end of that 'we're no worse off' guarantee, it's also - some projections that suggest less GST overall, so that smaller pie if you like.

Did you want to provide any more commentary on your view of that? Also, with regard to the ongoing discussion about the situation with WA and their sweetheart deal that was delivered a couple of years ago by Mathias Cormann and Scott Morrison? I know Treasury has, in the past, argued for full HFEs. I want to understand what your view is on this because it's going to create some significant budget challenges.

Mr FERGUSON - First of all the Tasmanian government, while a major interest and stakeholder in that decision, was not the decision maker. It was a decision of the Australian parliament. I understand that. I wasn't Treasurer at the time, but I understand there were consultations, debate, and discussions. To the extent that the 'no worse off' guarantee is in place, it satisfies the state's concerns at the time. By the way, you mentioned Mathias Cormann, Scott Morrison, and who else?

CHAIR - No, those two, they were key-

Mr FERGUSON - At the time it was seen as such a good policy it had a lot more parents than those two.

CHAIR - Our people perhaps don't appreciate -

Mr FERGUSON - It was bipartisan, it was seen as a great breakthrough for state/federal financial relations but -

CHAIR - A very one-sided breakthrough.

Mr FERGUSON - To the extent that the 'no worse off' guarantee is in place, it mitigates the state's exposure to it. Although I wasn't Treasurer at the time, the federal government's position was that, mysteriously, the states would be better off overall. That has not been the case. The only overall winner is WA.

My position is the best long-term arrangement for GST in Australia is the John Howard/Peter Costello model, genuine HFE. To the extent that this current arrangement continues, the 'no worse off' guarantee is the outcome that the state needs to secure in perpetuity. I'm happy to discuss it with you further. With our treasury officials, we might be able to discuss the role of the Productivity Commission in reviewing the current model as well.

CHAIR - Yes, I was going to ask you about that.

Mr FERGUSON - Tasmania will be participating in that assertively when that begins.

CHAIR - It hasn't started yet? It's next year, is it?

Mr SWAIN - The CGC, yes no, that's underway-

Mr FERGUSON - I should have said CGC review.

CHAIR - No, the Productivity Commission, aren't they doing another review?

Mr SWAIN - Sorry, yes.

Mr FERGUSON - I was right the first time. Thank you.

Mr SWAIN - Sorry, Treasurer.

Mr FERGUSON - Alright, productivity's -

CHAIR - There are two things going on. There's the Productivity Commission's review of that horror arrangement and there's the Commonwealth Grants Commission's five-year review. I will ask about both, if you can start with the Productivity Commission's review.

Mr FERGUSON - All right.

CHAIR - You said you're going to participate in that, I am trying to understand your level of participation.

Mr FERGUSON - The state intends to be a willing participant, and make a major submission. We see it as an important - I'm just searching for the date of when that will actually occur. I think it was 26. I'm confirming the Productivity Commission review of the formula is scheduled for 2026.

The state, every state and territory, needs to genuinely participate in that. We will also be seeking to help inform the selection of the terms of reference, but I don't believe that that has yet commenced.

This is a big risk area for states and territories. I personally take the view that the change wasn't a good one for the country. To the extent that the Australian Government is prepared to wear the risk of the cost of the 'no worse off' guarantee for the states and territories, we don't have a problem, but, as an Australian, I don't think the change was good for Australia.

CHAIR - As part of a federation?

Mr FERGUSON - Yes.

CHAIR - Yes. In terms of participating, if you remember when that last change was made, the Productivity Commission had undertaken a review of HFE and proposed or recommended an alternative model, to the one the federal government of the day selected. You don't sit on the national cabinet, but the Premier does. Ultimately, there'll be a report from the Productivity Commission that may recommend change. It could be difficult to get the support of Western Australia for, potentially. What interaction will you have with the Premier, then, to ensure that Tasmania's voice is loud at the national cabinet table on this?

Mr FERGUSON - Thank you for the question. My answer is, exactly as we always do. The Premier and I are very tight; we work well together. We are strongly focused on what our state needs and we take a parochial view when we go to these forums.

CHAIR - It is not just parochial here, though, it's every other state.

Mr FERGUSON - I think we need to be parochial about our state's needs, but I would hope that at forums in the future, politicians, regardless of whether they're Premier, Treasurer or not, and whatever state they come from, would be looking for good outcomes for our country. That is what the formula applied with the GST originally had in mind. It was always about ensuring that states and territories were given a level of GST that met with what their community needed, noting that different states have different cycles of economic success - boom cycles going with it.

It was particularly useful for smaller states like ours, with a smaller fiscal capacity, to be able to provide services to the same standard to our community of Australians as other bigger states. It was always about equalising the level of support needed so that all Australians can enjoy a similar quality of life distributed by their states and territories.

We'll be participating very assertively. I personally - I'm not supposed to give opinions at these committees, but I'll give you one. My opinion is that the Australian Government can't afford the 'no-worse-off guarantee' in perpetuity, and I think that there will be good reason to reconsider with fresh eyes what is the best approach for our country going forward.

CHAIR - The budget papers say that the Productivity Commission's review is to be - I assume this is what it means - completed before the end of 2026.

Mr FERGUSON - That's my understanding, yes. Completed.

CHAIR - You said, Treasurer, there'll be some consultation with the states regarding the terms of reference. Is that right?

Mr FERGUSON - I believe, whether in writing or verbally, Tasmania has communicated that we want to have a role in shaping the terms of reference. I'm not sure that we have necessarily the right to do that. I would have to check whether we are by statute able to do that, but it is going to be led by the Australian Government.

CHAIR - To go to the five-yearly review of the CGC, again, this is much more short-term thing, obviously?

Mr FERGUSON - Chair, if it's okay with you, I might suggest that the Secretary or our Acting Deputy Secretary might just round out the issues on the Productivity Commission Review. If there's anything I haven't said that's useful to bring to the table, please do. It's a pretty strategically important one for our state. Why don't I ask Mr Burgess to come back?

CHAIR - I would say for the country actually.

Mr FERGUSON - Yes, I agree.

Mr BURGESS - I am not clear exactly where we are with that, but the Productivity Commission usually goes through a very standard review process. Often it can have consultation on the terms of reference if the Australian Government chooses to; it usually does a draft report, which is public and which we would make a submission to, and then a final report.

You are absolutely correct. This is a pretty critical piece of work for the state. My area - and I think this is the reason the timing is deliberately that way - is the CGC Review. The normal five-year review is underway now, which reports back in February, but most of the work is done for the jurisdictions later this year. That's when I think the Productivity Commission Review work will start ramping up, so it works out well for us, because we basically shift the team we have from the CGC Methodology Review onto the Productivity Commission Review to go forward, because it's going to be crucial work.

CHAIR - Treasurer, I assume then that Tasmania's submissions into the five-yearly review have already been pretty much completed, because this is going to be done in the coming year. It will be finalised in February 2025, which is not that far away. Is that right?

Mr SWAIN - Yes. We have done detailed submissions. I was just going to add - and Dean might be able to talk in more detail about this than I can - there was also previously in 2018 some modelling done on different scenarios to see what detriment there would be to Tasmania if the guarantee wasn't extended. That work showed that the original assumptions that the Commonwealth had used to justify the policy change were not verified, meaning that all states would be worse off. As Dean's alluding to in terms of the future Productivity Commission work, it will have to be off the most recent CGC methodology so that we can re-evaluate those scenarios, because obviously the work that we did in 2018 is now very dated, and the methodology will change in between times.

Mr BURGESS - I think it will be important because, as the Secretary pointed out, the Australian Government presented a range of assumptions to say that no states would be worse off, which were underpinned by assumptions around royalties and the amount of money that Western Australia could get, particularly from mining. Now, I think, after the passage of time, it will be very interesting to go back and look at what actually happened.

CHAIR - The Productivity Commission will do that, one assumes.

Mr BURGESS - I think that will inform an interesting debate at the national level about the role and purpose of these current arrangements going forward.

CHAIR - Treasurer, I look at your website regularly, but I haven't gone to see if there's a submission from Tasmania to the Productivity Commission. Sorry, I'm on the wrong one. The CGC -

Mr FERGUSON - The CGC Methodology Review.

CHAIR - Yes, I know we're still talking about the Productivity Commission, I'm crossing across them a bit, but is there a submission that I can look at?

Mr BURGESS - We've made a number of submissions on different papers that the CGC has put out as part of the review process.

CHAIR - And they are all published?

Mr BURGESS - Yes, they're published on the CGC website.

CHAIR - On the CGC website, not yours? Not the Treasury website?

Mr BURGESS - Yes.

Mr FERGUSON - Would you like us to bring them to the committee? We'll bring them to the committee.

CHAIR - Yes. It'd be helpful to have those. The CGC website's a pretty dense tool.

Mr BURGESS - But to be fair, this is a very arcane space. They are -

Mr FERGUSON - It's very technical, I believe.

Mr BURGESS - Yes, it's very technical.

CHAIR - Would you publish your submissions to this process on the Treasury website?

Mr FERGUSON - I'm hearing that they're not confidential, but they're probably not of a lot of value to your average person.

CHAIR - I don't know. There's plenty of people who are interested in this.

Mr FERGUSON - I'm offering to bring it to the committee, and I'll have them for you by the end of the day.

Mr BURGESS - We supply them on the understanding they'll be made public.

Mr FERGUSON - I totally accept what you've said that it's of great interest.

CHAIR - Ones I've read in the past that have been done for these sorts of reviews have without exception stated Tasmania's case very well. I think it's important to help all of us understand the challenges.

Mr FERGUSON - Yes, I agree with that. The risk for the state is the same as that presented in 2018: that it's not technical experts that on good advice make the end decision, it's politicians of Liberal and Labor parties in federal parliament who will determine this in the end. That's why it's a really important one for us to be very careful about what we say publicly, to the extent to which treasurers work together corporately at the Board of Treasurers, for example, where Western Australia is at the table. To take the long view on this, what's best for the country is what, incidentally, will be best for Tasmania.

Mr SWAIN - We have been focusing significantly on the concept of cumulative disadvantage. You might have some specific challenges in specific costs of service areas relating to our demographic aid profile and disability profile, but there's also been quite a lot of work saying that that links and correlates between areas and produces a cumulative disadvantage that should be taken into account in the methodology.

CHAIR - Has Tasmania done modelling to show the impact on some of those areas?

Mr SWAIN - I can't talk to that level of detail, but I know we've made arguments over a period of time.

CHAIR - Maybe in the submissions?

Mr BURGESS - It's certainly been raised as a concept, and there have been arguments put forward that align with that methodology. It's very difficult to do modelling that just shows a cumulative disadvantage number, but you can show a range of metrics which highlight arguments that would support cumulative disadvantage.

CHAIR - While we're still on matters related to GST, on page 95 and 96 of budget paper 1, there was an overpayment. Can you explain what that overpayment was, Treasurer - it was a \$33.2-million residual adjustment?

Mr FERGUSON - I can speak to it conceptually, but not with technical expertise. Is this your space, Dean? Mr Burgess will be best to speak to it. Every year there's a reconciliation, but because it's retrospectively reconciled, whereas future payments are - I won't say speculative; what's the best word? - their best assessment of what the forward payments will be. Those payments are made contemporaneously and then retrospectively corrected if they need to be, based on the rules. I'll ask Mr Burgess if he can give you a more a clearer version of that.

Mr BURGESS - Thank you, Treasurer. I think that pretty much sums it up, and it's due to timing largely for the budget for the Australian government being in May. They're estimating what their GST receipts will be in the current year until that budget is released. You then go forward a year and then there are actual GST receipts. There is an unders and overs adjustment that happens every year. Sometimes you win; sometimes you lose.

CHAIR - I don't recall seeing it in the past, but maybe it's been there.

A member - It's been -

CHAIR - As negative?

Mr FERGUSON - Yes. I've seen it negative before. I've seen it positive before.

CHAIR - I remember getting more, but anyway.

Mr FERGUSON - In terms of the residual adjustment, I've seen it go both ways, but it's not always put up in lights. It's always reflected in the preliminary outcomes and the [inaudible 11.00.44].

CHAIR - And the adjustment.

Mr VINCENT - That's not part of that \$328 million shortfall in GST for the year at all, Treasurer? Is that a separate figure?

Mr FERGUSON - No, Oh, hang on, \$390 million. I think it may be part of that assessment.

Mr VINCENT - It totals into that, so it's not an extra or anything like that?

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Mr FERGUSON - That's right. I think \$390 million, \$389.9 million -

Mr BURGESS - The Budget takes account of residual for this year, but it doesn't budget residuals going forward.

CHAIR - Because it doesn't know what they are.

Mr FERGUSON - No. It wouldn't push it over \$400 million.

CHAIR - On page 21 of budget paper 1, there are - these are always in budget papers - commitments that have been made since the finalisation of the budget. This year the Budget's quite late, so I'm interested if you're aware of any unfunded commitments, Treasurer, that are going to add further burden to the budget - commitments the government has made, not these guys?

Mr FERGUSON - However, 'these guys' track these matters, so I'll ask Mr Craigie if you have -

Mr CRAIGIE - The only one that I'm aware of is the current emergency response to the bad weather events and the flooding that has been announced in a series of small grants to individuals and to small businesses affected by the bad weather.

CHAIR - Which effectively will come out of the Treasurer's reserve, won't it?

Mr CRAIGIE - There is some funding to deal with disasters in the Budget.

CHAIR - From the federal government, too.

Mr CRAIGIE - If the actual costs are more than that, then they'll have an impact.

Mr FERGUSON - I think Mr Craigie is saying that there is a line item in state expenditure, plus we would get a rebate back of about 50 per cent, or indeed exactly 50 per cent based on the thresholds. I'm not sure that the Treasurer's reserve will be needed for it, but if it is needed, it will be used.

CHAIR - I'm just conscious of the time. We might take a break. I've just got a few more questions on this risk area before we go onto the other line items.

We will take a break and come back at quarter past 11.

The Committee suspended from 11.03 a.m. to 11.18 a.m.

CHAIR - We are still on 1.2. Before I move on to a few other matters, I want to understand if Treasury provided any advice to the government on the impact on the Budget of this Fiscal Strategy?

Mr FERGUSON - Yes, the department wrote the Fiscal Strategy. It was on Treasury's own advice that the Fiscal Strategy actions and targets were settled. Going back into my memory, I think I can say that I didn't make any changes to the proposed fiscal strategy, noting that it's 16 months old now. I'm happy for others to discuss it as well.

CHAIR - Are you able to provide the advice that Treasury gave with regard to the Fiscal Strategy.

Mr FERGUSON - I wouldn't have thought so. I take advice all the time and I need to be able to do that, but in this case, one option was to continue the old fiscal strategy, which certainly had its merits. I took the view, as a reasonably new Treasurer and with a budget that was under significant pressure, as I have identified, and with the need and the wish to improve the budget position going forward coming out of the pandemic and to reflect on our capacity to meet future shocks, that it was time for a new strategy. I'm not sure that I would share the advice, but I'm happy for these colleagues to speak up.

Mr CRAIGIE - Treasurer, we gave you and the Budget Committee a range of advice in the lead-up to last year's Budget and the development of the new Fiscal Strategy. What was in last year's Budget and this year's Budget is the outcome of that work and that advice.

CHAIR - With regard to the advice around the potential impact of the budget on the state's credit rating, was there concern raised about the impact of this Budget on the credit rating? It is quite credit negative when you look at it.

Mr FERGUSON - Can I reinforce the point that the Fiscal Strategy is the same as from last year's budget papers? We all agree on that. All of the 11 measures are a reflection of -

CHAIR - I'm talking about the Budget itself now. Sorry, Treasurer, I may not have been clear. Was there advice provided around the impact of the Budget under the Fiscal Strategy on the state's credit rating?

Mr FERGUSON - I will answer it this way: I'm happy to speak about process, not content. The Budget Committee of Cabinet receives advice from Treasury on many matters when the Budget is being set.

CHAIR - Was there concern raised by Treasury about the potential negative impact on the credit rating? According to your Fiscal Strategy, I think it's number one.

Mr FERGUSON - I wouldn't be prepared to provide commentary on that. We set the Budget to do the best thing by our state and delivering on our plan. We are confident in our credit rating, and we had a credit assessment - which agency was that from? - back in June. That was post-RER and post-election, but pre-Budget.

Mr SWAIN - It was Moody's on 26 August.

Mr FERGUSON - Thank you for that. We recognise that the ratings agencies are the only ones who can decide.

CHAIR - The Moody's rating was made on 26 August this year. Is that correct?

Mr SWAIN - The latest credit opinion was published on 26 August. The opinion affirms the state's credit rating as Aa2 - stable.

CHAIR - Are you able to provide a copy of that report?

Mr FERGUSON - It's not ours to provide. It's IP of that organisation.

Mr SWAIN - I think it was on their website.

CHAIR - I just don't want to have to pay to get it.

Mr FERGUSON - Is it mine to give?

Mr SWAIN - I think it's public. We can provide a link.

CHAIR - I think you have to pay to get it off the site. You have to have a subscription to access it. I don't want to do that - I thought you could do it for me because you would have a subscription, Treasurer.

Mr FERGUSON - Treasury is a paid subscriber. I'm not sure if our subscription allows us to take that document.

CHAIR - They have been provided by other entities to the various committees.

Mr FERGUSON - It has?

CHAIR - Yes, not the states, no, other ones.

Mr FERGUSON - I will provide what I can to the committee.

CHAIR - Okay.

Mr FERGUSON - I might ask you just to take it as a confidential paper. I don't know, I would have to check.

CHAIR - It is public on their website if I'm willing to pay the money.

Mr FERGUSON - Yes, exactly, so I am not trying to be difficult, but I'm not sure I'm allowed to use a government subscription to then publicly distribute a document.

CHAIR - In an Estimates hearing - are you serious?

Mr FERGUSON - Yes.

CHAIR - You would not contemplate providing a report that I could get if I paid money, that Treasury have a subscription for?

Mr SWAIN - We'll just check the rights that we have. That's all.

Mr FERGUSON - I'm happy to; I've already undertaken to give it to you if I'm able to, but I think you would recognise that when you have paid subscription services, if I take a privileged document based on a subscription and publish it myself, I am possibly breaking the rules of the subscription.

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CHAIR - It is not privileged.

Mr FERGUSON - It is if it's only available to subscribers, but if I can give it to you I will.

CHAIR - Okay.

Mr FERGUSON - I will ask the Secretary if I can give it to you. I'm not trying to withhold it. Is that reasonable?

CHAIR - Just quickly, on revenues, going back to Table 5.9 on page 113, I note there is expected to be some dividends paid by TT-Line from 2026. We would all understand they've had a dividend holiday while we've been delivering the new vessels. Knowing the delay with the new vessels, for a range of reasons, is this a realistic expectation for 2026-27 that we'll be able to pay that dividend?

Mr FERGUSON - Chair, as Mr Burgess is returning to the table.

CHAIR - We should give you all the time, shouldn't we?

Mr FERGUSON - Yes, we might do that in a moment. Mr Burgess might be able to add to this, but this is based on estimates of profitability going forward, should they change. In fact, in all of those entities you will expect to see different numbers as they become realised, but I'm happy for the Acting Deputy Secretary to speak to this for you.

Mr BURGESS - As the Treasurer pointed out, dividends are, by their nature, somewhat uncertain. The dividend for the TT-Line company for 2026-27 onwards is based on the premise that the new ships will be in operation. Clearly, there are some issues and uncertainties around that at the moment, but in the budgeting going forward that's the assumption that has been made.

CHAIR - Any realistic expectation of getting it is if the vessels are at full capacity in that financial year?

Mr BURGESS - No, it's not saying that they are full capacity; it is saying that a judgment has been made that the new vessels will be operating such that that would generate more revenue and greater profits for TT-Line, which will enable them to return to paying a dividend.

CHAIR - Yes, however, we know that if they can't operate at full capacity because they can't get to a berth that enables that, the dividend could be either none or less based on their lack of capacity to operate at full capacity.

Mr BURGESS - There's inherent uncertainty with all the dividend projections. It's not just the capacity; they currently have capacity with the current ships that, if tourism picked up, could deliver a similar outcome.

Mr FERGUSON - I observe, Chair and committee, that in the 2025-26 year it's a very small dividend projection anyway, but I take your point, and TT-Line return to a 90 per cent dividend policy, but it's based on a profit position only. Some businesses don't yield a profit at all in a year and there's therefore no dividend payable.

CHAIR - Okay, just before I move on to 1.3, and I did mention this in my budget reply, Table 6.6 on page 144 of budget paper 1, is a list of future infrastructure projects contingent on Australian Government funding. Can you provide that table with an indication of which, if any, of those will be excluded or quarantined from GST?

Mr FERGUSON - No, I can't do that because it wouldn't be a decision for our government, but I'm happy to speak to any of those. You could ask me which of the ones we've sought a GST exemption or intend to seek a GST exemption on.

CHAIR - Well, let's start with that.

Mr FERGUSON - Yes, but I wouldn't have that information at the table. These relate to different portfolios and for some of them the GST exemption is really not a relevant consideration because we wouldn't expect a GST exemption; a good example would be any of those infrastructure projects - roads and bridges. We would not even have thought it reasonable or appropriate to seek a GST exemption for those.

CHAIR - Aren't some of the major roads partially quarantined anyway under the nature of their funding agreement?

Mr FERGUSON - That's why I might defer to the Treasury officials on that, but states and territories don't seek GST exemptions on those and there may be good reasons for that.

CHAIR - That is because they already get it.

Mr FERGUSON - Or it's equalised in another way because it goes to all the states at all times.

CHAIR - Yes, I understand that.

Mr FERGUSON - But I could take that on notice for you. I'm not sure that I'm seeing any leaping out at me at all for which we have sought or would think it reasonable to seek such an exemption. Can I also just point out that that Table 6.6 is the first time the budget papers have ever contained -

CHAIR - I noted that.

Mr FERGUSON - Yes. This is a new thing that I've done. We wanted to provide these insights, to the extent that it has generated discussion and even political debate. I don't feel challenged about that. We decided that we wanted to include this and I hope it's a feature of future budget papers as well. It just gives you, as non-government MPs, a deeper insight into what's on the horizon and what we're asking for, and also the percentages that we're asking for. But I'll take it on notice.

I'm looking at the list, Chair, and I'm not seeing any. I'll stand to be corrected. I'm not seeing any where we would expect GST exemption. But I wouldn't want the Commonwealth, who may be listening to this, to think that we don't reserve all our rights either. If there was a good reason, we would pursue it.

Ms THOMAS - On that same table I had a question about how it's determined which projects are reliant on or contingent on Australian Government funding. Particularly, I had this question down for the Minister for Transport, but on the Brooker Highway upgrades, I'm particularly interested in a project in my electorate that may be included in that particular line item and why, if it's deemed a priority, it's contingent on Australian Government funding. What if Australian Government funding isn't forthcoming for those projects? Does it mean they don't happen?

Mr FERGUSON - I'd have to refer you to the relevant minister on that, Ms Thomas.

CHAIR - The Premier or?

Mr FERGUSON - Yes, it is, in respect of infrastructure. I won't dare speak over another minister's portfolio, but I would say it may be an unfair question in a way because if the Commonwealth Government reviews these budget papers, this kind of evidence, I don't think we should show any sign of weakness there. As Tasmanians, I think we need to hold the line that the Australian Government needs to help us with projects, just like it does with all the other states and territories. None of these is unreasonable or outside usual funding programs and expectations. Tamar Bridge is a great example. We'd be looking there for a similar treatment by the Australian Government as we received with the Bridgewater bridge. It's a big investment and the state could not do it on its own. It would be a hard question for a different minister to say, yes, we'll still do it if the feds don't fund their share of that.

Mr SWAIN - I won't comment on that particular one that you expressed interest in on the Brooker Highway, because it's for the relevant minister, but it could be classified as a congestion-related initiative and the federal government has put extraordinary amounts of money into tunnels and other major congestion-related infrastructure on the mainland; so, there is a need to make sure Tasmania stakes its claim.

CHAIR - That is for the Premier to do.

Mr FERGUSON - Yes, the relevant minister. Many of these are for the Minister for Infrastructure, who is the Premier.

CHAIR - If you can then go to 1.3. Shareholder Advice. Do you want to start, Sarah?

Output Group 1 - Financial and Resource Management Services

1.3 Shareholder Advice on Government Business

CHAIR - Do you want to start, Sarah?

Ms LOVELL - I had some questions about the announcement this morning around the privatisation of the Public Trustee. First of all, the Public Trustee put out a release saying they were surprised by the announcement. Were they aware that your government was going to make that announcement today or that it was under consideration?

Mr FERGUSON - I haven't seen the information that you've referred to. Is there a media release today from the Public Trustee?

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Ms LOVELL - There is a media release, but I can leave the media release aside and ask if the Public Trustee was aware that that decision was under consideration or that it had been made.

Mr FERGUSON - I would think it preferable for the portfolio minister to be the main person that you address questions to, but I'm happy to respond. We're not privatising the Public Trustee. If anybody's saying that, that would surprise me. We are as a government saying that subject to an independent - I'm just going to search for the right words, if you could bear with me, please for a moment.

Ms LOVELL - Your release says that commercial will, estate and trustee services, currently provided, will be transferred to the private sector.

Mr FERGUSON - Yes. To the extent that that's privatisation, it's privatisation. We think the Public Trustee's real role and function is to look after the needs of more vulnerable Tasmanians. We want to protect that, and that stays with government. That really should be the principal objective here.

I wouldn't expect, Ms Lovell, that you would have had a chance to look at the report of the Office of the Tasmanian Economic Regulator yet. It was very confronting reading for the government, if I can put it that way. I definitely commend that document to all members of parliament.

Regarding the Public Trustee, we respect the people who are on the board and the executive and we thank them for their work, especially for the continuous efforts that have been undertaken to respond to the Bugg report.

You asked me, did we discuss this with the Public Trustee. I leave it to the portfolio minister, the Attorney-General, but I can say that the government has been engaging with senior leadership of the Public Trustee and I wouldn't have thought that today's announcement caught them by surprise.

Ms LOVELL - Can I ask also, Treasurer, whether the Budget has been developed with this in mind? Has the economic impact of this restructure been taken into account?

Mr FERGUSON - I'll ask the Secretary and Mr Craigie to assist me here, and perhaps even Mr Burgess - this is your direct area of responsibility. The numbers that you see in the Budget predate today's announcement from the Attorney-General and myself.

Ms LOVELL - I did have a question about, I'm not sure if it really fits in within this line, but on page 198 of budget paper 1 -

Mr FERGUSON - Did anyone want to just - are we still on Public Trustee? Can I just ask, Ms Lovell, would it be okay, secretary or Mr Burgess, was there anything further to add or have I covered the area?

Mr SWAIN - I might, Treasurer. Noting that there is funding in relational community service obligation, \$25.6 million over four years and there is a tailing funding amount in relation to implementing the remaining recommendations of the 21 Bugg review, independent

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review. It doesn't deal with any organisational structural change, but the Budget does deal with some of the ongoing costs associated with the function.

Ms LOVELL - I just had a question in relation to table 1a.13, Less Sale of Non-Financial Assets. There's quite an uplift there in 2025-26.

Mr FERGUSON - I see, yes, I found it.

Ms LOVELL - Are you able to outline which non-financial assets are being considered for sale or what explains that increase?

Mr FERGUSON - Yes, I'll be very happy to do that in a moment. I don't have that to hand at all, but I could ask Mr Craigie to help us.

Mr CRAIGIE - All through you, Treasurer. That's the total state sector. I'm just going through the subcomponents to find out which sector it's in. There's \$189 million in the public non-financial corporation sector, which looks like it's most of it, but I'm not sure what that represents given there's a number of entities that make up the public non-financial corporations (PNFC).

Mr FERGUSON - Would you like us to take it on notice?

Ms LOVELL - I would, yes.

Mr FERGUSON - That's total state sector, so that's GGS and non GGS.

Ms LOVELL - Thank you.

Mr FERGUSON - Are we still on Public Trustee?

Ms LOVELL - We are, but there is another community service obligation under another line item. I'm not sure if we want to leave it. I don't know if anyone is -

CHAIR - You can ask it here while you're on that.

Ms LOVELL - Okay, I think Dean might have had -

CHAIR - Did you have a question, Dean?

Mr HARRISS - If I can find one.

Ms LOVELL - I don't have any further questions, Chair.

Mr HARRISS - We can just come to that line item.

CHAIR - Yes, okay.

Mr HARRISS - Is that what you want to do?

CHAIR - That's fine.

Mr FERGUSON - Chair, are you happy for me to round it out, I respect the questions entirely. The Public Trustee's services are very important to the government and to non-government members. We believe that subject to - and these are the words I was searching for earlier - 'Subject to a further independent review, we believe that structural change of the delivery of the regulated services represents a better approach.' Better for the clients that rely on it.

The OTERR report or the Office of the Tasmanian Economic Regulator report, is very challenging in terms of the value that we - we believe we can provide a stronger level of support at competitive pricing for those more vulnerable people. We would not seek to privatise those services at all, but we believe that we can respect and thank the Public Trustee in its current form for the work that they have been doing. And we believe that we would see a lot of consistency and maintenance of effort for those more vulnerable clients going forward in a different model.

Ms LOVELL - I am mindful that you have referred questions to the portfolio minister, but going on what you've just said, are you able to outline which services will be staying with government? It sounds like only some -

Mr FERGUSON - The regulated services would stay with government, particularly when we're talking about management of financial affairs for vulnerable people. The work that we believe the entity should not be doing is commercial work. We believe that is better handled in commercial law and to focus the Trustee's effort on the vulnerable cohort of clients who rely on the government, if I can use that term, 'the government,' to deliver those regulated services.

Again, I commend both the Bugg report and the OTERR report to your reading. I think you'll find it really useful.

CHAIR - Okay.

Ms LOVELL - Thanks, Chair.

CHAIR - Treasurer, you're the shareholder minister for all our government businesses, or one of, and under the description, the work of this area that's budgeted under 1.3, it says:

It concludes provisional advice [11.41.25 inaudible] major projects and policies relating to the government's ownership of the government businesses

I'm interested in how you apply that, acknowledging there are other shareholder ministers, but how is your role as Treasurer different from theirs?

Mr FERGUSON - As Treasurer my role would be as a partner in government with the relevant portfolio minister, so there's an equality in terms of shareholding but a differential in terms of role.

The portfolio minister in each business would take more of a lead role in the purpose of the business, its activities, what it is trying to achieve in the economy, and maybe to answer and make announcements about service delivery, profit outcomes and so on.

The shareholder policy and markets branch, which is a division of Treasury, supports shareholder ministers of government businesses. It supports me as a shareholder. It maintains and administers a strong governance framework. Financial returns and payments to government businesses are of interest to this branch. The state credit rating is of interest to this branch and energy pricing reviews.

My role as Treasurer in the many businesses that I support - a colleague minister as a portfolio will often be around those financial matters, borrowings, borrowing limits, some of the government matters -

CHAIR - You still have to approve the borrowing limit?

Mr FERGUSON - Correct. When it comes to the appointment of a chair or a director of those GBEs or SOCs, the colleague minister would be more in a lead role but would consult me, and we would agree on an appointment before taking it forward to Cabinet.

CHAIR - One of the areas you talked about was a strong governance framework for government businesses, and this one is pretty old. I'm interested to know whether you still think it's contemporary, or does it need reviewing?

Mr FERGUSON - The governance framework itself?

CHAIR - Yes, the government businesses governance framework.

Mr FERGUSON - I might turn to our Acting Deputy Secretary, Chair. I don't feel challenged by it. We've had significant changes in the space of the guidelines that are issued to the businesses, which apply to them all. They're effectively Treasurer's instructions for the businesses. They've been contemporised in recent years. May I pass to the Acting Deputy?

Mr BURGESS - I was going to say something along the same lines: that the broad framework has been reasonably consistent at a high level for a while, and that's not inconsistent with the fact that for state-owned companies and GBEs, the governance arrangements of those types of organisations at a high level haven't changed.

What has changed is we're constantly reviewing and revising the detailed guidelines that the businesses have to comply with in relation to that framework. When they go out and seek to appoint a director, there's a guideline that relates to the process that they have to go through. When they are determining remuneration for directors and senior executives, there is a similar guideline in relation to that. They are a rolling evolution, you could say. We've just gone through, and are still going through, a major set of changes with revised statements of expectations and ministerial charters too.

CHAIR - In terms of the strong governance framework that would you expect from your government businesses, Treasurer, did it disturb you when you heard the chair of TasPorts say he doesn't keep any notes or make any records of any board meetings? He said that publicly to a committee.

Mr FERGUSON - Could I have a chance to review that evidence before commenting on it?

CHAIR - Would it concern you that a chair of a government business doesn't take notes of meetings or an actual board meeting?

Mr FERGUSON - I don't want to criticise board chairs. You mentioned TasPorts. I've worked with Mr Bradford for a number of years and have found him to be an excellent chair of the organisation. In respect of notes, I don't know if the comments were made in respect of notes that are outside of normal board decisions or action items to follow up. I don't know. I've personally not observed any deficiency in Mr Bradford's or any other chair's record-keeping.

CHAIR - How do you assure yourself that good governance practices are being complied with across all our GBEs and SOCs?

Mr FERGUSON - I don't like relying on a memory when it's obviously an important question to you, but I thought that the comments may have had more to do with regular monthly meetings with the minister.

CHAIR - It also referred to board meetings as well.

Mr FERGUSON - If you don't mind, I wouldn't like to respond to that without really having a good look at it. The government expects all of its businesses to be well run with strong leadership, collaborative decision-making around the business table at the board level - to take responsibility for the decisions that they take, be honest about them, and report any key risks or opportunities to their shareholder ministers at regular meetings and any urgent matters to make sure that their shareholders are immediately alerted to those.

Those are the expectations of government and I wouldn't like to start repeating previous statements that have been made in some of these areas. They are the expectations of government and where they haven't been fulfilled, they are remedied.

CHAIR - Under this line item, which includes the provision of advice on major projects, what advice did you give to TasPorts and TT-Line with regard to Berth 3 in Devonport?

Mr FERGUSON - Treasury advice to the businesses? Secretary?

Mr SWAIN - Under the framework, businesses are accountable for capital delivery, so over threshold amounts they will put forward a business case, which is not approved but it can be. There can be an intervention from the shareholders to say, 'We don't want you to progress that project'. There was originally a business case in relation to TT-Line, for example. The minister, just like members, doesn't have a directive role in relation to the business and the conducting of individual capital projects. That's the accountability of the board.

CHAIR - The well-publicised delay to the progress of Berth 3 for the new *Spirits* to enable them to operate at full capacity, Treasurer - when that became apparent, what advice did you give to the two parties? TasPorts and TT-Line both have a stake in that berth with regard to this, a major project, which is what it says here in the budget papers.

Mr FERGUSON - In my role as Treasurer, which will be the capacity in which I answer questions like that - the Treasurer, together with the shareholder minister, provided ministerial

directions in June, and that was in part informed by advice that Treasury provided to the government.

CHAIR - In June this year?

Mr FERGUSON - Yes, and in the months leading to that ministerial direction. I forget the date; I think it was late June, or mid to late June.

CHAIR - There was no direction at all issued in November 2023?

Mr FERGUSON - Not a formal direction, no.

CHAIR - What about with regard to advice you might have provided to TasPorts with another major project - with the Macquarie Wharf 6 in Hobart?

Mr FERGUSON - I am not sure that Treasury would be involved in giving advice to the state-owned company itself, but I'm happy for officials to say otherwise if they did. I wouldn't have thought so. If advice was requested, it would be provided. I'm not sure that they need a Treasurer's advice.

CHAIR - When there's a large cost escalation anticipated - and we know that you have been required to approve additional borrowings for TasPorts in regard to the Devonport berths - what advice did you get around that when obviously it becomes apparent there's a challenge?

Mr FERGUSON - I understand the question better. If a business asked me as Treasurer for a change to their borrowing limits, I would never approve a request like that without first seeking and receiving advice from Treasury.

CHAIR - What is the nature of the advice you seek?

Mr FERGUSON - First of all, when a business asks its shareholder minister, in this case Treasurer, for a change to a borrowing limit, I need to know if that's something that the business balance sheet can in fact carry. I would go to Treasury in every case - and I have done that in the two-and-a-half years I've been Treasurer - and an assessment is provided to me on Treasury advice. There is a discussion with the Tasmanian Public Finance Corporation as well before I would approve it.

CHAIR - So there's not an expectation that you would actually speak to the company themselves to understand what's going on, particularly where there may be concerns not just about price escalation, but also delay to delivery of infrastructure. Admittedly, you were both Infrastructure minister and Treasurer around a lot of these decision points.

CHAIR - It's a fair question. I'd ask the Secretary if he can round out the answer in a better way, but it would not be a consideration that's taken without some discussion with the business. Let's put it that way. There would be advice sought, though.

Mr SWAIN - Yes, I was just going to say there are continuous disclosure obligations in both the articles of association and the shareholder letter of expectations in relation to the state-owned company, so it is probably more the other way. In the first instance the businesses would have disclosure obligations on an ongoing basis, and then once something is disclosed,

you would expect the minister and the Treasurer to then ask questions and seek advice in relation to the matters brought to them.

CHAIR - With regard to the disclosure observations, how far do they extend, from Treasury's perspective? What do they need to disclose?

Mr BURGESS - There are specific requirements in the articles of association - if it's significant, if it is significant in terms of size, if it creates reputational -

CHAIR - Are you talking about significant size of the cost or the size of the project, or what are we talking about here?

Mr BURGESS - At the end of the day, it's a value judgment. It doesn't say it's above \$x million or anything like that, but it lists a series of matters that the board has an obligation to disclose to shareholders when it becomes aware of them; they can relate to financial matters, they can relate to reputational matters as well.

CHAIR - Do you feel that has been adequately complied with, Treasurer, with regard to the whole Devonport berth situation, particularly berth 3 at Devonport and also the real risk of losing Hobart as an Antarctic gateway with the lack of progress on berth 6 in Hobart?

Mr FERGUSON - If I can work on your question from the last part and work my way back, in relation to - I think we say wharf 6 at Hobart -

CHAIR - Yes, wharf 6, sorry.

Mr FERGUSON - That's being managed by the Department of State Growth in partnership with TasPorts. TasPorts on its own is not the single point of contact with the AAD in Canberra. It's a relationship that's being worked on jointly, but I think I could say more with the State Growth department in the lead. That engagement is continuing so I wouldn't accept that that has been a failure. The politics on this particular issue is conveniently levelled against the state government and I've been surprised at how many people, including in our own parliament, have been prepared to run the argument for Canberra against the state of Tasmania, and that's really disappointed me. We want to get a good deal; we want to get good investment and strong outcomes for Tasmania, so I wouldn't concede that one.

As well, you asked me, am I happy with the level of disclosure around Devonport? No, we haven't been. We haven't been happy with that.

CHAIR - For how long haven't you been happy?

Mr FERGUSON - With the benefit of hindsight, in particular, the events leading up to the decision to rescind the preferred tenderer would be the obvious one.

CHAIR - So, what have you done about that, in terms of your saying you've been disappointed with that?

Mr FERGUSON - Well, it wasn't a fulfilment of the obligation of the company. They didn't fulfil that obligation to advise their shareholders of a big decision.

PUBLIC

CHAIR - The company being TT-Line, in this case. Arguably that was because it was caretaker convention.

Mr FERGUSON - I don't personally feel that that's an arguable position to take.

Whether or not it was convenient, the fact is we received an apology post-caretaker period, which I believe was some time in May, for that failure to make that disclosure to the government and to its shareholders. Whether it's in caretaker mode or not, it doesn't change the disclosure obligation.

CHAIR - But the disclosure would also have further implications for the opposition leader.

Mr FERGUSON - I'm not sure it would have. I would ask others to comment on that, but the issues around caretaker convention being observed, I think, was a very important one. In fact, it was not caretaker convention. It was the Secretary's duty to make disclosures in the pre-election fiscal outlook document which, had they not been so commercially sensitive, I think the Secretary would have documented, but because they were so commercially sensitive and themselves being disclosed could have led to RMC, the shipbuilder in Finland, literally going into financial failure overnight, the Secretary, and he can speak for himself, took his -

CHAIR - That's about the vessels, not the berth.

Mr FERGUSON - Yes, but you raised the caretaker convention, so I'm just simply pointing out that the Secretary made the decision to verbally brief both sides of politics in relation to those commercial matters.

CHAIR - I was focusing on the berth and you talked about the tender for the works that was -

Mr FERGUSON - The 'preferred tenderer'.

CHAIR - The preferred tenderer was cancelled, effectively, and that's the matter that we were discussing, so if you could just come back to that matter as opposed to the other matter.

Mr FERGUSON - Well, I'm on the record about how that was a failure at the time.

CHAIR - And that's what you've received the apology for in May?

Mr FERGUSON - I believe so. I believe I've provided you a copy of it.

CHAIR - Yes, because it was a significant potential cost implication here, wouldn't that have been something that should have been disclosed to both you and the opposition leader?

Mr FERGUSON - It's a reasonable question, but it's now a hypothetical because we didn't know.

Ms THOMAS - What would you expect to happen in future if it happened again?

Mr FERGUSON - If we can confine ourselves to the caretaker period, caretaker convention is an obligation that sits with ministers and the minister is the person who has to discharge that duty, that convention. It goes both ways because political parties take their turns at being in government and opposition and it's a convention to be honoured. In practice it means that before a government makes a major decision during a caretaker period they should consult the opposition. It's a question of judgment as to where that major decision threshold is.

In answering your question, I'm not saying that this would have been a major decision, but it was a disclosure that ought to have been made by the company to the shareholder ministers. Whether or not there was a decision to make immediately after that, I don't know if there would have been one, because it was not a decision for government to make. It was a decision by the board of the company.

Does that make sense? It wasn't a government decision that we would have had to consult with the opposition about, it was something that happened during caretaker as a result of a decision of the board that wasn't made known to its shareholders.

Now, quite honestly if anybody would like to add to the record, please do.

Mr SWAIN - The decision about whether to go forward with the tender was property of the company's because it was an existing project that was in progress under the board's management. It was totally separate from any obligation to advise ministers, which was again separate from, as you acknowledge, the actions I took regarding the pre-election financial outlook report, which was again primarily focused on the vessels, not the infrastructure. What I'm saying is there is a lot of potential for issues to be conflated here when they're separate.

CHAIR - That's why I tried to separate them when the Treasurer tried to conflate them.

Mr FERGUSON - I'm just giving you straight answers.

Output Group 1 - Financial and Resource Management Services

1.4 Government Property and Accommodation Services

Ms THOMAS - Can you explain to me, practically, what the government property accommodation services is made up of and the reason for the up and down variation across the forward Estimates? Page 386. Table 11.8. 1.4.

Mr FERGUSON - I invite Deputy Secretary, Mr Craigie, to assist us here, Ms Thomas. The fluctuation you refer to - do you mind just taking our eye to -

Ms THOMAS - In table 11.8 on page 386, 1.4, Government Property and Accommodation Services. The budget for 2024-25 is \$2.233 million, which is a bit less than the previous year. Then it goes up, then it goes up again and it goes down.

Mr FERGUSON - If I could ask Mr Craigie, could you address those fluctuations?

Mr CRAIGIE - There's a note on the following page, note 4, that explains the increase in 2025-26 and 2026-27.

PUBLIC

Ms LOVELL - Sorry, that's the footnote to government procurement services -

Ms THOMAS - There's no footnote on 1.4, which is why I ask, can you explain what it is made up of, practically speaking?

CHAIR - Basically back to where you start by the end of the forward Estimates? Which is a decline.

Mr CRAIGIE - Through you, Treasurer, that output is responsible for whole of government property management, management of the Parliament Square precinct, and the Treasury buildings. I haven't got a breakdown of the revenue by appropriation, but I can give you a detailed breakdown of the expenses by output which is a different table.

Mr FERGUSON - Do you have any insight into the changeability of the numbers going forward?

CHAIR - Why the appropriation would effectively be less at the end of the forward Estimates than what it is now?

Ms THOMAS - It fluctuates over the forward Estimates.

Mr CRAIGIE - It fluctuates from \$2.2 million to \$2.4 million.

CHAIR - Then down to \$2.3 million.

Mr CRAIGIE - Yes. It would probably be driven by the nature of the leases of the whole of government property management that it looks after. There are about 71 accommodation leases across the state and the way that accounting for property leases became very complicated a couple of years ago with the introduction of the accounting standard.

Generally, we recognise the value of the lease as an asset and a liability when we execute the lease. Over time those values are amortised as you make your rental payments and the life of the lease shortens. I expect that, as that is a significant part of the operations of that branch, it may have something to do with that.

There's nothing really significant across the year. There are direct employee expenses that go from 1.6 to 1.8, supplies and consumables 52,000 to 53,000 across the forward Estimates. Overhead about the same is 579,000 that drops to 514,000. It's minor things moving around, there is nothing really significant.

CHAIR - How long are the leases generally for on the government property?

Mr CRAIGIE - It varies tremendously based on how long agencies think they need the property for, the nature of the site. Parliament Square is an incredibly long lease because that was part of a development agreement. It varies. We have some short-term leases that were taken out during COVID-19 when there was an emergency response.

CHAIR - Are they still on foot, some of those leases or are they expired now?

Mr CRAIGIE - A bit of both. There's some that are still there and some that have expired.

CHAIR - There could be a vacant property sitting around.

Mr CRAIGIE - We have a little bit of vacant property, but not a lot.

Ms THOMAS - Does the government expect to sell any property assets in 2024-25?

Mr CRAIGIE - Yes, we do. Agencies declare surplus properties on an ongoing basis.

CHAIR - Not the Treasury building?

Mr FERGUSON - No, not the Treasury building.

CHAIR - I'm sure Rob Valentine's watching; he will want to know the answer to that.

Mr FERGUSON - It is not for sale - not because I'm Treasurer either.

Mr CRAIGIE - The standard properties that are declared surplus are old schools or often old police properties in regional markets and there's a process to go through. When the agency declares the property is surplus, it comes to Treasury to manage and we then consult with other agencies to see if there is demand for that property. For example, Homes Tasmania are often looking for sites to progress their strategy, so often we'll facilitate a sale to them or a transfer to them. If you want more detail, I can tell you exactly which properties we've got for sale.

Mr FERGUSON - The answer is yes, we routinely dispose of properties. Every single year that I can recall there have been some properties disposed of. As the Deputy Secretary has said, most often it's an asset that doesn't any longer have a particular use or - take St Helens Hospital, when you build a new hospital you dispose of the old one. Sometimes, depending on the asset management plan of the agency responsible, they might occasionally ask to retain the sale proceeds because that might have been part of its original business case for a new school or a new health centre or whatever.

CHAIR - Can you provide a list?

Mr CRAIGIE - In the financial year 1 July 2023 to 30 June 2024, we sold five properties at a value of \$6.2 million, and we are currently preparing eight surplus properties for disposal.

CHAIR - Are you able to provide to the committee a table of what the properties are, rather than wait for it?

Mr CRAIGIE - I can list them now if you'd like? The properties currently being assembled for sale include a property in Campbell Street at North Hobart and a property in George Street at Longford, which is a former police residence. There are two properties at Rossarden, which are rural land and vacant rural land. There is a property in Mooreville, which is a residence that State Growth had acquired for road infrastructure. There's a former teachers' residence in Zeehan - there are two in Zeehan - and one in Devonport, which is vacant land that was formerly a car park.

Mr FERGUSON - Do you want the last year's sales?

PUBLIC

Ms THOMAS - Yes please.

Mr FERGUSON - We'll table that for you.

CHAIR - Okay, we'll get it tabled, if you could provide that shortly.

Mr FERGUSON - Would you print me off a copy, please?

Ms LOVELL - Most of my question has actually been answered in that list, but I have a question around those residences - the police residence and the teacher's residence. If I could just clarify the process - it's up to the agency to determine whether they're surplus and then they get handed over to Treasury to dispose of, or -

Mr FERGUSON - To run the sale process.

Mr CRAIGIE - The first thing we do when a property is handed over is we see if another agency can repurpose and use it before we sell it to the market. But if it's surplus to the agency and no other agency wants it, then it's taken to market.

Ms LOVELL - Okay, thank you.

Ms THOMAS - The Auditor-General's Report No 6 of 2023-24, published on 20 June this year, titled *Management of Major Office Accommodation*, concluded that Treasury, as measured against the criteria, was partially effective in centrally managing major office accommodation, and made two recommendations. Treasury agreed to implement reviews and updates to policies and guidelines accordingly.

I wonder if you can tell me, three months on, how this work to implement those recommendations is progressing?

Mr CRAIGIE - It is definitely progressing. We're adopting each of the recommendations. We have internal work to do in the branch, and we also have a broader piece of work to do, which is to consult with agencies to get a more strategic approach. I think we had internally a milestone in November to implement the first tranche of reforms, and the broader, strategic, whole-of-government piece is subsequent to that.

Mr FERGUSON - How long do you think until we would be able to say they're implemented fully? Can you give a time frame?

Mr CRAIGIE - I can't do it off the top of my head.

Ms THOMAS - In the Treasurer's response to the report, it did have a time line specified - I think the last one being to review and share the current leasing strategy, that was by 30 November this year. That was the first milestone. Then there's one to review the suite of guidelines, policies and instructions, which is by 30 September 2025. Are you confident that by this time next year, all of those implementations will be implemented?

Mr CRAIGIE - There's a significant piece of work in coordinating with agencies to get a more centralised view of whole-of-government demand, because historically agencies have been responsible for their own property. I should distinguish that Treasury looks after office

accommodation - that's the 71 leases. We don't look after non-office accommodation, so where Health has medical facilities or where Education has schools, we don't manage those properties. The Auditor-General's recommendations are forcing us into a broader consideration of whole-of-government property need beyond office accommodation, and we need to work closely with agencies around synchronising all of that.

Ms THOMAS - The report also noted that, unsurprisingly, expenditure on office accommodation is also growing, and the annual rental payments for major office accommodation totalled approximately \$42 million in 2022-23, increasing to approximately \$47 million in the current financial year. The department response to the Auditor-General's report noted the difficulty and complexity of obtaining reliable and consistent data on the utilisation of leases and mentioned liaising with other jurisdictions on their approach to this. I wondered if this has been explored as yet, and what about liaising with the private corporate market to ascertain the approach used and what's the difference?

Mr CRAIGIE - Historically, we haven't interrogated agencies' use of the property once they've ascertained that they need a property; we're assuming that they do need it. There are whole-of-government fit-out guidelines that recommend density, so how many FTE per square metre, and when agencies are doing fit-outs, they're required to follow those guidelines. But we don't have contemporary measurement around what the current office utilisation is across that portfolio and that was one of the Auditor-General's recommendations.

At a higher level, we're still in a period of transition post-COVID. We went from everybody working in an office to everyone not working in an office and working from home, and now we're back in what I would call a hybrid environment where we've got people working in both environments. That is ultimately, if that model matures, going to have an impact on our demand for property going forward. At the moment we haven't got a whole-of-government strategy around whether we do activity-based workplaces or not; individual agencies are making choices, so part of this ongoing work around utilisation and strategy will look at some of these issues.

Just one final comment: part of the reason why the total property costs are going up is that the public sector is growing so we have to accommodate more people, in absolute terms.

CHAIR - Maybe they could hot-desk in Treasury. Doing that yet, no? Mr Swain might not like to hot-desk.

Output Group 1 - Financial and Resource Management Services

1.5 Government Procurement Services

Ms LOVELL - I'm just very mindful of the time, I have nothing really pressing on this, so if others don't either -

CHAIR - That's all right. I'll just ask one quick one on this. Minister, this is also about the Tasmanian Risk Management Fund, this area. I just note there are increases across this, particularly in personal injury. I'm just not sure some of the claims - not the victims of child abuse that have been compensated through another mechanism - does this take into account the staff that may be having personal injuries impacted by the work they've done in responding to this and that sort of thing, and is that factored into these forward Estimates? I'm just interested

in why we're seeing the increase. There's also a reasonable increase in medical, but we always tend to see that.

Mr FERGUSON - This is in this output, am I right?

CHAIR - Yes.

Mr FERGUSON - The answer to your question is yes. These are employees in state employment, obviously, so I'll ask the Secretary and Deputy Secretary to respond more fully.

Mr CRAIGIE - Through you, Treasurer, Output 1.5 Government Procurement Services covers a range of work streams, of which TRMF is one. It also looks after procurement and risk management contract management, which is largely the procurement TIs. The branch does a range of whole-of-government procurement; we've centralised the contracting and agencies can purchase from those whole-of-government arrangements. For example, the vehicle fleet is one of those, or print services.

The branch is also working with the Department of Justice on the establishment of the home warranty insurance scheme. Most of the costs in this output are to do with employee costs to administer those contracts, but the employees that administer the TRMF don't generally have a direct relationship with a claimant unless it's through Treasury. If a workers' comp claim is originated in an agency through their HR then the insurance arrangements are dealt with through the TRMF, not the management of the individual employee.

CHAIR - Are we expecting this growth on personal injury claims to continue, Treasurer?

Mr FERGUSON - That has been the experience, to be fair. This will be a multi-factored incidence of how it presents in the costings. We have specifically intervened with new laws that have more presumptive decision making around some injuries, including and especially PTSD for state servants.

It is no coincidence that you're seeing the significant increase in cost in this space coincide with those presumptions coming into effect. It is a genuine discussion for individual agency secretaries and ministers about how we can mitigate the costs while protecting our employees and looking after their welfare. It's a cost that we've been prepared to fund as we must but it is a cost.

Ultimately, the best outcome, at an individual human level, is that a person has support and can recover and, hopefully, we can maintain the sense that the ultimate goal is that they can recover and return to work and continue their journey of recovery in a fulfilling workplace situation. For those who are unable to do that, the other arrangements come into effect.

Will the growth continue? It's hard to say, but we are certainly prepared to fund those costs on an emerging basis, noting that they have significantly increased in recent years.

Mr SWAIN - From memory there is an uplift in workers' compensation funding for police and justice, which would be a matter for those ministers. Also, from memory, police are investing in a program, which name escapes me, which was designed to -

CHAIR - It is a wellbeing program.

Mr SWAIN - Yes, reduce the risk at the front end to head-off events before they occur.

Mr FERGUSON - More support after critical events, which has been a mainstay of those emergency organisations for a long time. As we become more aware of the long-term effects that these critical incidents can have on staff, the interventions have been significantly improved in recent years.

Output group 2 Economic and financial policy advice

2.1 Economic Policy Advice

CHAIR - We'll move on to 2.1 Economic Policy and Advice. I'm interested in what additional resources are required for the whole of government economic and financial policy advice and modelling initiative. What exactly is this to deliver?

Mr FERGUSON - Chair, thank you for your question. I respect the question. Mr Burgess will respond, but it's a new investment in Treasury to do a better job in this space and to reduce some costs across other government departments.

Mr BURGESS - We have increasingly seen over the past few years, agencies and other stakeholders using economic impact assessments to put forward claims around benefits of different projects, programs or industries.

Treasury has never held a model, during my 30 years anyway, that enables us to do that modelling, so agencies have had to outsource. From Treasury's perspective, we've seen work of varying quality done by those contractors. It is often a complex area that agencies don't have to do very often, so often they haven't asked the right question or they're not using the outputs correctly.

This funding has enabled us to commence discussions with the Central Population Studies of Victoria University to obtain a licence to access their computable general equilibrium model.

CHAIR - I understood that perfectly - not.

Mr BURGESS - In a nutshell, that's a computer model of the economy. It's based on the last census data and national input/output tables, and it enables you to make what they call 'shocks to the model'. That could be a policy change, for instance, a tax change, it could be a significant amount of investment in a particular area of the economy. The model then delivers to you impacts on economic activity and employment in specific industry sectors and the module we're getting also enables you to look at impacts on state revenue as well.

CHAIR - That all sounds really helpful and I'm sure it will be. When I at a later time or anyone on the committee asked for modelling related to a particular policy decision or some other non-policy related adjustment, can we expect to be provided with the modelling that this initiative will deliver?

Mr FERGUSON - I am not sure, but certainly it's about getting capability in-house as opposed to outsourced.

PUBLIC

Mr BURGESS - The intent is that Treasury would be able to provide this service to agencies rather than them needing to contract for it, so there are budget savings to be had there. We also want to build the expertise in the business so we can work with agencies from the start to make sure they are asking the right questions and using the results correctly. For everyone's benefit, it avoids the question that is raised whenever there's a study - 'what does Treasury think of this?' The answer will be Treasury did the modelling.

CHAIR - Basically, Treasury will take all this modelling in-house and provide it back to the departments.

Mr BURGESS - Yes. It is effectively performing a function which they're now contracting for and our estimate is if we get to do two or three of these a year, that'll pay for the cost of the model.

CHAIR - How much is the actual model costing?

Mr BURGESS - The model itself is around \$70,000 for the subscription, but we require some additional training - it's quite technical - in the order of probably \$50,000 a year. We're probably going to look at another staff member as well, in that economic policy branch to support those functions.

CHAIR - How many staff are in that branch currently?

Mr BURGESS - There are 12.

Mr SWAIN - It will not be used to model everything. There will still be a fair input into getting the inputs right. What comes out of the model is valuable, but the people who provide those inputs will be trained in the model, so you would hope they would have a better set of inputs than someone who hadn't been trained.

It's also worth noting, that initiative in the Budget, returning back to the beginning of this session, some of that funding will go to finding out if we need to strengthen the ability of Budget branch, which is James's division, to track what's happening in relation to expenditure. On the one hand, then, we're improving the modelling capacity, and on the other, we're able to track the budget expenditure in a closer way than we have before.

We can use the modelling for major capital projects, but we can also use it to look at things like what happens if you change the level of government spending in the economy over time. We think we will get a broad use out of that and will link the financial and economic parts of Treasury a little more closely.

CHAIR - When we see some government announcement about something, if I ask if there's modelling to back it up, the most likely response will be 'yes', now?

Mr FERGUSON - I hope so.

CHAIR - When I ask to see the modelling?

Mr FERGUSON - I couldn't pre-empt it because I would be speaking over other ministers or portfolios, but you'll at least know that rather than outsourcing it to a consultant,

it's had a better prospect of being insourced. Also, with the additional layer of Treasury personnel providing that service to agencies, it's not outside the realms of possibility that this may continue to expand in coming years. If we can improve the model and provide cost savings to other agencies, ultimately, it may even lead to a higher quality of advice.

Mr VINCENT - Part of that would be the consistency of the advice to departments as well?

Mr FERGUSON - That is right Mr Vincent and, as Mr Burgess was earlier suggesting, the fact that Treasury is able to package that advice, or the outcomes of the business case assessment, or an economic modelling of an idea or a project might be very positive. It might be very negative, too, but to get the quality of the information together with that overlay of Treasury's own input, can only lead to a benefit to government and to the parliament.

Chair, would it be convenient just to give some documents to you? First of all, in response to Ms Thomas, property sold by Treasury in the 2023-24 financial year, there's a number of copies there. I also have printed copies for the table from the CGC Methodology Review, documents from March, May and October 2023, and January, May and August 2024 here for you, and they all relate to the Tasmanian government's submissions to that process.

CHAIR - Thank you. Treasury branch are earning their keep.

Mr FERGUSON - Yes. There's one ream of paper there, I think.

CHAIR - Thank you.

Mr FERGUSON - Ten dollars.

CHAIR - Thank you for that, Treasurer. If there's no other questions on that, we'll keep moving along to 2.3, which is intergovernmental financial matters. We covered a number of things here earlier. I'd like you to talk about any risks as you see them to the national partnership, or payments for a specific purpose in the national partnership agreements, because we know that they come up for renewal. I just wanted to seek your input into any risks you see to the funding of these potential areas.

Mr FERGUSON - I don't see too much risk in respect of the individual agreements having a continued life, but with every one of those agreements, there's a level of risk to be understood. The risk is that we would see a lessening of the partnership from the Commonwealth level on a particular agreement, or one that's not as strong or generous as we feel it should be, and we could go through them one by one or as a group.

The bottom line is that whenever the state of Tasmania enters into a funding agreement with the Australian Government, I don't know what it looks like from the outside looking in, but from the inside it is always a process of advocating very strongly for Tasmania. Often it means advocating as a group of states and territories to the Commonwealth, because, without being impolite about it, it's fair to say that the Commonwealth is consistently seeking to move risk onto the states and territories and to reduce its own financial contribution.

It is something that we have to work with and - I'm choosing my words carefully - really advocate for our state on a consistent basis before we sign any document.

CHAIR - We are seeing that even the state has to step in - this is outside your area - for GPs and that sort of thing, which is absolutely a federal government responsibility -

Mr FERGUSON - It's a great example.

CHAIR - With the total health national partnerships, we see that in 2026-27 there's only \$7 million. That's on page 100 of budget paper 1. One assumes there'll be further - these are payments for specific purposes. I know one of the ones you were asking the federal government to stump up for was the Heart Centre in Launceston. I guess it's a matter for those various departments to advocate, or is it a matter for Treasury?

Mr FERGUSON - There's a schedule of agreements that have different agreements depending on how significant they are or the risk to a state budget. They go within different - I think the term is streams, or decision-making categories. Nearly always it's the portfolio minister that will represent the state's interest. Occasionally when there's not been an achieved outcome, it might be elevated to a National Cabinet level, and at other times it might in fact be the Treasurers that resolve an agreement.

Mr SWAIN - If I could add to that, Treasurer, the line agency or portfolio agency will often take the lead, as the Treasurer's articulated. DPAC will have a standing capability in relation to governmental agreements, as does Treasury. One of the potential advantages for the state is we are small enough to talk to each other. That's very challenging for some of the big jurisdictions. In relation to housing, education, NDIS, foundational supports, transport and the one that's already been dealt with in housing, you would expect the two central agencies and the line agency to be giving advice in relation to those matters.

CHAIR - When we look at one of the national partnership payments under community services including disability, there's 'other', and that relates to family, domestic and sexual violence responses and the Municipal Essential Services Transition Fund. Is this the only area that we see this sort of funding for prevention of family violence that has a contribution from the Feds? I thought they put a whole heap more money into that, and they should.

Mr SWAIN - There was a very recent discussion I believe at National Cabinet involving first ministers, and I think part of the discussion from the states was about what expenditure from states that's already committed would be acknowledged and recognised, but I actually don't have any details on where that got to. It was more in the Premier's space.

Mr FERGUSON - That's right.

CHAIR - It is an absolutely shocking situation we face that needs much more attention.

Output Group 3 - Revenue, Superannuation and Regulatory Management Services

3.4 Office of the Superannuation Committee

Ms LOVELL - Minister, the funding over the forward Estimates for the Office of the Superannuation Commission is pretty static. Have they given any advice to you about any impact on their work, and whether that will be affected by inflation and other costs that will rise?

Mr FERGUSON - Thank you, Ms Lovell, for the question. I don't believe I have had any such concern raised with me. This would be the team that actually resides within OSC. I'd be happy for you to also direct that question to Mr Burgess, but feel free to respond freely.

Mr BURGESS - No, we haven't received any concerns of that nature. Do you mean in terms of feedback from people receiving pensions, or -?

Ms LOVELL - No, I mean in terms of their costs of running their office, and the associated wage costs and admin.

Mr BURGESS - No, it is a fairly stable function because of the nature of their dealing with the now closed-off defined benefit schemes, so it is very stable in its operation. In the longer term its operation is going to tail off, but at the moment there's still a core body of work there, and there's very little change from one year to the next.

Ms LOVELL - Thank you. Minister, has the commission ever provided any advice to you on how the superannuation liability could be managed more effectively?

Mr FERGUSON - No, I don't believe the commission has provided any sort of formal or other feedback in relation to that. I am happy to explore it with you, but no, I don't believe so.

Output Group 4 - Community Assistance

4.1 Public Trustee Community Service Obligation

Mr HARRISS - Treasurer, on the Public Trustee website, the CSO funding for 2024-25 and 2025-26 is listed at around \$3.4 million. In the budget papers, it's a bit over double that. Can you give me some understanding of the additional expenditure?

Mr FERGUSON - Yes, I can. Who has this?

Mr BURGESS - As we discussed earlier, there was an increase in the funding given to the Public Trustee for the CSO function following the Bugg review. I'm not sure what's on their website. It may be that they simply haven't updated their website since the Budget.

Mr FERGUSON - I reckon that's likely, Mr Harriss. We could check that to be absolutely sure for you, unless in any way the website figures are more retrospective-looking in the recent years as opposed to looking forward.

Mr HARRISS - There were 28 recommendations from the Bugg review. Do we know how many those have been implemented?

Mr FERGUSON - Yes, Mr Harriss. I would perhaps not be the best minister to ask that question. The Attorney-General, Mr Barnett, would be the perfect person to respond, but it's my understanding that, as we've contemplated the best way to get the Bugg report effectively implemented, it is on track. There are a lot of people who have worked hard to be able to make that statement, including the Public Trustee itself, the Department of Justice, the Attorney-General and the former attorney-general for that matter.

Everybody's worked hard to provide the policy support and the financial support to deliver those outcomes. Whatever else is true, those outcomes are about making sure that we deliver those regulated services to those vulnerable Tasmanians, and the highest quality at the lowest cost to them, so that we're protecting their interests and that's absolutely the frame of mind in which we made today's announcement as well.

Mr SWAIN - Treasurer, I've just found a note here that 27 of the 28 recommendations have been implemented and the last recommendation is being considered in connection to the Tasmanian Economic Regulator's report.

Output Group 1 - Debt Servicing and Management

1.1 Debt Servicing

CHAIR - Thanks, Treasurer. We'll move to Finance-General; do you need to change any people at the table?

Mr FERGUSON - I don't think so.

CHAIR - Might let someone go? No? Okay.

Mr FERGUSON - He's had the most changes. This might be the last seat change for you, Mr Burgess.

CHAIR - With regard to debt servicing, we have covered some of these matters previously. I appreciate the bit of leeway being given. Last year we talked about the decision to commit \$375 million for the Macquarie Point urban renewal that added to our debt and increased our financial risk. This year the funding has been transferred to Macquarie Point Development Corporation as an equity transfer. How is Macquarie Point Development Corporation going to fund its debt servicing costs for its temporary borrowings? Won't this have to come from the general government sector?

Mr FERGUSON - Thank you for the question. I might ask Mr Craigie to jump in here.

Mr CRAIGIE - Thank you, Treasurer. The 2023-24 Budget had the Macquarie Point funding going through State Growth as a capital project and this Budget has it going to Macquarie Point Development Corporation as an equity injection. The appropriation is to Finance-General and Finance-General will make an equity contribution to Macquarie Point. To the extent that borrowings are required to support that \$375 million, that will be general government sector borrowings, not borrowings in the entity. The entity -

CHAIR - So these borrowings are added to the general government borrowings - is that what you're saying?

Mr CRAIGIE - To the extent that the government needs to borrow to fund that equity contribution, that would be general government sector borrowings, not borrowings in the entity.

CHAIR - Treasurer, are you expecting them not to require any borrowings?

Mr FERGUSON - No, that's not right. In respect of the funding that we're providing across to MPDC as an equity transfer, the Deputy Secretary has answered that question. There

is an \$85 million component which is based on borrowings, isn't it, to make up the overall budget? But they're future decisions to be made. We would obviously see that as leaning in in partnerships with private sector involvement as well, to recover. This is the project plan that we have at this point in time and the government is committed to the \$715 million envelope, subject to the Tasmanian Planning Commission.

CHAIR - And parliament?

Mr FERGUSON - Indeed, and the votes of the parliament.

CHAIR - A similar question along another entity, if you like, the Homes Tasmania borrowings, are up by \$500 million. This is not included in the general government net debt, but is service from the Budget as I understand it.

Mr FERGUSON - Yes, that's correct. It's a direct grant that's paid via the Department of Premier and Cabinet to Homes Tasmania for its debt servicing.

CHAIR - That's how they'll fund their debt servicing?

Mr FERGUSON - That's correct.

CHAIR - That being said, doesn't it distort somewhat the general government borrowings when we've got these entities sitting over there, which are odd entities and they're odd in that they're not part of the scrutiny process of government businesses and that sort of thing?

Mr FERGUSON - Except that we've volunteered willingly for Homes Tasmania to be available for scrutiny and I hope that's the case in your own committees. We're not trying to escape that process. While Homes Tasmania is a public non-financial corporation, it's available for scrutiny and there's a chapter in budget paper 2.

CHAIR - I imagine they'll be called into Committee B where they sit with the relevant minister.

Mr FERGUSON - Okay, right. But when you have the minister in front of you in relation to the grant funds through DPAC, I would imagine you can explore the funding through DPAC as well.

CHAIR - It is interesting that we had a fairly large Commonwealth housing debt that was forgiven or written off a little while back, but now we're loading them up again with some \$500 million of debt or debt funding. Do we expect them to not continue in a debt position?

Mr FERGUSON - Homes Tasmania?

CHAIR - Yes, over the longer term.

Mr FERGUSON - That will have to be something that's actively managed. They have a target of 10,000 homes, and we'll continue as a government to work with Homes Tasmania and its board to ensure that its borrowings are sustainable as well, noting that it is underpinned by an asset base that's being built and purchased.

CHAIR - Hopefully it's built.

Mr FERGUSON - When I say purchased, I mean Homes Tasmania have the remit. They can purchase off the plan and they can purchase spec homes, and they have been doing some of that as well as their own client-led building projects.

CHAIR - They also bought a building from UTAS. Treasurer, just going back to the Fiscal Strategy and chart 3.1, which is the gross debt per capita. I understand this is just the debt for the general government sector. Would you be able to prepare a chart to provide to the committee that includes the total state sector?

Mr FERGUSON - Yes.

CHAIR - I am not asking you to do it right here, right now. The chart I am referring to is on page 47. That doesn't just include the general government sector but also includes the total state sector on a separate line.

Mr FERGUSON - I think we may even have one very similar to that at a later chapter in budget paper 1. I will just ask.

CHAIR - I would be really happy to see it if it is. I am happy to pointed to it, or happy to put that on notice. I don't expect you to produce something across the table if you haven't got it.

Mr FERGUSON - I see a version of what you're asking for on page 155 of budget paper 1 under the net worth. It presents a chart of financial assets, non-financial assets and total liabilities, and then it has a coincident net worth line chart running through it as well. I think that is what you're asking for.

CHAIR - What page are you on?

Mr FERGUSON - Page 155.

Mr CRAIGIE - That's the general government sector, I think, Treasurer, on chart 7.5.

Mr FERGUSON - Okay, so not total?

CHAIR - I'm not sure what it is, but I don't think it includes the total state sector, does it?

Mr FERGUSON - I will take it on notice then, in that case. I see your point, and we are in GGS in that chapter, aren't we?

CHAIR - Yes.

Mr FERGUSON - I don't know if we have it charted, but -

Mr CRAIGIE - No, we haven't got a chart, Treasurer. The total state sector balance sheet is in the Budget, but we haven't got a chart, no.

CHAIR - Is it possible to produce the chart?

Mr CRAIGIE -I'm confident we can get the numerator and the denominator, yes.

CHAIR - Okay, I look forward to that.

Mr FERGUSON - I shall take that on notice. We can add it to our list.

CHAIR - One of my favourite questions - I should have asked this as an overarching one right across, but somehow it got slipped down the list. I appreciate the work that's been done on the Gender Budget Statement and the fact that you also had a contribution in that.

Mr FERGUSON - It's evolving. Third year in and it's the best ever, I think.

CHAIR - It has come a long way since the very first one, so credit for that. Do you have a gender breakdown in employment across Treasury and Finance and Finance-General, and what's your gender pay gap, not according to the ABS, but according to the federal government's Workplace and Gender Equality Agency.

Mr SWAIN - We have information in relation to the split, but I don't think we've got the pay gap information.

CHAIR - Next year though, under the Workplace and Gender Quality Agency figure, not ABS.

Mr SWAIN - The headcount is 358, which is comprised of 60 per cent females and 39 per cent males; 1 per cent identifies as other. Of the employees in senior roles, which is band 8 and above, 56 per cent are female and 44 per cent are male, and senior executive service officers comprised 50 per cent females and 50 per cent males.

As an aside, the department has a very flexible set of workplace arrangements, which has probably contributed to that gender balance, with 27 per cent of the department working part time or less than full time. It is very flexible employing.

CHAIR - You wouldn't think that looking from this side of the table, would you, with all due respect to the gentleman at the table?

Mr FERGUSON - I'm not offering to change.

CHAIR - You want to come to this side for a while? Are you able to provide gender pay gap then, which is probably not too bad listening to your figures.

Mr SWAIN - We'd have to take that on notice.

Mr FERGUSON - These figures were prepared for us by Ms Abigail Turner, Deputy Secretary of Department of Treasury and Finance, who is available to answer more detailed questions should you wish.

CHAIR - That's fine. I appreciate that.

Mr FERGUSON - She will be relieved, I think.

CHAIR - We'll move on because we are running out of time.

Output Group 1 - Debt Servicing and Management

1.2 Interest on Sundry Deposits

CHAIR - There's not a lot in interest on sundry deposits. It fluctuates with interest rates, and who knows what we're going to have there.

Output Group 2 - Employee-related Costs

2.1 Superannuation and pensions

Mr FERGUSON - In the interests of time, I'm happy for you to just pepper me with whatever questions are your priorities in the remaining outputs, and I'll take them in whatever order you wish.

CHAIR - In terms of the superannuation and pensions, one of Mr Eslake's recommendations was to look at this. One of your contemporaries who has a lot to say on these matters thinks we should look at the defined benefit scheme and review that liability. Do you have a view on that?

Mr FERGUSON - I would have to take careful advice in this space before making any public comments. I'm not aware of what scope we would have to revisit this. I've heard some people say, 'Sell big assets'. I'm not an advocate for that.

CHAIR - I'm talking about superannuation.

Mr FERGUSON - I know, but some people have said to sell big assets and bank it against the superannuation liability. That is not the space that I'm in or that the government's in, but the idea of reforming the actual defined benefits superannuation scheme - the reason it's challenging is obvious, which is that it has already been cut off to new entrants back in about the late 1990s.

I think it would be quite challenging to explore this space, but if there was a real reform option that gave us some improvements to the way we manage these liabilities and the way that we fund the costs on a cash emerging basis, I'm open to it, but I can also recognise that there would be some big challenges to doing so. People have invested in those schemes in the belief that the defined benefit will be there for them when they retire.

Output Group 3 - Government Businesses

3.4 Government Business

CHAIR - We have asked a bit about some of these matters already, Treasurer. This may be a question for another minister, but I'm interested in the cost estimates for the Macquarie Point multipurpose stadium now that the plans and the information required by the TPC have been submitted. Can you confirm whether or not the limit that the state government continues to say will not be exceeded, does that include the pre-design and architect fees or is that a separate amount?

Mr FERGUSON - That's probably a question for the minister for Sport, Chair, with respect. I would not like to guess an answer on that. I believe I know the answer but I'd like to defer it to the experts.

CHAIR - I'll ask him; that is all right. You're here first; he's here later.

Mr FERGUSON - I appreciate that.

CHAIR - Are you aware whether the cost estimates that were provided to the TPC are P50 or P90 cost estimates?

Mr FERGUSON - I actually don't know the answer to that. I'm at risk of overstepping another portfolio here, but the government's preparedness is 715, noting that there is a higher figure in the TPC submission. Even Ms Beach publicly stated that they'd be working to value-manage that and get it back in budget.

CHAIR - The comments that were made by the Premier around private investors and that sort of thing - I imagine you have an interest in that as Treasurer. What do you see the value proposition is that we'd be selling them and what cost will they come at?

Mr FERGUSON - I'm happy to answer the question at a superficial level, but I would have to encourage you to take those questions to Mr Street, but I know that in some of the, ancillary services around the stadium, food and beverage was mentioned, wasn't it? As well as some of the digital marketing, for example. I think those are elements where some capital costs can be alleviated in favour of a revenue model for a private proponent.

I am at risk of speaking over another portfolio, so I might draw it there.

CHAIR - I'll ask him; that's all right.

Are there any other questions on that from anyone?

We'll move then to 4.2 which is the Treasurer's reserve which is going back to the status quo.

Output group 4 Miscellaneous

4.2 Treasurer's Reserve

Mr FERGUSON - We've worked to bring that in and, as I've said to you, Chair, publicly and privately in these forums, my view is to bring it down to the more normal amount. Should other costs emerge that we need to seek parliamentary approval for, my attitude is that the government should bring it in as a (inaudible 12:55:57) or work within the Treasury reserve and the FMA framework that we have.

CHAIR - We will go on to 4.3 - Miscellaneous. Sarah, do you want to ask anything there?

Output Group 4 Miscellaneous

4.3 Miscellaneous

CHAIR - This relates to the Energy Bill Relief Fund. Did that come through this line? How much is the breakdown?

Mr FERGUSON - That particular initiative, the Energy Bill Relief Fund, has had two phases, one of which we've half-funded, so I'd need to seek some advice.

Mr CRAIGIE - There's the state funding element in that output and also the expenditure, which is supported by the Australian Government funding. So, yes, the expenditure reflects both sources.

Mr FERGUSON - Okay.

CHAIR - Are there any other questions on that one?

The payment to the ATO - I note that with regard to this footnote 5 on page 89, Finance General, talks about compliance costs. I assume this complies with the requirements of the state under the relevant federal legislation? And, does the amount of GST we get affect compliance costs? How is that impacted?

Mr SWAIN - I'm going from memory now, so Dean might want to come to the table, if that's alright, Treasurer? I believe there's a compliance program that raised that administrative cost for a fixed period.

Mr BURGESS - The compliance program is undertaken by the ATO to effectively support compliance with the GST. Obviously, they've had to put more resources in to do that so the state has agreed to that, which has resulted in an increase in GST administration costs. The flip side, which is a bit less clear, is, in theory, that should deliver more GST.

Mr FERGUSON - Can we be clear? We're talking about compliance of people who are obliged to report and remit goods and services tax for their business operations, not the states and territories. It's an ATO compliance in the private sector.

CHAIR - Why, then, does the line item here fall away in 2027-28 and it drops down a little bit after 2025-26 from \$15 million down to \$9 million, or nearly \$10 million?

Mr BURGESS - I'm assuming that's the compliance programs for a defined period.

CHAIR - Compliance is not an ongoing thing - it's something that the department has to work with?

Mr BURGESS - The ATO, more generally, targets its compliance from time to time in different areas. Based on risk assessments, the way they tend to approach it is they identify an area, put a big team on it to really have a look at it. The risk is that, 'okay, we've gone through that, we think things are pretty compliant and everything's okay' then they'll go off to another tax line. It tends to be for a defined period and then move on.

Output group 4 - Miscellaneous

4.7 Property Management Services

Ms THOMAS - Probably nothing pressing here. We probably covered some of this earlier in the other line item, really. I'm not exactly clear in my mind how and why they're different, those two line items, in fact.

Mr CRAIGIE - The output in the Treasury is the team that looks after it. This output deals with the actual cost of those services. When I talked about the leasing cost before that getting this output.

CHAIR - It's all a bit 'left hand, right hand' stuff, some of this.

Ms THOMAS - I had sort of general questions about the variations, but given the time, I think it's not critical.

CHAIR - Are you happy if we keep going for about 10 minutes? Unless there are any others on that we'll go to the Infrastructure Investment Project Planning.

Output Group 4 Miscellaneous

4.8 Infrastructure Investment Project Planning

Ms THOMAS - I had some questions around the Structured Infrastructure Investment Review Process (SIIRP) and the ITAS assessment process, but I think we've probably prosecuted that enough through our recent inquiry.

CHAIR - A little bit. There are new guidelines being delivered. We don't know the time line though, do we?

Mr SWAIN - That's a question for ITAS and their minister, but I believe they're aiming for November-December, the end of this calendar year. We are working with them to make sure that our SIIRP processes and their assurance processes are complementary.

Ms THOMAS - Yes, not duplicating, and that was one of my questions, so thank you. Do you know how many projects were assessed through the SIIRP process in 2023-24 and what the expectation is for 2024-25?

Mr CRAIGIE -. I can tell you which projects are going through SIIRP - just got to find the right bit of paper. It'll take a minute.

Mr FERGUSON - Have you got it? If you don't, I'll offer to take it on notice.

Mr CRAIGIE - No, I'm moments away, Treasurer, I think.

Ms THOMAS - I'm happy for it to be tabled.

Mr FERGUSON - I will do that.

CHAIR - Table that? Okay.

Mr FERGUSON - But we don't have it here right now, is that right or not?

Mr CRAIGIE - It's a lot.

Mr FERGUSON - I'll provide it to the committee. Your Secretary will include it in the letter.

Ms THOMAS - Thank you. That's all.

CHAIR - Do you want a letter or do you want to just provide it?

Mr FERGUSON - I'll be providing it. Can we have it for lunch then, after lunch break? We'll do that.

CHAIR - Okay, just if anything else on that, otherwise I'll move to 4.9 Ex-Gratia Assistance.

Output Group 4 Miscellaneous 4.9 Ex-Gratia Assistance

CHAIR - Do you have a figure on how much has actually been expended from that in the last 12 months?

Mr FERGUSON - I'm not sure.

CHAIR - Or perhaps in the last financial year.

Mr CRAIGIE - I can confirm there were no payments in 2023-24.

Mr FERGUSON - Where did we just land?

CHAIR - No payments.

Mr CRAIGIE - Coming from ex gratia - not from that output.

CHAIR - That's a separate bucket of money for other compensation.

Output Group 4 - Miscellaneous 4.11 Budget Efficiency Dividend

Ms LOVELL - I just have one, Chair. The additional here is not until 2027-28, obviously after the current efficiency dividends. When would you expect or when do you plan for those to be allocated across agencies?

Mr FERGUSON - It's a good question and a fair one, but I don't know the answer to it. Obviously before that financial year and, as we did last year, the intention was to try to provide the first year of relief so that there was no expectation in 2023-24 to give agencies the chance to prepare for that. I'm not avoiding the question, I just don't have an answer and I'm happy for any of my officials to give their own commentary on it, but it will need to be allocated at some

point to get it out of Finance-General. I wouldn't necessarily know that it will even be done in the next 12 months, but it may be.

Ms LOVELL - Will it be done under the same process or with the same considerations around the proportion?

Mr FERGUSON - I think it would be, broadly; I wouldn't like to pre-empt the way that the Budget Committee of Cabinet would consider that, but I would think, as a matter good practice, it ought to take account of the same sorts of inflexibilities that some agencies would say they have in being able to contribute toward an efficiency. What do you say?

Mr SWAIN - I'd say, Treasurer, Treasury's advice to the Treasurer would be that the sooner we can do it, the better in terms of giving client agencies as much time as possible, so it might be something we aim to progress in the lead-up to the next budget.

Mr FERGUSON - We don't know, but there's an insight that may be useful.

CHAIR - Okay, anything else on that?

Output Group 4 - Miscellaneous

4.12 Home Warranty Insurance Scheme Establishment

Mr HARRISS - I'm just interested to know what 4.12, establishment of the home warranty insurance, covers. Is that educational or is it staffing or office space?

Mr CRAIGIE - Through you, Treasurer, the expectation is that the home warranty insurance scheme will be self-funding over time, so the premiums that are collected will match the payments that are made, but in the early part of the scheme's life that may not be the case. There's a small appropriation in this year's Budget to help pre-fund the pool that will be the insurance pool, so it will cover potential claims. It is not for administrative costs; it is to support the underwriting pool. In the early part of the scheme it will collect premiums, but if it has to make payments in its first year it's unlikely that the premiums will be greater than the payment. This provides a source of funds for those payments.

Mr HARRISS - Right, and do we know when, because the scheme is not operational at the moment, is it?

Mr CRAIGIE - No, not yet.

Mr HARRISS - Do you have an indication of when that will be?

Mr CRAIGIE - I don't think there's a specific date. Treasury is undertaking a procurement at the moment for the scheme coordinator.

Mr FERGUSON - We hope to have that concluded this calendar year 2024. We ought to have a better visibility on that at around that time as to when the scheme could then commence depending on the level of compliant bids and the best-value outcomes toward the end of this year. Would that be right? We should have a better ability to indicate when the formal scheme would commence?

Mr SWAIN - Yes, I would think that the bids themselves will then be one of the considerations about the scheme's commencement.

Mr HARRISS - So once the tender has been accepted, the government essentially won't have any role to play, is that right - apart from underwriting?

Mr CRAIGIE - The underlying legislation that established the scheme provides or allows for more than one insurer or scheme operator, but in the first instance the government will be providing the service, and Treasury and Justice collectively will administer that service. The funding is to support the government's scheme as the operator. If in the future there are additional operators, that would be a matter for them.

Output Group 90 - COVID-19 Response and Recovery
90.2 Local Government \$200 million Interest-Free Loans

Mr VINCENT - Treasurer, this has been a bit of a bonus for local councils during COVID. Obviously it's running out over the next 12 times, but it gave a lot of councils confidence to take on some things they wouldn't normally do in short-term loans. Is it something that is in consideration? Obviously you haven't got it built in at the moment, but is it something worthwhile keeping up your sleeve to keep that stimulus going, especially in some of the regional areas?

Mr FERGUSON - It's a fair question and a good one, because the intention of this scheme when it was created during the pandemic was to provide a finance vehicle that would allow local government to effectively implement their existing capital program, but to bring forward decisions, and that we would carry the finance cost of that. That was at a time when finance was almost free in terms of being able to borrow money, and so it cost the state as little as \$4.6 million for interest subsidies over those four years. It's actually an extraordinary value that we were able to get there for local government and for Tasmanians and for jobs.

Looking forward, if we would do something like this again, the finance costs would be many times more than that to achieve the same level of loans. I wouldn't rule it out, but it's not part of our current plan. It has been a successful vehicle, and I know for local governments right around the state, they felt that they could lean into this. Those loans and the capital programs would be something that each council needs to consider going forward, what more could they do and what borrowings are prudent for them. Some would say that they're already, at capacity; others would say that they've got more to give.

I wouldn't rule it out, but as you've identified in your question, it's not something that we're currently programmed in to do. This particular scheme is due to conclude in June when borrowings would all be fully repaid.

Mr VINCENT - They were all short term, weren't they?

Mr FERGUSON - Yes, effectively over four years. It's been very successful. I think councils everywhere have found the benefit, and it was part of that infrastructure blitz during the pandemic when we had to stimulate demand very rapidly. I think many would say it's been very successful.

Ms THOMAS - I just have one follow-up. Is there any intention to do, or has there been any review of the outcomes of the program, to further your question about the benefits and any impacts?

Mr FERGUSON - Have we done any evaluation of any kind?

Mr CRAIGIE - Given it has not concluded yet, no, not really.

Mr FERGUSON - Yes, but should we or will we?

Mr CRAIGIE - We could.

Mr FERGUSON - I think it wouldn't be a bad idea for our new economic modelling team to have a look at this at the conclusion of it, if you'd be agreeable, in June next year, and do some sort of assessment of the value that it generated during those years.

Ms THOMAS - Yes. I'm interested in the value it generated, but also councils - whilst it was interest-free loans and that's beneficial, ultimately the money has to be paid back, so that still can have an impact, particularly on smaller councils in terms of capacity to repay a loan. The idea was to stimulate the economy at the time, but it comes at a cost to ratepayers ultimately. I'm interested in review of the outcomes.

Mr FERGUSON - As I recall it at the time, it was one of those many things that we did as a government during that time when many responses were done in a hurry. As I recall it, the intention was to encourage councils to do the same things that they were planning to do, but to bring them forward and not have to wear the finance cost in the meantime. I hear what you're saying. It's still perhaps been challenging at different times for small councils to repay, but the intention was that it was their existing program brought forward. Thank you for that and we'll do an evaluation after the end of the program.

CHAIR - With regards to grants and subsidies and capital investment, there are a couple that are your responsibility in this. We have touched on a few of those, so I won't go there. In the capital investment program, I couldn't find capital projects that relate here. There is an appropriation, so is there anything that's being funded out of that? It's on page 87, the revenue from appropriation by output. You have capital investment of \$26,720,000 for this year and then \$25 million in the out-years. It might be a new funding model, but is that considered capital or is that not?

Mr CRAIGIE - It is the digital transformation priority expenditure project.

Mr FERGUSON - Could you speak to that for us? Or is that clear?

CHAIR - Yes, it is all related to the digital transformation. Thanks, minister, we will wrap it up there. We appreciate your time and we'll see you back with a different team, I assume, after lunch. They're allowed to go and have lunch and have a break. We hope you can provide some information to us; otherwise we'll write to you for any outstanding information after that period.

PUBLIC

Mr CRAIGIE - It's not all digital transformation. There is a small component that is to fund the expansion of the House of Assembly to accommodate 35 members; the refurbishment work that's been done.

CHAIR - In the House itself or in the electorate offices and things like that?

Mr CRAIGIE - No, this is the works. The expansion of the House will go into the ground floor of the tower, the new building, and there are some works to fit out there and relocate affected staff.

Mr FERGUSON - Offices for MPs.

Mr CRAIGIE - It's a small component; the majority is for the digital transformation.

CHAIR - Thanks for clarifying. Thank you, Treasurer, and we'll see you back after lunch.

The committee suspended from 1.15p.m. to 2.00 p.m.

CHAIR - Thank you, Martin, Jonathan and your team for appearing before the Estimates committee to scrutinise your Budget. I'll invite you to introduce members of your team who will be speaking, and if you want to make some comments, that would be great. We only have half an hour. Then we'll have some questions for you.

Mr THOMPSON - Thank you very much, Chair. Today we have me, Martin Thompson, Auditor-General - this is my first Estimates hearing and I'm very happy to be here today - my deputy, Jonathan Wassell, and my Director of Corporate Services, Naomi Martin.

In terms of an opening statement, I think the budget process that we have gone through at the moment has resulted in a Budget that provides the resources to the office that we require to deliver the program of work. I might say that the other way around. We have developed a program of work that fits within the resources provided to our office. I'm happy to leave my opening statement at that.

CHAIR - I might lead off. Martin, we know that all departments, including the audit offices, had to make budget efficiency dividends. Can you tell the committee about what that means in the Audit Office and how you have managed - I assume you have managed to meet yours?

Mr THOMPSON - Yes, we have. It's probably worth just taking one step back to understand the funding structure of the Audit Office. We deliver two services through our office: one is the financial audit services, so we audit the financial statements of approximately 125 state entities, including local councils, and we undertake a program of performance audit work, as well as respond to referrals.

The financial statement audit process is done on a cost recovery basis, so it's not subject to appropriation, and what that means is our appropriation funding is basically directed to our performance audit program, and a proportion of our corporate overheads are aligned with that side.

PUBLIC

The efficiency dividend, which comes to \$212,000 a year when fully implemented, represents about 14 per cent of our performance audit program or about 1.8 equivalent staff. Depending on where those staff sit and at what level, that is an estimate. The only lever we have is to manage through natural attrition the structure and bring that down.

That will have a necessary flow-on effect to the amount of work that we'll be able to deliver in that performance audit side of our business. Realistically, our target at the moment is for six reports out of the performance audit team annually. That would most likely come back to five.

CHAIR - In terms of things cropping up, as we know they do from time to time - you might set your plan and then other important matters arise. I understand you get quite a lot of requests. What's the process there if it's outside the plan of work that you have budgeted for?

Mr THOMPSON - I'll take a step back and explain the development of the plan of work process. We go through an annual planning process to develop that forward work program. We currently have on our topic list 48 potential areas of audit activity that meet our structure and criteria around being at higher risk, and areas that in an ideal space we would like to look at through that performance audit program. We will never be able to deliver all of those reviews, because six reviews a year - that's eight years to get there, and other things will come into focus through that time.

Annually we go through a process of trying to prioritise that list down to the most important areas of focus to fit within the level of funding available. We have had in the past and will continue to have a degree of flexibility by re-timing and removing audits that might be in the plan to allow us to focus on other areas. In recent times, examples of that have been the commission of inquiry asked us to look at custodial sentences. We were able to do that, but it had an impact on the timing of other audits.

We also receive referrals on a regular basis. In the last year we received 38 referrals, and we take every referral for an assessment process. There are referrals that I think have merit to follow through with, however, given our funding, we're conscious that to deliver on those, something else needs to move, so it's a high bar before we act on those.

In relation to the 38 referrals we received last year, we followed two of those through to issue management letters to the relevant departments and ministers and two of those were led to a report to parliament.

Again, whilst we build some capacity to respond into our budget, we are limited. In essence, if we wanted to do more of that responsive work to those referrals, it would mean pushing some of those identified forward work plan topics back.

CHAIR - You wouldn't take that approach with a request for additional funding for the office generally - you'd adjust the program and push out other audits?

Mr THOMPSON - At this stage, and we did as part of this budget process make a request for additional funding. We made three requests. One was in relation to funding for Ashley and we received \$90,000 in relation to that. The other two were about \$140,000 to expand the performance audit program, and some additional funding to continue our data

analytics activities. Both of those were not met and, as a result, we need to fit our program within that funding level.

CHAIR - Which, in terms of accountability, is not necessarily a positive thing from the general public's point of view or the parliament's point of view; you report to the parliament. The \$140,000 to expand your performance space - how many more audits would that have allowed you to do in the performance space?

Mr THOMPSON - It would, hopefully, have given us the capacity to add an additional audit to the program, but again, it's difficult to speak in numbers because of size and complexity in those particular areas.

One thing we do internally is a lot of benchmarking with the other audit offices throughout Australia and New Zealand, and part of our analysis there is seeing what they are doing in the performance audit space. We would be, other than the Northern Territory that doesn't have a performance audit program, we would be the lowest in terms of the level of resources that we're contributing into our performance audit program and the level of activity that we're generating.

CHAIR - Is that a percentage of the budget size or how do you make that judgment?

Mr THOMPSON - In terms of the performance audit aspects itself, we have some benchmarking that's undertaken by an external party that provides us with a range of indicators as to where our office sits in relation to our performance of the program. That measures staff time, the percentage of the office, and a range of other factors, all of which put us at the lower end of the spectrum of other audit offices in terms of performance audit.

I can give you some more detailed statistics around how the Tasmanian office compares to the average of the other audit offices available. I can provide that information out of session but, again, all of our indicators are at that lower end.

CHAIR - It'll be helpful to have that because, as we know, one of the things that the Public Accounts Committee is looking at is a review the *Audit Act*, which was also a recommendation of Saul Eslake in his review, noting that some of the other factors that fell into the accountability and transparency of our audit office is behind the jurisdictions. Do you want to comment on that?

Mr THOMPSON - Yes. The Australasian Council of Auditors General undertake, or commission, benchmarking of where each of the audit offices sit against the eight INTOSAI, which is the International Organisation of Supreme Audit Institutions, benchmarking of where they sit in terms of their independence and their legislative mandate.

The Tasmanian Audit Office when its legislation was last updated substantively in 2008, we were third. Since then, we've dropped down to where we think is very much towards the bottom, perhaps just above South Australia, in terms of contemporary matters around independence, autonomy, access to information. Not so much at the budget level, but budget process, which South Australia having a legislative review that's commenced in the current year, we were probably looking at dropping down to the bottom of that table.

The Treasurer has indicated a review of the *Audit Act* is going to be undertaken by Treasury, which we will be an active part on and that will give us an opportunity to get our legislation up to contemporary standards. It's not significant changes under the current *Audit Act* at the moment. I have extensive powers of access and extensive mandate, but these changes to the legislation, from our perspective, are about modernising, bringing it up to contemporary standards and clarifying some of the gaps or grey areas that we see and that have evolved over the last number of years.

CHAIR - You said you applied for some additional funding for the data analytics, which is something that the PAC and others have advocated for for some time and it's good to see that it's now being rolled out and embedded. What impact does that lack of additional funding mean for that area?

Mr THOMPSON - We are currently funded for an initial implementation and development of a data analytics skill set, which we're working through and we've had some success with to date. We have certainly seen some opportunities in our performance audit space in getting a better understanding of the data and being able to visualise and support our findings with better access to that data analysis. We are getting some traction in our financial audits; however, whilst some efficiencies have been gained in the financial audit space, we are challenged with keeping up with the complexities. It's probably reducing our increased cost pressures in the financial audit space rather than leading to significant savings in that space.

That said, we're still relatively early in the data analytics journey and we do see some significant opportunities for some efficiencies, but more so for better insights into the operations and into the financial position of the state, and the ability to present that to the parliament through our financial audit reports as well.

We talk closely with other audit offices through our connections and I think we're all in similar spots in the journey. Data analytics and technology tools are important not only to the work that we do now and into the future, but also our ability to attract and retain staff. We're now seeing staff and candidates actually asking questions about the technology and tools that we use and wanting to ensure that we've got the right technology and tools that will help them develop their careers.

At the moment we're probably still a bit lacking in that space, but we're certainly working our way forward in relation to that. It's also challenging because the tools change so rapidly. Keeping up with AI and other data analytics tools is a challenge for a smaller office.

Ms LOVELL - To clarify, you said before that the efficiency dividends were equivalent to about 14 per cent of your performance audit program. Is that just in the first year or is that across the forward Estimates?

Mr THOMPSON - When we get to the full dividend, which I think is in 2025-26, 2026-27.

Ms LOVELL - It is 2026-27.

Mr THOMPSON - That's where it comes to \$212,000, which is about 14 per cent of our program. We've got about \$67,000 in the first year, which is significantly smaller, and we think

we can manage that within the existing resource space, but by the time we get to 2026-27, we'll need to change.

Ms LOVELL - Is the funding that you received in relation to the commission of inquiry recommendation for an ongoing program of work with Ashley?

Mr THOMPSON - No, it was the one-off for the specific recommendation that we addressed around the length of custodial stays, which was \$90,000.

CHAIR - The staff recruitment part you mentioned, Martin, that new staff are looking at what data analytics are used. Why would I come and work for you? I know this has been raised by former auditors-general in this state and probably everyone around the country. Auditors are not a dime a dozen and it is very competitive. How are you going in that space?

Mr THOMPSON - Our recruitment process has been quite successful. We're still challenged to get the right people and the right roles at the right time. In the last 12 months - through 2022-23, we undertook an ambitious recruitment program. We recruited 34 new members into the team and got ourselves up to a head count of about 60, which is where we need to be, or it's probably just a smidge over where we need to be from a profile perspective.

Through lots of actions that have been implemented by my predecessor and the executive team and some external factors, we've managed to reduce our turnover rates significantly. Through 2021-22 and 2022-23, we were probably running at about 50 per cent turnover and we've got that down in the last 12 months. In 2023-24 it ran at about 18 per cent. That's been really positive and we've continued to get pretty positive results throughout our state survey outcome.

That said, the requirements for our team are changing. The structure of the office is changing and the level of work as we change the way we deliver audits changes a little bit. Perhaps we have the capacity in terms of numbers, but there's still a gap in capabilities that we're actively working on addressing.

We do have issues; our remuneration at the more junior level is okay in terms of benchmarking against both other audit offices and the private sector, but once we start getting into our mid-level and higher, we are at a significant discount to the market.

Interestingly, through our staff survey and the feedback that we're getting, people do recognise the value of contributing and working in the public sector, and that's something that we want to reinforce.

Remuneration was a factor on our exit surveys, but not the key factor. I think there are people in the market who are just not attracted to our office based on remuneration.

CHAIR - And that's more at the higher levels?

Mr THOMPSON - Correct.

CHAIR - In your staff profile, where are the gaps?

Mr THOMPSON - The gaps at the moment are, we're probably short within the financial audit work on our team, we're short in terms of directors and one AAG. We have had one AAG leave since I started. A director has also moved on. We're actually short two directors at the moment and one assistant auditor-general. That's not really a significant change to the structure from where we were; it's just a result of where we're at.

I need some more time to work through the rest of the structure and the profiling, and we need to do some work on the audit processes for next year, but that will go hand in hand with a review of the profile to confirm exactly what that profile should look like.

CHAIR - In terms of recruiting those more senior staff, clearly that's going to be harder with a budget efficiency dividend and we know that you're limited by requirements under the *State Service Act* and other matters. Do you want to just talk a little bit about that and what your ideal world would look like?

Mr THOMPSON - To be clear, for the financial audit team, because we work on cost recovery, it's not so much a budget issue, but it is a *State Service Act* issue. Again, and this could be something that we look at as part of the legislation review with Treasury, a number of the audit offices around Australia now are independent of the relevant state service so they operate as an office established under their own legislation and not subject to the rules of the state service. That would be something that would assist us in our flexibility, in how we engage staff, how we remunerate staff, the ability to build surge capacity into the organisation with more flexibility than what the *State Service Act* provides at the moment, the ability for me to manage the office with more flexibility. For example, at the moment I couldn't remove an employee under the *State Service Act* without going through a very detailed process and that probably limits the flexibility in certain circumstances.

CHAIR - With regard to your performance information here, you have a target for this year of 100 per cent of financial statement audit opinions issued within the statutory deadline. We know that it's not always your fault that they are not issued in a timely way because you have to get them to assessment to start with. It appears that there's been slight improvement with that, but can you inform the committee of what the challenges are here and where the problems might lie?

Mr THOMPSON - We have had some improvement and we're hoping for some more in the current year. The challenge is that under the current legislation, agencies have 45 days to provide their materially complete financial statements to audit, then we have 45 days to complete the audit.

The challenge is twofold. We have a significant level of activity at the end of that 45 days to check the financial statements that we receive and accept them as materially complete. There is a distinction that they don't need to be materially correct at that point and we're not in a position to determine if they are because we need to work our way through an audit process. We simply don't have the resources and I wouldn't recommend building the resources in to meet the completion of all of those audits in that 45 days.

There are a number of sectors, particularly the local government sector, that don't necessarily have a reporting requirement and where they have very limited resources themselves, and it puts a lot of strain on those organisations to complete their financial statements by that time for not a lot of benefit.

What we do is we prioritise the reporting department process in terms of the financial statement audit and very much focus on the GBEs in the first instance and the departments and agencies in the state sector in the second instance. We generally have the vast bulk of those completed within that 90-day, end-of-September time line, then we focus on the financial statements of local government with the view of having those completed to meet their annual general meeting time lines, which is a little bit later in the year.

Interestingly, in the statistics, if we look at our performance on timeliness of audit opinions, we're at the upper end against the other audit offices across Australia. So, whilst meeting 67 per cent in the 90-day deadline is not a great performance, it is better than what most other audit offices would achieve within that 90-day or three months from year end. We have that data and I can provide that to the committee after this - our office compared to the national average.

CHAIR - You have a target of 100 per cent, but that's a bit unrealistic. Is that what you're saying?

Mr THOMPSON - It is an unrealistic target, however, it's what's required by the current legislation and I am remiss to have a target that's not consistent with the legislation.

CHAIR - A target you can't reach.

Mr THOMPSON - I'm sorry. I'm not remiss; I'm reluctant.

CHAIR - I noticed when I was trying to look at the financial matters related to Marinus Link, knowing that previously Marinus Link was a wholly owned subsidiary of TasNetworks and you were the Auditor-General then, one assumes. ASIC still has you listed as the Auditor-General for Marinus Link even though we are now the baby shareholder.

Mr THOMPSON - Correct. I was not aware of that until recently. We will double-check with ASIC who occasionally take some time to update their records, but my understanding is part of that transaction we've resigned from the audit, as you note where Tasmania is now not in control of that entity and my mandate wouldn't cover where we've got a minority interest in that entity. I will follow that up and come back to the committee to confirm that we have resigned.

CHAIR - I would assume the Australian National Audit Office would step into the breach there.

Mr THOMPSON - That was my understanding was that that was to be the process. But, again, I can confirm that.

CHAIR - It's a bit of an odd beast, we tried to unpick it a bit in Treasury earlier and they all found it a little bit hard to understand only because it's a bit of a unique beast as well. We will be asking further questions of the minister for Energy about this at a later time, but because Tasmania still has a significant interest - it's a minority share - we are a smaller population with a smaller capacity to meet the financial requirements that that project could deliver, but do you see any role for you to liaise with the Australian National Audit Office, should they be appointed or have been appointed the auditor?

Mr THOMPSON - There's still an investment recognised in the state's accounts, so as part of that we would look, as a matter of normal course of events, we would look to understand how that's been valued, and part of that will be consideration of audited financial information from Marinus Link. It is not a role in terms of the audit per se, but understanding how the state values its investment in that entity.

I understand we had a paper come through on the accounting from Treasury, which we looked at. It's going back a little while and I can't remember the exact detail of it, but it is still an accounting issue for the state.

CHAIR - I believe your oversight of that will sit in Finance General, so where would we see any assessment of the value of that asset? Will that just be the budget papers or will there be more evidence somewhere else?

Mr THOMPSON - It should come through in the financial report. I can take that on notice and get you the answer of where it will appear, but the investment should appear in a financial report.

CHAIR - In your audit report of the general government financial performance, will we see something there?

Mr THOMPSON - Yes. In our report, we'll have a commentary on the transaction because there are a number of accounting issues of interest around the transaction itself. So, whilst, we haven't prepared that report yet, it's certainly a topic that will likely be covered in that report.

CHAIR - Okay. It's important we don't lose sight of it.

Mr THOMPSON - Yes. There's some significant accounting entries and treatments that are not the norm for a state government to work through so it is important that we do highlight that in our AGR.

CHAIR - Okay. Are there any other questions, members?

Thanks for your time. We'll leave it at that. We've got the Treasurer back for another round.

Mr THOMPSON - Thank you very much and we will get those responses back to you promptly.

CHAIR - That's fine. Thank you very much.

The committee suspended from 2.29 p.m. to 2.35 p.m.

Output Group 4 - Regulatory and Other Services

4.1 WorkSafe Tasmania

CHAIR - Thank you, minister, for coming back with a different area of your portfolio, which is Minister for Small Business and Consumer Affairs. I invite you to introduce the

members of your team at the table and say who they are and what their title is, and then invite you to make an opening comment, if you wish.

Mr FERGUSON - Thank you and good afternoon, Chair and your committee.

I'd like to introduce you to Ms Kristy Bourne, Acting Secretary of the Department of Justice; Robyn Pearce, Executive Director, WorkSafe Tasmania; Mr Brad Wheeler, Executive Director of Consumer, Building and Occupational Services is available later; as is Deputy Secretary, Ross Smith; and to my right is Jenna Cairney, Acting Deputy Secretary, Department of State Growth, in Economic Development.

Thank you for the opportunity to discuss this important portfolio. Tasmania's small business sector continues to deliver for our state. It's the beating heart of our economy and the platform for Tasmania's future growth.

Our ongoing support for the small business sector is empowering more businesses to grow despite those national economic headwinds. Pleasingly, ABS data to June 2023 shows Tasmanian businesses have the highest survival rate compared to other states and territories, while the latest year-on-year figures show that the number of Tasmanian businesses has increased 2.4 per cent. We recognise the significant contribution our small businesses make to our economy and will continue to support them to grow and to thrive, and I know that's the view of members of this committee.

The 2024-25 State Budget continues the government's record of providing support to businesses, workers and consumers, recognising the valuable work undertaken by the teams in both WorkSafe Tasmania and Consumer, Building and Occupational Services, better known as CBOS. Whether they know it or not, most Tasmanians would be protected by this legislation that's administered and services delivered under this portfolio every day - and that applies whether that's a worker, an employer, a rental property owner, a tenant or a consumer.

WorkSafe Tasmania is crucial to ensuring that Tasmanian workers are safe and well every day, and that workers are fairly compensated if injured while at work. While responsibility for ensuring the health and safety of workers ultimately rests with employers and workers, WorkSafe Tasmania plays a critical role promoting a broader understanding of work health and safety across the Tasmanian community and enforcing relevant laws when necessary. On the other side of the portfolio, Consumer, Building and Occupational Services plays an important role as Tasmania's regulator for consumer protection, building standards and occupational licencing services. I hope that we can assist your committee today with answers to your questions on the Budget and policy.

CHAIR - Thank you.

Ms LOVELL - Minister, I have a question about some evidence that was heard in the hearings that we conducted around workers' compensation in racing late last year. We were told by Ms Pearce in that hearing that WorkSafe was to undertake a proactive campaign in the racing industry in the first six months of this year in order to audit whether or not employers are aware of their obligations and ensure that there is compliance with those obligations.

PUBLIC

I understand, from the government's response when this report was tabled, that work has been somewhat delayed, but I was just wondering if we might be able to get an update on that program of work and whether there's anything found from that yet.

Mr FERGUSON - Thank you very much for your question, Ms Lovell, and apparently your consistency in raising it at Estimates. I'm happy for our Secretary and perhaps Mrs Pearce to respond further on progress to date.

Ms PEARCE - Thank you for the question. In May 2024, WorkSafe commenced a workers' compensation and work health and safety compliance program across Tasmania in the harness, the thoroughbred and the greyhound racing industries.

The program's focus was to ensure that workplaces are complying with their obligations under both the *Workers Rehabilitation and Compensation Act 1988* and the *Work Health and Safety Act 2012*. Particularly, we were looking to see that employers held a current workers' compensation policy of insurance and that they're complying with their work health and safety obligations.

The inspections have identified that in the greyhound industry most of these operators are hobbyists and not employers, and so consequently the focus of the program shifted to the harness and thoroughbred racing industries.

From a work health and safety perspective, we've identified that fatigue is a risk for workers in the harness and thoroughbred racing sectors, primarily due to the travel times to attend events. Whilst we haven't issued any notices in relation to fatigue management to date, inspectors are looking closely at what systems employers have in industry in place to mitigate the risk, and providing them with advice and education as necessary to make sure that they're able to comply with those requirements.

To date we have not identified any contraventions out of this program in relation to failing to hold a workers' compensation policy of insurance. However, we have identified an employer prior to commencing this program who has been charged for failing to hold a policy of workers' compensation insurance and have referred another matter to the DPP on another employer in relation to the same contravention.

The compliance program is ongoing with an anticipated completion date of October 2024. As at 12 August, we've identified that there have been 48 compliance inspections done in total across the three codes of racing. We've done 18 inspections in the harness racing sector, 19 in the thoroughbred racing sector and then 11 in greyhounds. We've also put in place, as a result of the work that we started in this place, a workers' compensation compliance program more broadly, where we are conducting workers' compensation policy checks on all of the workplaces where our inspectors attend to conduct inspections. So far we've done 303 checks in that space between January and August 2024 and have identified 27 employers that were operating without a current policy of insurance, and have issued eight infringement notices in that space.

Ms LOVELL - Were there any other actions undertaken by the government or through WorkSafe as a result of issues that were raised through the inquiry into the racing issues?

Ms PEARCE - We spent a bit of time working with the Tasmanian racing industry in order to provide them with advice and education about what the obligations are for work health and safety and workers' compensation compliance, as a result of which I understand they did a fair bit of education themselves within the industry. There have also been two investigations that have been ongoing into some work health and safety incidents as well.

Ms LOVELL - Was it with Tasracing?

Ms PEARCE - The investigation? No.

Ms LOVELL - The proactive work.

Mrs PEARCE - Yes, that was directly with Tasracing.

Ms THOMAS - Has there been any inquiry, as part of the audit and investigation you did, as to the reasons why participants may not hold workers' compensation insurance?

Ms PEARCE - Within the racing industry, by the time we were then dealing with it and doing those inspections, those employers were holding it. They'd had some engagement with Tasracing - and they may have already been, but they were holding policies at that time. We didn't inquire into that at that point in time. I couldn't tell you in relation to the other compliance program at this point on any particular reasons as to why or why not they may be holding them.

Ms THOMAS - I'm interested in whether there are particular barriers, in terms of cost or other factors. It is not perhaps just as simple as education and awareness.

Ms PEARCE - My understanding in the racing sector was that there was an understanding that they may have already been covered under some arrangements that existed for Tasracing holding some insurance particularly applied to race days.

More generally in the sector, we do understand that there are some sectors that have concerns about premiums. We also know that there are areas where there's a lack of understanding, particularly among small businesses, about the need to hold a policy of insurance and whether or not they employ people or not. There's a range of educative work that we're looking at doing in that space and the compliance program is a good way to step into starting to do that.

We tend to find in our compliance activities, if we have a conversation with an employer and they don't hold a policy of insurance, they weren't aware of it and they go and get one, we don't take any further action. If it's an employer that should know and doesn't hold a policy, then that's when we're more likely to look at issuing an infringement.

CHAIR - Were there any cases of policies that were in place that didn't cover the full workforce that they were responsible for?

Ms PEARCE - I don't have any detail on that, I'm sorry, but I could certainly make some inquiries.

CHAIR - For example, if some of the workers were employed under contract as opposed to being employed directly by the trainer or whoever.

Ms PEARCE - It would depend upon the nature of the relationship. If it is a genuine contract arrangement, there would be no expectation on the employer to hold -

CHAIR - A genuine contract being?

Ms PEARCE - One where the elements of whether you hold an employment contract or not don't exist. Do you have control? Who has control of the work? Who supplies the materials and the tools? There's a range of tests that apply. If that is the case, and they are a genuine contractor, then it's a contractor's responsibility to hold a policy of insurance. If there is any question about that, then we will look into that further and there have been instances where we have looked further to see whether there's a genuine employment relationship or not.

CHAIR - In your audit, you haven't found any, even when they extend to contracted labour; perhaps there's an issue there?

Ms PEARCE - We have found one situation where there was a change between the workers being employed by the employer to then being employed by a labour-hire company under contract and that's one that we're looking into.

CHAIR - If someone was injured during that period?

Ms PEARCE - If someone was injured and if there was a gap in insurance, then the nominal insurer steps in. The nominal insurer will cover any situation where there isn't a policy of insurance in place and that's funded by the policies of insurance by insurers licensed and self-insurance will fund the nominal insurer. Everybody will always end up being captured and receive proper workers' compensation one way or another. If somebody should be holding a workers' compensation policy but are not, we'll follow that up from a compliance and enforcement perspective.

CHAIR - You'll potentially charge that person.

Ms PEARCE - Potentially.

CHAIR - Do you also seek financial redress for that?

Mrs PEARCE - Yes.

CHAIR - How many situations have you had to seek financial redress for?

Ms PEARCE - Not at this stage, but it is possible. The nominal insurer can seek to recover funds from the employer. The nominal insurer is a separate legal entity under the workers' compensation act, but they are able to seek that. I don't have any information about whether or not they've taken that action separately.

CHAIR - This is something that was discussed, minister, in the Government Administration Committee A when we looked at this matter in regard to the racing industry broadly and there was differing requirements for the thoroughbred as opposed to the harness racing sectors. One had to tick a box to say they were aware of the obligation and one had to

do nothing, or not make any acknowledgement. They should have known, but they had no indication.

Do you think it'd be more reasonable for that requirement to apply for a licence that the person applying doesn't just tick that they know they have to have it, but they provide some evidence that they hold it? I am interested in what your view is on that.

Mr FERGUSON - My view may not be the best one because it may be better if I confine myself to what's best for policy more broadly. That question might be more targeted at a racing output. I see the merit in what you're proposing, I don't know if the regulatory impact of that idea is proportionate to the risk that we're trying to fix because every employer in the state has the same duty.

When you start singling out certain individual segments of the economy or industries, there's an argument that that indicates a deeper problem with the way the general expectations have been communicated and understood. I'm not saying it's a bad idea, but I'm probably not the best person to ask. Possibly Mrs Pearce is the best person to ask. Is that proportionate to the occasional failures that we are seeing in the racing sector, and I'd be open to your own advice on that.

Ms PEARCE - Thank you, minister. We are now seeing good compliance and a solid understanding. We certainly encouraged voluntary compliance before our compliance program started by writing to all the employers in the industry to say we're coming out to do the inspections and this is what we're expecting. And, we're now seeing good voluntary compliance. There's a knowledge and understanding of that requirement that probably wasn't there before, so we expect to now see good levels of compliance in that industry where it wasn't well understood previously.

Ms LOVELL - This is a question for you as the minister responsible for the portfolio where this sits.

One of the things that was identified through that short inquiry was that the requirement to acknowledge - whether it's a tick box or by signing the form - that having workers' compensation is a requirement for holding a licence. That led to a question of the 'fit and proper person' test.

So, in an instance where somebody has acknowledged they are aware of it but they still have chosen not to take out a policy, in your view, as the minister responsible for workplace safety, do you believe that that would make them somebody who would meet a 'fit and proper person' test or is that something that would call into question whether they should indeed be issued with a licence?

Mr FERGUSON - Under the racing rules and regulations, I'd be overstepping my portfolio, but I do understand the merit of the question; I really do. I wouldn't go so far as to say it would therefore mean that you fail the 'fit and proper person' test because I'm not familiar with that test in that industry with my portfolio responsibility but I can see that in that scenario that is a major failing of an employer. You can't know about an obligation that is held to you under state law and deliberately not be compliant with it, particularly when it's there to protect other people's safety and welfare. I would see it as a major unprofessional action to not take out insurance when you know you should have it.

I'm sure everybody on this side of the table would agree with that. Whether that in itself causes someone to fail the 'fit and proper person' test, I couldn't say. I wouldn't like to venture an opinion, but I would see it as a significant black mark.

Ms Lovell, would it be okay if I just looked to my left and see is there anything further to add to that? I'm just being cautious not to impede on other colleagues' responsibilities there.

Ms PEARCE - Thank you.

Ms LOVELL - Tasmania is now a couple of tranches behind the updates to work, health and safety legislation to make sure that we maintain our harmonised laws across the country. I think that it's two, it might be three. Can you confirm how many tranches we are behind and then talk through the plan to address that and bring our legislation back into line?

Mr FERGUSON - Of course, Ms Lovell. Thank you for the question. My colleagues from the department will, I'm sure, provide more meat on the bones to my answer.

There is still more work to do to implement the necessary amendments to our Tasmanian legislation, the *Work Health and Safety Act*, to implement those earlier agreed actions.

Some of that progress was affected by parliament considering the industrial manslaughter amendments - that did impact that program of work. The people providing guidance and advice to government on the carriage of that legislation, noting it wasn't a government bill, are the same people who are responsible for assisting government with the next tranches.

Ms LOVELL - There was a bill already tabled last year so that bill was ready to go, but it hasn't been progressed.

Mr FERGUSON - I understand that, but my advice is that that was a contributing factor to the need to pause that. We are committed to advancing that. It is in the best interest of workers and employers to harmonise, we accept that and, as a very new minister in this space - I've done a fair bit of reading on it - I accept it. Our state remains committed to the principles that are agreed upon and we will work to achieve those goals. We'll be considering a package of amendments in the near future, I understand. I'm advised, we also will need to consult with stakeholders on the additional changes to the offences and penalties under the work health and safety laws on completion of the industrial manslaughter education program. I hope that that pleases you. I sense that you'd like to see progress -

Ms LOVELL - Yes. My question was, how many tranches behind are we? You haven't answered that. Also, when - have you a time line for that work for that? When will we see a bill tabled?

Ms PEARCE - There are three tranches.

Ms LOVELL - Thank you.

Ms PEARCE - The bill that was before the House last year was the first tranche, of which drafting started before the next two tranches came out. The next two tranches address offences and penalties. With the first tranche falling over and now we need to look at the

offences and penalties, it makes sense to bring it all together. We need to make some changes because it's not going to be a perfect fit with the industrial manslaughter offence so that's going to take a little bit more drafting time and we will need to go and do some consultation. We're conscious that we've committed to do education on industrial manslaughter and we don't want to confuse the two, so we'll do the education on industrial manslaughter over the next couple of months and that's already planned. Then once that's completed, we'll move to being in a position to get approval to get the amendments drafted and do some consultation around those.

Depending on the approvals to move ahead and start drafting, we're probably looking somewhere over the next six to nine months I would anticipate, minister.

Mr FERGUSON - To have it in parliament?

Ms PEARCE - Yes.

Ms LOVELL - Okay. Had any of that work started? You had the bill at the end of last year.

Mrs PEARCE - We've got the first tranche, yes.

Ms LOVELL - Had work started on the second and third tranche?

Ms PEARCE - No, because that was going to be brought forward as a package. After the first tranche fell over, it was then going to move to be the full three tranches but until we knew what was happening with industrial manslaughter, we couldn't move ahead because part of the second tranche is actually introducing the jurisdictional note for industrial manslaughter and we didn't know where and how that was going to fit or what it was going to look like until there was an outcome on industrial manslaughter.

Ms LOVELL - So, nothing else was done in the meantime around the rest of it?

Ms PEARCE - No.

Ms LOVELL - Okay.

I had some questions on workforce but I'm not sure if anyone else has anything.

CHAIR - I'll go to Kerry and then come back.

Mr VINCENT - Minister, some years ago there was a WorkSafe magazine that used to come out regularly. Most family or small businesses that I knew used to go straight to the back three pages where the prosecutions were. It was a scare tactic. It was in your face what businesses were facing and that hasn't been around for some time.

We're experiencing a lot of businesses at the moment that are looking to cut back on the massive increases on their insurance and down-quoting their workers' comp bill or their payroll to save a bit on workers' comp, which has to catch up at the end of the year but that still saves them money on the workers' comp.

I'm just wondering, between the small business and WorkSafe, what can be done to have better communication with a lot of these small and family businesses at the moment? They are looking to cost-cut wherever they can and a lot of them don't have that monthly or quarterly - I can't remember now - regular catch-up or something in the hand that reminds them they have some obligations. When you're working long hours, these are little things that disappear out the door. There's a linkage there somewhere that I think needs to be [inaudible] so my question is, what is the government doing to communicate more with those small, family, mum-and-dad businesses to keep them up to speed with some of these things you're talking about?

Mr FERGUSON - Thank you, Mr Vincent. I recognise your experience in the small business sector. It sounds like your question is describing a situation where people, in some cases, are deliberately under-insuring their risk on workers' comp.

Mr VINCENT - There are a lot of people looking at their insurance quotes at the moment to see how they can shave.

Mr FERGUSON - Obviously, that would be problematic. I'd have to put that on the record and say that that wouldn't be properly compliant with our legislation. If you have 10 employees, you need to insure for your 10 employees, not nine. I know that you would agree with that, but thank you for bringing the instance.

I'll ask Mrs Pearce to respond to that, noting that we do have ways of communicating and broadcasting messages to our small business community in Tasmania.

Ms PEARCE - Thank you, minister, and thank you for the question.

I'm really pleased that *Workplace Issues* magazine still does come out and it did go through a period where it didn't have the prosecutions in it. It now does again have the prosecutions listed as they're actually coming through. They're also communicated on our website. I have now taken a deliberate position, when a prosecution is determined, of issuing a media release as well to make sure that message gets out because most of our decisions don't get published. We try to capture them and issue it ourselves so that that message is very much getting out around the prosecutions.

However, we are really conscious of the need to engage more and particularly with the small business. Our strategic plan, the WorkCover Tasmania Board and WorkSafe Tasmania Strategic Plan 2024–2028, which has recently come out has a lot of focus around how we go about looking at strategies to simplify the way in which we communicate the requirements to have safe workplaces, as well as the rights and obligations for workers' compensation. How do we do that in simple ways? It is really complex stuff? How do we do it in languages other than English and ways that are really accessible, and look at how we can engage with - we haven't actually spoken to our friends at State Growth yet - Business Tasmania to look at how we can do some further work in that space as businesses are particularly starting up so they can start up.

I'm really pleased we've just recently - today - spoken to the Tasmanian Whisky & Spirits Association about a regulatory guide that we have developed for the distillery industry in collaboration with all of the regulatory bodies - CBOS, Tasmania Fire Service, local government - so that there is one piece of guidance they can go to. That tells you all of the things you would need to do if you're going to set up a distillery of some sort, whether it be

about fire protection, buildings, how to get your building permits, et cetera, all in one place. Those are the sorts of things that we need to do more of, and we're looking to do that in collaboration with industry.

Having said that, the board still does fund external and internal advisory services that provide services just to small to medium-sized businesses. In our internal advisory service we have advisers that will go out and spend time with businesses, helping them to do and develop their safety management systems. We also have a safe farming program in the ag sector that does a similar thing in that particular sector.

There are lots of mechanisms there, but we recognise this is a big challenge given the scale and the speed at which small businesses start up and grow. They're the points in times that they are at most risk.

Mr VINCENT - We touched on contractors a few minutes ago, but there's a very big grey area there. I use the example of a tradie who might work principally for one builder, and work slack might do his own work and that understanding of whether that contractor should be on the workers' comp for the business he's working for or have his own. That is an area of a lot of confusion for small business and contractors. For the principal business it might be employing as a contractor, but if they're working over a certain percentage, they're obligated to put on there, that's another area that concerns me.

Mr FERGUSON - Chair, I am aware of your time management as well, but if I could invite Ms Cairney from State Growth to also respond because we have some good communication tools. I think we can undertake to partner up with WorkSafe and get some updated messages through.

Ms CAIRNEY - We have actually had some conversations in the past with WorkSafe on messaging that's needed to be communicated out to small businesses through our channels.

At Business Tasmania, we try to be the entry point to government for small businesses seeking advice or connection across government, but we also do outreach as well. As well as our inbound call centre, we have a newsletter that has 11,344 subscribers; that lands in the inbox of more than 11,000 small businesses, with an opening rate of 48 per cent, which is a really good rate of opening.

We've got 5274 Facebook followers as well and we get more than 1500 visits to the Business Tasmania website per month. Through those newsletters, we would communicate information about our grant programs, financial assistance programs, but also our services that are available.

Further to that point, there are a range of Business Tasmania small business services that are available for small businesses seeking some advice and guidance as well.

Mr FERGUSON - We'll undertake to pick up some of these ideas for the next edition.

Ms LOVELL - Minister, how many vacancies do you currently have within WorkSafe amongst inspector roles? Do you have any?

Mr FERGUSON - Yes, we do have some. I'll ask our experts to present that information.

Ms BOURNE - We have currently 12 vacancies in four WorkSafe Tasmania inspectors across the state.

Ms LOVELL - Twelve out of how many? What's the establishment?

Ms BOURNE - There are 46 establishment positions.

Ms LOVELL - Thank you. When was the last time you had a full complement of inspectors or no vacancies?

Ms BOURNE - The nature of the work of inspectors and the concerns around the attraction and retention of inspectors is something that we have been speaking with staff about for some time and more recently. The turnover at the moment equates roughly to 29 per cent of inspectors and I understand that that is similar to recent years, but we are trying to undertake further work about how we can retain those staff, noting that that high internal turnover rate often means that inspectors are developing their careers within WorkSafe and being promoted within the organisation or across the service generally.

I understand the turnover rate is only slightly higher than the Tasmanian labour turnover rate for 2023.

Ms PEARCE - External, rather.

Ms BOURNE - Thank you, Mrs Pearce, and there's other work that we're continuing to do in consultation with inspectors at the moment to ensure that we build on the commitments made under the PSUWA 2022 Agreement and address some of those barriers that are prohibiting, it would appear, inspectors from staying within the agency.

Ms LOVELL - Okay. There are a couple of things if I can go back to them.

Do you have available the last time you had no vacancies?

Ms PEARCE - I've been working at WorkSafe since 2018 and it's not an environment where we've ever had no vacancies. There have always been at least six or seven vacancies at any point in time. It's the nature of the work that we do.

Ms LOVELL - Thank you. Minister, your Acting Secretary said that you've been speaking to staff for some time about concerns around recruitment and retention. What are those concerns that have been identified and what action is being taken to address them?

Ms BOURNE - As part of the PSUWA 2022 Agreement, as part of the negotiations, there was a commitment to remove the promotional barrier between a band 4 inspector and a band 5 senior inspector, allowing inspectors to progress through the range based on the qualifications achieved and demonstration of specified skills, knowledge and behaviours. We've been working with the Community and Public Sector Union on the development of that structure. I understand that there are other matters that we're working through, particularly around extending that broadbanning model to band 6 and creating principal inspector roles, the application of a market allowance to all inspector roles, as well as, importantly, increasing the access or investment and access into training by creating a dedicated role to assist with that.

The department has committed to establishing a dedicated training coordinator role to assist with the onboarding of new staff, training and mentoring of inspectors and is very close to advertising that position, as I understand it; working on a regulatory performance framework for all of WorkSafe's activities; and looking at formalising the broadbanding model from bands 4 to 5.

I appreciate and we've had discussions with the CPSU in recent times about a difference of views around the application of a market allowance for those roles and extending the broadband into a band 6, noting that the agency sees the need for some longer-term structural change to the roles of inspectors and their classification, whereas a market allowance we see as a short-term opportunity where we really want to make sure that the structure is looked at in a way that reflects the nature of the work that our inspectors are doing, which really is incredibly complex and has shifted over time. I am really looking forward to continuing those discussions to make sure that we have the appropriate structure to reflect that work.

Ms LOVELL - For the dedicated training coordinator role, there was a regulatory performance framework and the issue around promotion between bands 4 and 5, those commitments were made in the wage agreement in 2022 - is that correct?

Ms PEARCE - If I could clarify, the commitment in the PSUWA was just for the broadbanding of positions between bands 4 and 5. The further matters were raised more recently. We first had discussions with inspectors and the union in relation to those in early June. We've had a couple of meetings with them in relation to those matters and provided them with response to some of their proposals.

Ms LOVELL - In relation to the bands 4 to 5 promotion issues, how close are we to resolving that, if that was a commitment made two years ago?

Ms PEARCE - It's progressing really well. At the moment we're just waiting for some feedback from the CPSU. It has progressed substantially. I couldn't give you a time frame on it but it has gone quite a long way down to establishing that framework.

Ms BOURNE - Through you, minister, based on feedback from staff and the CPSU, we're looking at establishing an online portal so that there's much more of a frequent opportunity for people to apply for inspector positions. It's a strategy that's worked really well for the recruitment of correctional officers so that people don't have to wait for a particular round given the vacancy rate, which, as Mrs Pearce has said, is fairly regular across the years, to make sure that we can attract as many potential inspectors as possible so that we're not having to fill gaps or leave gaps to grow to a point where other inspectors have to take on that work.

CHAIR - Do you have as up-to-date as possible figures of workplace injuries and lost-time injuries, by sector?

Ms PEARCE - Based on claims?

Mr FERGUSON - Across the state?

CHAIR - I want to know how far you have got it broken down.

PUBLIC

Ms PEARCE - I do have the claims by industry. This is recorded according to the date on which the work injury claim is submitted. Do you want me to run through the industries one by one?

CHAIR - Yes.

Ms PEARCE - For the healthcare and social assistance sector at the end of this financial year, it was 1357 claims; public administration and safety, 1265 claims; manufacturing, 948; construction, 825; education and training, 709; retail trade; 448, agriculture, forestry and fishing, 436; transport, postal and warehousing, 409; accommodation and food services, 353; wholesale trade, 265; other services, 250; administrative and support services, 213; arts and recreation services, 185; professional, scientific and technical services, 147; electricity, gas, water and waste services, 119; mining, 111; rental, hiring and real estate services, 48; financial and insurance services, 32; and information, media and telecommunications, 18.

CHAIR - You might not have it in front of you, but do you have TRIR data on this?

Ms PEARCE - I have TRIR data with me from last financial year to this financial year. I have TRIR data on the serious injury frequency rate by year -

CHAIR - By sector?

Ms PEARCE - By sector.

CHAIR - Is there a table that you could table, or something? Because there'd be a lot of data, I'd imagine.

Ms PEARCE - There is. I have the data by sector for serious claims as well as for all claims here. Noting that the data set I have here is based upon the date of injury rather than the date of claim, which is a slight difference. I'm able to table that if you like.

Mr FERGUSON - Is that your only copy?

Ms PEARCE - Yes, that is my only copy, I'm afraid.

CHAIR - Do you want her to get a copy?

Mr FERGUSON - If you could take a copy, you can keep the original and we'll have the copy back.

CHAIR - I am interested in where things sit at the moment. Have there been any fatalities?

Ms PEARCE - In this calendar year there have been two fatalities, sadly. One in the agriculture sector and the second in public administration and safety, sort of, that was a bystander fatality in the second one. A pedestrian was killed while a police officer was in the course of duties. The first was an ATV fatality.

CHAIR - Going to the farming, we know that ATVs do have a number of serious risks associated with them - and some of our older farmers. My late father, was one such person who

had an accident on one. How he didn't die, is beyond me. Anyway, he was in his nineties, so there you go. I noticed you're doing some work in farm safety, can you tell the committee a bit about what that is targeted at?

Ms PEARCE - The work in the Safe Farming Tasmania program changes as the risk changes. A number of years ago a significant amount of work was done in the quad bike space, including changes to our regulations, education campaigns, and rebate schemes, and we are seeing a reduction in both the number of incidents and of fatalities in that space, which is a real relief that we're starting to see that change.

Separately to that, Safe Farming Tasmania focuses on a number of levels. First, it focuses on having 'round the farm table' discussions about safety and safety management systems. Out of that will be developed a safety management system on a farm-by-farm basis to support the farms to make sure they have that in place. There will be sessions run on particular risks, whether it be - we've run sessions around the state on shearing shed safety, we've run sessions in the beef sector, particularly around the safe movement of animals, we get a lot of injuries through animal movement as well. We also have a big focus on working with young and upcoming farmers through the agricultural schools and at a lot of the events that we go to. There's a number of different ways that we'll go, both at an individual farm area and industry level area for particular risks as well as at events.

CHAIR - We'll move on to 4.3, CBOS for short, I might go to Dean.

Output Group 4 - Regulatory and Other Services

4.3 Consumer, Building and Occupational Services

Mr FERGUSON - Chair, if you will. We'll thank Mrs Pearce for her - and invite Mr Brad Wheeler to the table as I gave this title earlier with CBOS.

Mr HARRISS - Minister, the 2023-24 Budget and forward Estimates, and the current one, there's a significant increase in the current year. A footnote relates it to the financial support for consumers affected by building company insolvencies. Do we have numbers on that? I believe that initiative started in 2021. Is there a reason it wasn't covered or in the forward Estimates from last year's Budget in that rise?

Mr FERGUSON - Thanks, Mr Harriss. The model's changing, as you've acknowledged in our previous discussion. Mr Wheeler, who's running CBOS, I invite you to address that.

Mr WHEELER - There are a number of things that make up that increase, but you're right, the main item is to do with those building issues. We call it the Financial Assistance Package, that's \$3.5 million of that increase. The general increase to match actual transactions is \$4.6 million. Plan build re-cash flow is another \$600,000; and there are a few small minor items around the outside of that to make up that change in number.

Mr HARRISS - Do we have numbers on claims from the financial support, as in the building disputes from the last financial year?

Mr WHEELER - Yes. Essentially, this has been going for, as you've mentioned, a number of years now and each year it accumulates.

PUBLIC

Mr FERGUSON - While Mr Wheeler is gathering that information for you, can I just grab a moment from our previous Estimates with Treasury to provide you with this graph which has been created by Treasury for your committee off the back of numbers which are in the budget papers. That's the information that you requested. I'm awfully sorry, it doesn't have a heading on it, but it's 2027-28, I understand; that's the first.

CHAIR - It is including the total state sector?

Mr FERGUSON - Correct - by gross state product. I also have for Ms Thomas, who asked a question about the SIIRP process and the projects that are supported by that in 2024-25 is here for your committee as well.

Mr WHEELER - The reason that the numbers weren't in previous years is because the money was dealt with through a request for additional funding, whereas this year it has been allowed for; that's the difference.

To June 2023 we got 88 FAP applications received, 84 claims were paid totalling \$3.85 million by 30 June 2024 - so this year. A further six building contractors operating in Tasmania were affected so we ended up with another 90 FAP applications being received, paying a total of \$5.25 million.

I can tell you as of Friday, we've paid a total of \$10.7 million across those three years.

Ms THOMAS - I have some questions on the data on the private rental market. I'm just wondering whether CBOS is investing in making information available to the public and decision makers in relation to the size of Tasmania's rental market. I know that in some other Australian states, estimates of the size of the private rental market are available from state government rental bond authorities who publish on their website statistics on total active bonds by geographical areas. I'm wondering whether that's something that's being considered here?

Mr FERGUSON - I'll ask Mr Wheeler to respond. We have the data. What if we perhaps provide you with some insight into what that says? Then, the second I'll take perhaps in the next stage, as to whether we can in fact publish that on the dashboard. I'd be open to that idea if we're not already doing it.

Mr WHEELER - I apologise. Was that on data or short-statement information?

Mr FERGUSON - The size of the residential rental market, the number of people that have bonds for example and where they are. If we could share what data we'd have, and the second question, which is, is it already public and if not, can we make it public? I'm indicating I'm not averse to that if that data is available. I'm looking at brief 45.

Mr WHEELER - Generally speaking on the rental market, it's not within our scope to oversee the overall market as such. There are numerous areas that do that. In terms of bond numbers, I apologise; I know it's here.

Mr FERGUSON - Mr Wheeler, I've got it on the front of my brief 45, and I might share that with the committee. As at July 2024, the Rental Deposit Authority held 47,736 active bonds. I believe that goes a fair way to answering the question, but I don't have it broken down by region. How are you going?

Mr WHEELER - The problem we have is breaking it down by region is quite difficult for us to do. It's quite time consuming and it changes all the time. The nature of those bonds is that people come in and out of those bonds throughout the day. We have multiple changes throughout the day, and our system probably isn't really a live system per se. That is why we don't tend to have that sort of information.

Ms THOMAS - You don't have the software or system capability to be able to run some sort of formula? I wouldn't imagine it would be too complex.

Mr FERGUSON - There is some insight. You are not asking for a daily report. I think what you're asking is, is there a level of insight that the data might be able to provide us with? Mr Wheeler does have some insight into that, I think. We're not asking you for it right now, but what we're asking is can we potentially generate it quarterly, for example, and publish it so that people with an interest in housing and homelessness could see how we're going with housing stock in the regions or in the localities?

Mr WHEELER - We provide rent data to the Tasmanian TUT who publish it, and the Australian Bureau of Statistics provides information on bond data. In terms of us publishing, I'll certainly look into whether we can do that.

Ms THOMAS - Thank you.

Mr FERGUSON - I'll take that on notice if you'd like, and provide a more immediate response as to whether that might be something we could start to do. I'm not averse to it at all. I think what I heard in the original question was can the data be presented in such a way that allows policymakers to understand whether our housing stock is stable, growing, shrinking, and whether it is meeting the needs of people who rely on rentals. I hear you and I think it's a great idea, and I'd just like to get some advice on it before I commit.

Ms THOMAS - Thank you. Further to that question in terms of short-term rentals, does CBOS have data on how many short-term rentals in Tasmania were previously rented in the long-term rental market?

Mr WHEELER - We collect data under the act, which is available from the platforms themselves. It is not within our scope to do the short term to long term, and the reason would also be because people purchase houses, for example, not knowing the history of them, and may turn them into short term. We have an existing arrangement with Shelter Tasmania and have an MOU with them on that sort of matter.

I can give you some data. We publish an update on our website. It is a little bit delayed because of the way the data works, but we're working to try to improve that. We got the quarter-four data on Friday. There are 7241 short-stay accommodation at the moment. That's an increase of 396 since the last quarter - that's the quarter at the end of 2023. Some 3634 were reported as a primary residence and 3607 as not primary residences. Roughly that's a 50-50 split. Of those that weren't a primary residence, 593 reported not needing a planning permit, and many of those stated they didn't need a permit because they had an existing use right.

Mr FERGUSON - Do those numbers indicate that some of them are primary residences, meaning that it's partially available?

PUBLIC

Mr WHEELER - Partially available, yes. Primary residence means that someone is living there and using it. We also publish that as an LGA breakdown.

CHAIR - To keep going, has CBOS received or investigated any complaints from residents of caravan parks?

Mr FERGUSON - The answer's an emphatic yes. I'll give a brief introduction, and Mr Wheeler, who's the subject expert, can speak to it. We've had a lot of feedback, and even prior to me coming to this portfolio, I've had a lot of involvement just at my local electorate level. We are currently consulting the community and there are a range of stakeholder sessions that are open for people from affected communities - I'm thinking long-term residents of caravan parks and holiday accommodation who in different ways feel threatened - and we're proposing a range of questions which could lead to regulation in this area.

Mr Wheeler, I think that the consultation or the discussion paper is open to responses until 2 October - correct me if I'm wrong. Could you speak more broadly to that question?

Mr WHEELER - We have had residents of caravan parks approach us with issues. We treat each one of those quite seriously and investigate it, around things like the ACL and stuff, things of that nature. Where we're not able to do that, we provide other advice such as suggesting going further for legal advice and providing advice as to where they might be able to get that legal advice.

CHAIR - Meanwhile, people often live there because they can't afford another substantial home.

Mr WHEELER - That's right. As the minister stated, the government has released a discussion paper. We are consulting across the state. We've done a number of in-person consultations: one in each of Launceston, Burnie, Bicheno and Hobart, and there's one that would have just happened in the last couple of hours at Beauty Point. We've also met with the Caravan Industry Association of Australia and Local Government Association of Tasmania, as well as having had some online sessions. We've had good feedback from both residents and park owners as well as local government reps.

We need to collate all that information and put all that together, but I would say that what's clear overall is that the people we've spoken to all have the best intent at heart - owners, the local government and of course the residents - so we will work through that and provide advice to the government based on the things that we get from that stakeholder engagement.

CHAIR - What are the major areas of complaint around?

Mr FERGUSON - It happens that it's also in my electorate of Bass. The Beauty Point reference is an interesting one because that public session happened today, 23 September. For many members of government and opposition, I think that's been a particular community where there's been a lot of commentary and also quite a number of complaints to CBOS. People who would consider themselves residents and long-term residents of a particular business in Beauty Point in different ways feel threatened with the long-term tenure of what they believe they signed up to.

I'm being careful to describe this so as to not pre-judge anybody. However, it's fair to say that there's been a lot of conflict, and CBOS staff are doing their best to receive and respond to complaints and concerns that have arisen from residents. At the same time, I'll be very plain about this, the discussion paper that's available right now for public consultation, you can draw a direct line from the concerns that we've been hearing about in recent months and that discussion paper. The government is open-minded to regulating more directly in this area so as to bring greater certainty to both residents and park operators in this space. We're not prejudging that but there is an open question about whether we can rely on the Australian Consumer Law or whether we would need to consider some state-based regulations.

CHAIR - Does CBOS do any audits or any assessment of whether the Australian Consumer Law is being complied with? Is that the role that CBOS is taking in this?

Mr WHEELER - As with any other complaint we get across the board, if it falls into consumer law, we look at it that way and we have had a number of complaints around caravan parks and we have been assessing them. When they're not, when we find they're outside the province of Australian Consumer Law, we provide other advice and support. We also ask people that if it's an evolving thing and matters change, that they please recontact us and we will look at it again. We have a number of items we're still looking at and I can't speak to those any further at the moment, but we have gone back to residents from time to time with things that might not meet consumer law too, in which case we provide other advice and support. It's an ongoing thing.

Ms THOMAS - I just wondered if you can tell me what the total amount of funds held by the Rental Deposit Authority is as at 30 June 2024, and what the annual income generated by the bond holdings is.

Mr FERGUSON - I can help you while our officials are also reaching for their brief. My advice is that on the 47,736 active bonds - as of 15 July of this year - those bonds totalled \$68.6 million.

Ms BOURNE - Thank you, minister. As at 30 June 2024, the amount of interest accrued on the bonds held for the 2023-24 financial year was \$2.6 million. That's an increase of \$614,000 on the previous year.

Ms THOMAS - Are those figures publicly available somewhere? Are they published? Do you know? Annually?

Mr FERGUSON - Annual report?

Ms BOURNE - Through you, minister, they would be contained in the annual report.

Mr FERGUSON - We'll check that but I would have thought so.

CHAIR - It should be in the financial report, shouldn't it?

Ms BOURNE - It would be.

Mr FERGUSON - We'll just double-check that. Can we look around for a nod or a shake?

PUBLIC

Ms THOMAS - It would be useful information to distinguish.

Mr FERGUSON - It would be. I wonder if we can split it out in the next annual report. Unless there's a very strong reason why we can't, we'll undertake to split it out in the next annual report.

Ms THOMAS - Thank you, I appreciate that.

CHAIR - Probably not this one; I reckon this one's still at the printer.

Mr FERGUSON - Yes, we'll try. The same accounts, but so long as the Auditor-General is okay with that.

CHAIR - Okay. Being the time it is, minister, I'll thank you for your appearance today. You can go and have a break before you appear downstairs.

Mr FERGUSON - You're welcome.

The Committee suspended at 3.39 p.m.