

UNCORRECTED PROOF ISSUE

LC Tuesday 9 September 2014 - Estimates Committee A (Gutwein)

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Tuesday 9 September 2014

MEMBERS

Mr Robert Armstrong
Mr Craig Farrell
Ms Ruth Forrest
Mr Mike Gaffney
Mr Greg Hall (Chair)
Mrs Leonie Hiscutt
Mr Tony Mulder

IN ATTENDANCE

Hon. Peter Gutwein MP, Treasurer, Minister for Planning and Local Government

Department of Treasury and Finance

Tony Ferrall, Secretary

Kathrine Morgan-Wicks - Deputy Secretary, Budget and Finance

Anton Voss - Deputy Secretary, Economic and Financial Policy

Jonathon Root - Director, Revenue, Gaming and Licensing

David Bailey - Director, Budget Management Branch

Craig Jeffery - Director, Government Finance and Accounting Branch

Kim Enkelaar - Assistant Director, Office of the Secretary

Tasmanian Audit Office

Mike Blake, Auditor-General

Ric De Santi, Deputy Auditor General

Patricia Johnson, Director, Corporate Support

Department of Justice

Simon Overland, Secretary

Gregoray Alomes, Chairperson and Executive Commissioner

Dale Webster, Director, Building Services and Occupational Licensing

Worksafe Tasmania

Martin Shirley, General Manager

Local Government

Phillip Hoysted, Director, Local Government Division, Premier and Cabinet

Greg Brown, Deputy Director, Local Government Division, Premier and Cabinet

Ministerial Office

Adrian Christian - Chief of Staff

The Committee met at 9 a.m.

DIVISION 11 -

(Department of Treasury and Finance)

CHAIR - Good morning, Treasurer. We are ready to commence. Please introduce your team members.

Mr GUTWEIN - Chair, with me I have secretary of Treasury, Tony Ferrell; Katherine Morgan-Wicks, deputy secretary of the Budget and Finance Division; Anton Voss, deputy secretary of the Economic and Financial Policy Division. There are other officers should we need them.

CHAIR - Thank you. We will be starting with Division 11. I invite the Treasurer to make a short presentation or overview.

Mr GUTWEIN - I will make some opening comments. With the Budget we believe that we have the balance about right. It does not cut too hard to damage the economy but at the same time it puts us on a pathway back to surplus. There are some measures in the Budget that a number of members have raised concerns about. I am happy to have discussion about those today. That being said, the Budget is the Budget and we believe the integrity of the Budget needs to be maintained.

CHAIR - I might start with an overview question or two and then we will do some overview with the members of the committee before we head into the output groups. The first question, the big game in town, is on the proposed wage pause which you say is an integral part of the budget development and management. The unions say they have not been consulted regarding the pay pause. Did you consult with the unions at all and what was the outcome? Did they offer any potential savings? That is where I am getting mixed messages and I want to clarify that.

Mr GUTWEIN - There were a number of meetings with the unions. The first one was held on 13 June and there was a briefing provided by the heads of Treasury in DPAC. All the unions were provided with information on the Budget and the financial circumstances we find ourselves in. It was made clear that there were serious financial challenges in front of the state. The risks report explained that the state's finances were unsustainable on current settings. At that meeting it was made clear to them that there were challenges and they were provided with the opportunity to

consider, from their point of view, how best we could find savings and repair the damage. They were given a couple of weeks to come back and share some of their thoughts.

Neroli Ellis sent in some suggestions. One of them was changing the three THOs to a single THO, which is a matter that has been adopted and savings will flow in future years as a result.

CHIAR - Not immediately.

Mr GUTWEIN - Not immediately but we have to go through that process over the course of the year. On 27 June, the Premier and I, along with the Secretaries, again met with the unions and we were again very clear about the Budget position. At that meeting I explained to them that I was not going to rule in or out any options. Everything was on the table and again unions were provided with the opportunity to consider where they thought we could make savings and bring them back to the table. Again, we received nothing.

On 15 July, I met again personally with the unions and we discussed the fact that the pay pause was under serious consideration. At that stage the Government had not made a final decision on the pay pause but I explained that the pay pause was on the table. That would include the annual uplift of 2 per cent and also that increments were on the table again. Again, I said to the unions I would like to hear from them any suggestions they might have in regard to what we could do to repair the Budget. To this point there have been no proposals brought forward by the unions.

Ms FORREST - Except for ANU.

Mr GUTWEIN - Except for the initial suggestions that were brought forward by Neroli.

CHAIR - In regard to the AEU, I read a transcript of part of the interview on the ABC with Terry Polglase and Leon Compton. Terry was very negative and made several points regarding that. Some were fair points; others argued against it. Have you taken anything from that? Did you get anything from the AEU?

Mr GUTWEIN - There were no suggestions brought forward by the AEU. I heard parts of that interview with Terry Polglase, if my memory serves me correct, as I was heading to the ABC studio. The morning after the Budget Breakfast I think Terry was on and I restrained myself from making comment during the interview with Mr Compton in regard to what Mr Polglase had to say. I thought it was the most negative, partisan performance by anyone attached to a union. Here we were as the Government announcing that we had increased education spending to record levels, it was just under a 5 per cent increase for the year. We had met the Gonski funding requirement. Funding over the forward Estimates was at \$5.8 billion. In response to the question as to whether there was anything good in the Budget, he said no. It was the most negative commentary I have listened to. To be frank, I thought he devalued public education and his role in that position.

CHAIR - Yes, we had that disparaging view about where the Government is sitting at the moment and where the unions are sitting.

Treasurer, I am still trying to get my head around the issue of increments. I must admit that I wasn't aware of where they sit, because they were part of the public sector wage structure until recently. Hypothetically, if there was a wage pause and the increments were left intact, what

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difference would that make to the bottom line of the Budget? Parliament has to go through this process, I know that. What effect would that have?

Mr GUTWEIN - With the pay pause, in a full year it is a saving to the Budget bottom line of around \$50 million.

CHAIR - Just on the increments?

Mr GUTWEIN - No, no.

CHAIR - On the whole lot.

Mr GUTWEIN - In savings to the consolidated fund it is \$50 million across for a full year and then across the forward Estimates, about just under \$180 million worth of savings taking into account the part of this year. The increments are a significant component of that. They are around \$20 million a year out of the \$50 million over the forward Estimates, in round numbers. If the increments are removed and taken off the table, you will damage the integrity of the Budget and there is no other option than jobs will have to go, or savings will have to found elsewhere.

CHAIR - Would you agree, whenever it occurred and that is obviously a negotiated, contractual position with the unions and their members, ticked off by the TIC and I presume under the previous government, is it not then unfair to now unpick an agreement which was enshrined and as most people would always feel that is their entitlement?

Mr GUTWEIN - The previous government was writing cheques it couldn't cash. That is what has occurred. I think it is worthwhile putting a bit of framework around public sector wages to provide a context.

Over the last 10 years, since 2003, public sector employee expenses have gone up by more than 80 per cent. That is clear in the Budget. Wages of public servants have been rising at around 5.6 to 5.7 per cent per annum, on average. The previous government had a 2 per cent wages policy in place. Those agreements provided for increases well in excess of that.

We brought down the risks report and it was Treasury's analysis, based on current increments and wage agreements as they stood at that time, that in the absence of alternative savings there were 1 000 FTE job cuts still embedded in the forward Estimates. That is a fact. The previous government was signing cheques it couldn't cash - that's the problem.

CHAIR - Once again, hypothetically, Treasurer, if the Parliament - and that will also be the upper House - does not agree to your legislation which is there at the moment, then what is the bottom line in terms of numbers that would have to be taken out of the public sector? Do you have a definitive number, because we need to know that?

Mr GUTWEIN - Should the pay pause not be agreed to, we will need to find savings equivalent to more than 500 extra FTEs to fill that hole.

CHAIR - You cannot give us a definite number?

Mr GUTWEIN - The average public sector wage is around \$90 000 per annum or slightly less than that. We would need to find \$50 million worth of full year savings.

CHAIR - Just to clarify, do the increments go right across the public sector, not just teachers, police and nurses?

Mr GUTWEIN - Yes it does. Not every public servant receives increments. Some of them are at the top of their bands. They've moved through and if they haven't taken a promotion, they are captured at the top of their band. But if you look at the current public sector wage agreements, many of them allow for increases above the 2 per cent wage increase for individuals that are at the top of their band. Many of them got 0.5 per cent, 0.75 per cent, up to 1 per cent additional increase for people at the top of their band. Public servants are generally receiving more than the 2 per cent increase and for those on increments, significantly more.

CHAIR - Does that apply in other jurisdictions? In other states?

Mr GUTWEIN - Awards are different across the different jurisdictions. For example, the Commonwealth has bands that employees can go through but they are hard bands, or levels within bands. It is difficult to progress through different levels to get to another band level because of the performance appraisal process. In Tasmania, some would argue that we have performance appraisal at each of the levels, but others would argue, and I would argue, that it is a fairly soft appraisal. If you are in the public sector, if you have done nothing wrong, if you have simply been satisfactory, you will take a step up. That is different to what occurs at the Commonwealth level.

CHAIR - Quite a number of the emails we have received, particularly from people in the education sector, say their wages are below the national average. As Treasurer, have you looked at that modelling at all?

Mr GUTWEIN - We have. In the Budget papers, in the fiscal strategy section, we talk about average public sector wages in Tasmania being slightly lower than average public sector wages on the mainland - about 4 per cent. But you have to put that into context. The median house price for the eight capital cities across the country is over \$600 000. In Hobart it is around \$350 000. You have a much lower cost of living in Tasmania, relative to the rest of the country -

Ms FORREST - It goes to housing, but not everything else. Not everyone owns a house.

Mr GUTWEIN - But housing costs are one of the most significant costs for most people.

Can I just provide a bit of background as to how we got to this point. Through the budget development process we went to agencies to talk about what savings could be achieved. Prior to the election - and I believe we have a very clear mandate to for this - we announced a cost across the forward estimates of our policies of \$400 million. We were clear with the Tasmanian people that we would find \$500 million worth of savings to pay for those, which we have been able to do and the Budget papers are clear in that regard.

We were able to fund all our election commitments and, at the same time, improve the Budget bottom line by over \$100 million over the forward Estimates. The simple fact is that the risk report made it perfectly clear that the state's finances were in a much more difficult position than anyone imagined.

Working with agencies, we have asked them to find savings and efficiencies within their agencies. Many of the agencies have been back two or three times through this process, which has been one of the benefits of having the Budget delayed. What we wanted to do was to make certain that we did not impact on frontline services, that agencies were able to look to find efficiencies across their administrative parts of the Budget. They were able to provide a range of savings, around \$560 million in total, that would not impact across the broader front line.

Then looking at how we repair the Budget damage, we had conversations with government businesses and found extra revenues there, but there still needed to be additional savings. Based on the fact that, as the risks report pointed out quite clearly, 1 000 jobs were embedded in the forward Estimates, what we wanted to do was to ensure that we delivered as low a number of job losses as possible. It is far better for someone to have a wage as opposed to losing their job. We were able to reduce that number to only 200 additional positions to go over and above the 500 that we had announced prior to the election. The wage pause then seemed like a very sensible thing to do. It ensures that we keep more people employed, it does not impact on the front line and, for more than 500 public sector works and their families, that is a better outcome than having no job at all.

Mr MULDER - No-one doubts you had a mandate to reduce by 500, or questions the fact that the risks report says you need to lose 1 000. You then produce a budget that loses 700 and then you say save 500 jobs by having the wage pause. It seems to me that if we do not have the wage pause we are going to lose 500 more and that will achieve 1 200. I wonder why you have not targeted a wage pause to get only the 300 that you need to reach 1 000. The 700 plus 500 equals 1 200, not 1 000.

Mr GUTWEIN - I can follow your logic. We had a mandate for the commitments we took to the election - \$400 million worth of commitments and \$500 million worth of savings, and we have delivered that. That improved the bottom line by around \$100 million. Anyone who has looked at the risks report would recognise that the Budget bottom line in that report - and I have to say that it is almost a best-case scenario. It detailed a loss in known revenue streams and whilst it quantified for the first time a number of the risks, it did not allow those to impact on the expenditure side of the Budget analysis.

In looking at the Budget repair task, the savings that we have looked at from both a revenue point of view and also from the wage pause are designed to limit job losses. If you like, the Budget repair task is quite a separate thing to the mandate that we received for the \$400 million in savings.

Mr MULDER - But that is why you would draw the line underneath and say, '500, that was fine, the world's moved on, as it always does'. The line we are now aiming at to get the budget repair is 1 000 FTEs.

Mr GUTWEIN - No, the risks report did not take into account any of our savings or any of our commitments. It highlighted that the fiscal circumstances of the state had deteriorated even further. I have read most of your speeches over the last couple of days and while there are some things that I agree with from most of you, there are others that I certainly take issue with. As we work through the day I will take the opportunity to set the record straight because there were some matters that were quite misleading in some of the speeches.

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I do not agree with your point about Argentina, and I think your terminology was 'We are a leech on the economic teat of the country'. We have a range of challenges we need to get ourselves out of and we have brought forward a range of ways that we can repair that mess.

Mr MULDER - I stated that we are. My point is that we shouldn't be. That was the point and I think on that we would agree.

Mr GUTWEIN - What has happened in past years, and again I raise the issue of the public sector wages - they have been well in excess of the Government's wages framework for a number of years and they have lead to a deteriorating position in the budget. Treasury made the point in the risks report that we are unsustainable on current settings. I have said we will return to surplus in around six years, but the simple fact is on that current settings, in the risks report, there was no return to surplus - not in 10 years, not in 20 years.

Mr MULDER - The debate is really about hitting that magic figure of 1 000, and it seems to me there are two ways -

Mr GUTWEIN - That is the budget repair task.

Mr MULDER - It seems to me the two ways of hitting that magic target of 1 000 would be 500 direct job losses over the forward Estimates plus the wage pause, which by your own calculations is equivalent to 500 FTEs. So 500 direct losses, and 500 avoided through the wage pause would equal 1 000, yet we have 700 direct losses and 500 through the wage pause, which amounts to 1 200.

Mr GUTWEIN - You have to look at this and break it down. Our position before the election, and post the election, was that we would deliver \$400 million worth of commitments - and we have a mandate to do that - and at the same time deliver \$500 million worth of savings. Those savings included 500 FTEs in the public sector. We were upfront with people before the election about that. The 1 000 job losses - that is the budget repair task.

Over the period of the Budget delay, we have been working with agencies to look at ways that we could mitigate that 1 000 figure. We have been able to find savings and other revenue measures, of which the pay pause is one, which mean that out of the 1 000 for budget repair, only 200 jobs need to go. The pay pause is an integral part of the budget repair task.

Mr MULDER - With regard to the 700 losses over the forward Estimates, which particular services will no longer be delivered? Are they internal services or external services. Are they by agency or by award? Where are those numbers coming from?

Mr GUTWEIN - I am not going to discuss agency specific numbers. That is not fair on either the agencies or the individuals in them, especially some of the smaller agencies, because it makes it easy to look at specific areas and say, 'It is going to be that person's job'.

During the budget development process, we had agencies, especially the larger agencies, in front of us on a number of occasions. They were asked to bring forward a range of savings within a target range. We worked with those agencies to ensure that any efficiencies they proposed would not impact on their frontline services. Having read your speech, I note you have made some comments in regard to the police service. I was assured by the Police Commissioner as we

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went through this process that the savings measures they were putting in place were not going to impact on the frontline in a detrimental way.

Mr MULDER - If you read my speech you would know I am not concerned about the impact on the frontline. I am concerned about support for the frontline. Are we going to take people off the frontline to provide support for their colleagues rather than the other way around?

Mr GUTWEIN - Again, through the Budget development process, that concern was never raised.

Mr MULDER - So rather than civilianising the back office, my concern is that we are going to put the sworn members back in.

Mr GUTWEIN - I understood what you were saying, but that concern was never raised.

Ms FORREST - Treasurer, you referred a number of times to the risks report, but wasn't it pretty clear from the preliminary outcomes that things were heading in that direction?

Mr GUTWEIN - Are you talking about the RER, the mid-year report, as opposed to the preliminary?

Ms FORREST - They are all pointing in the same direction and there have been no big surprises in their advice.

Mr GUTWEIN - The risks report was released in April. The preliminary outcome was only released a couple of weeks ago. I think you are talking about the revised Estimates report.

Ms FORREST - Sorry, you are right.

Mr GUTWEIN - I brought both the revised Estimates report and the risks report with me today. If you go through the revised Estimates, the argument that is being run by my political opponents that everything was clear, it was quantified, and people should have known, is absolute rubbish. There were no hard numbers placed against any of the risks. They were identified but they were not quantified. What the risks report did for the first time, albeit it does not take these to the bottom line, is start to put some hard numbers around things.

What was the National Disability Insurance Scheme going to cost in the fourth year? It is the fourth year of my forward Estimates but did not appear in the RER. What was the Equal Remuneration Order going to cost? They were significant, over-the-horizon issues and whilst it was mentioned that they were coming, there were no hard numbers put around them. What the risks report did for the first time was start to quantify some of that data.

Ms FORREST - You knew there were challenges coming. You might have had figures about them but then you went to the election with a lot of promises and some savings, as you have identified. You also said the savings were not factored into the risks report so you can say, 'It wasn't going to be as bad as that' because you identified all these savings.

We need to be a bit open about this and say that this was the first time anyone realised how bad the situation really was. I have been speaking about this for years, as you are well aware - the direction we are heading in. I gave the previous government a fair whack for it as well. It is

disingenuous to suggest that all of a sudden there were numbers there that told you, 'this is bad', when we have been heading in that direction all the time - the mining with the royalties, Hydro, we knew Abbott's position on the carbon tax.

Mr GUTWEIN - Ruth, we went to the election with a policy of improving the bottom line by more than \$100 million. That is the policy we took to the election when you net out our commitments and savings.

Ms FORREST - But you did not say you would use a wage freeze to get that.

Mr GUTWEIN - No-one, not even you, understood the depth of the challenge we were in until the risks report was brought down and we started to quantify it. Those numbers in regards to the longer-term impact of some of those larger programs, and the Gonski program is another that was committed to. No-one understood what those longer-term impacts would be.

It was a surprise to me in regards to public sector wages that in the last 12 months our wages blew out by more \$150 million more than they were supposed to be - only three years ago.

Ms FORREST - I hear what you are saying. You made a number of points about the size of the public sector and the task ahead when you realised from the risks report that things were going to be tougher. Rather than adopting a short-term solution to a structural problem, which is what the wage freeze is, you chose that rather than structural reform. You even made a point about performance appraisal processes that have reached the tick and flick. I accept and agree with you on that but surely we should fix that. We should be looking at structural changes. A pay pause will fix it for this year. Next year we are not going to have \$100 million from MAIB, we are not going to have money from the Hydro - and we will get to that later. This is not fixing the problem and it is not what you went to the election with.

Mr GUTWEIN - What the pay pause does is provide a structural shift. In regards to wages there are only two ways that you can reduce the wages bill. It is either putting a pay pause forward or to sack people. If you are arguing for more people to be sacked, then you should do so. But they are the only two options we have.

We took the view that in light of the fact that the economy was growing, but fragile, that it was far better to have 500 Tasmanians still in work, being paid exactly the same as they are being paid today, albeit for a 12-month period, still in work, contributing to the economy, rather than sacking them.

[9.30 a.m.]

Ms FORREST - Yes, for 12 months perhaps.

Mr GUTWEIN - If the structural shift sits within the Budget, it carries forward. You know that, you can see it from the figures, but over a period it does put us on that pathway back to surplus. It also, importantly, ensures that in regards to the job cuts that have to occur, that we can stagger them across the forward Estimates. It is around 361 in the first year, 139 in the second, 177 the year after that, around 22 the year after that. It means there is no singular, large, structural hit to the Budget required. This actually puts us back on a pathway that saves and keeps people in work. I think that's a good thing.

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Ms FORREST - I hear what you are saying, I don't have subscribe to some of them, but I do with others. The issue I want to take you up on is that if we don't support this we lose jobs. There is another option - you could review some of your election commitments. I know that is tough, and the Government doesn't want to be seen to not follow through with election commitments, but the commitments were made in light of the figures that you had prior to the risk report. It still showed a deterioration and an ongoing challenge. That's another option - you can review the election commitments you made.

Mr GUTWEIN - Can I deal with that point before you move on? For too long, governments in this state and nationally have broken promises. We went to the election and said that we would deliver certain things and we received a mandate for it. Importantly, in taking those commitments to the election, the outcome of that was that there would also be a \$100 million improvement to the bottom line over the forward Estimates. You say that we should review some of our election commitments but, at the end of the day, we have a mandate for them, we accounted for them accurately before the election and we accounted accurately for the savings, and we are delivering on what we said. We are not going to walk away from our election commitments.

Ms FORREST - That is arguable because they weren't actually costed but you said you have a mandate for that. You didn't go to the election with a wage freeze.

Mr GUTWEIN - I have read your speech and there are a couple of things in there, in fact one matter you will need to correct in the upper House when you are next up there, and I will get to that when we get to the fiscal strategy. In regard to our election commitments, they are in the Budget -

Ms FORREST - Yes, I commend you for that.

Mr GUTWEIN - and almost to the dollar they land on what we said the impact would be - \$400 million. So it is very disingenuous of you to suggest that we didn't have them costed and they were wildly inaccurate. They weren't. We delivered what we said we would.

Ms FORREST - There were two options: one was to have a review of the election commitments, the other one is to look at the growth in the public sector, which you have raised yourself. We struggle with this every year, when we can't get the figures from the person in front of us. But you have made the comments so I hope you are able to provide the information about the growth in the public sector in terms of numbers and the wage amounts people are paid.

In the last three years, what has been the number of FTEs across the public sector, and how has it grown or shrunk? We know that since the GFC there have been various government policies to reduce the size of the public service, and there is a lot of debate of this in this place; the public sector is too big, and that is part of the problem; if you remove the numbers out of it, you do fix it much more accurately or more appropriately the structural issues you have there. We need to know these figures to see what's actually happened over the last three or four years.

Mr GUTWEIN - Back in June 2011, there were 25 452. You would recall that at that time it was announced there were expected to be savings of 1 700 FTEs or equivalent across the forward Estimates. When you take into account the number at June 2014 is 24 538, a reduction in the headline number of 1 000 but then you have to add back in, as we indicated in the risks report, between 200 and 300 because of the seasonal effect of education. As a result, there has only been a reduction of 700 FTEs over that period.

Ms FORREST - What about 2012 and 2013? I am looking for movements, not just a jump between 2011 and 2014?

Mr GUTWEIN - If you look at December.

Ms FORREST - It would be good to have the June figures - June 2011, 2012, 2013, 2014.

Mr GUTWEIN - If you want to put that on notice, I will get it released.

Ms FORREST - It would be good to have it in front of you.

Mr GUTWEIN - We can get those details.

Ms FORREST - I would like to come back to this later.

Mr GUTWEIN - No problem.

Mr FERRALL - For clarification, these are paid FTEs for the general government sector?

Ms FORREST - Yes, as opposed to unpaid ones?

Mr GUTWEIN - Ruth, do you want to break that down?

Mr FERRALL - As a paid cost in the accounts, and various other methods of accounting?

Ms FORREST - Can I clarify what Mr Ferrall is talking about? Is there a difference between how people are counted - is that what you are saying?

Mr FERRALL - There is always confusion about the number of FTEs because there are different ways of counting. You can have paid FTEs. If you take Treasury as an example, our paid FTEs would be about 272, but our FTEs would be about 280 because at any point in time we would have people who might be on leave without pay. There might be people who are on long leave for things like maternity leave, which some of them may take some components of without pay, so they don't fall into the 'paid FTE' figure as at a particular pay day.

Ms FORREST - Those people still have positions? If they come back from maternity leave, for example, they will most likely come back to that position?

Mr FERRALL - It is always difficult when you are looking at a long period of time with FTEs to ensure all the figures are directly comparable. The figures for FTEs are basically collected by survey from agencies and when you go back over a long period of time, at some points in time people have provided a different count than across the whole series.

Ms FORREST - We are looking at paid FTEs? That is what is costing the taxpayer at the moment?

Mr FERRALL - Yes.

Ms FORREST - It would be interesting to have the unpaid figures to see how many people are out there lurking, waiting to come back into positions. As I understand it, Treasurer, you have to find positions for them, or they have to go back into their substantive position when they return.

Mr MULDER - Do you want to strip those government payroll positions to exclude police, teachers, and nurses, because they have been quarantined from the job FTEs? Could we get that breakdown by award, as well as the number of FTEs in positions?

Mr FERRALL - We do not have that. That is something Frank Ogle could probably provide.

Mr GUTWEIN - In the Budget papers there is a section that deals with FTEs.

Ms FORREST - It is on page 4.6, isn't it?

Mr GUTWEIN - It looks at FTEs more broadly, excluding the education estimates and it tracks them in a linear fashion across that graph. As you can see, there was a significant movement across the sector outside of education in regards to the June 2011 austerity budget. Movement occurred and there was a reduction but then, as the graph clearly indicates - and I can only put it down to the election timing, as we moved to the middle of the last term - FTEs started to be added again.

Ms FORREST - This is why I want some of these figures, Treasurer. This is not an issue with your Government - it is with the former government. There appears to be a significant gradual increase and I am interested in what these positions are because it is hard to tell the exact numbers here. What are those positions? As Treasurer I thought you would have looked at some of these positions and at potential programs.

Mr Mulder suggested programs as opposed to just trying to trim people out of a department and rather look at areas where you can remove a program or section. I do not expect you to identify those because I can identify people and I can accept that. I am interested in this because this is where a significant saving could be made.

Mr GUTWEIN - We will provide you with the numbers that are not in that chart on a year-by-year basis so that you have that detail. Again, when you consider the wage bill as it stood at the end of the last financial year compared to where it was expected to be only three years earlier, it was an increase of more than \$150 million and that is significant. From the point of view of Budget repair, as public sector wages make up 46 per cent of public sector employee cost, make up 46 per cent of the Budget, we have to look at reining them in; we have to find a way to find those savings.

For the broader public sector, from where I sit on this side of the table, we believe that a pay pause is one way that we can do that. It provides a structural shift in that in the first year it changes the trajectory, saves 500 jobs and we think that is a good thing.

Ms FORREST - Have you done any modelling on the pay pause as to how it could affect the unfunded superannuation?

Mr GUTWEIN - It will depend on what assumptions are used in calculating. There is a range of assumptions and factors that come to play; wages will be marginally lower across the

public sector, as a result of the pay pause. Over a long run you would expect that it would have a minor decrease in the overall cost.

Ms FORREST - You have not done any modelling though to see what impact it will have.

Mr GUTWEIN - No.

Ms FORREST - This is a concern for a lot of people who have approached me, as I said in my speech, which you have obviously read and probably enjoyed.

Mr GUTWEIN - I did. I am waiting for my opportunity to set the record straight on one matter, but we will get to that.

Ms FORREST - The majority of the emails we have received have identified this as a concern, particularly as we have an ageing workforce and many people are looking at retiring.

Mr GUTWEIN - Not everyone is a member of the Retirement Benefits Fund, the defined benefits scheme, so let us be clear on that. The accumulation fund will not have any impact at all in the long run.

Ms FORREST - The people who are closer to retirement are the ones more likely to be on the defined benefits scheme.

Mr GUTWEIN - To some people it will be a factor that will be of interest to them. The pay pause keeps people in jobs. I hope those people across the public sector who have concern about this take the view that it is far better to have a job and receive the same income for 12 months that they were receiving in the last 12 months than to have no job at all. If the secretary has anything further to add -

Mr FERRALL - It is really not clear what impact the pay pause may have on an individual's intentions, so you could have a scenario where it may lead the member to retire earlier than they might have, or it might lead them to stay on longer. The impact on the Defined Benefit Scheme will really depend on the disposition of individual members and how they behave. It is not something that we could model directly in terms of what would be the impact on the Defined Benefit Scheme.

Ms FORREST - I do not think we want to go too far into this because it is going into the debate of the bill before the House. There have been people in the public service who are concerned about this but I accept the challenge that Government faces, and I am one of those people who accept that there is a challenge. We are already getting our pay freeze so it doesn't matter. No self-interest here.

For these other people - teachers, nurses, a whole range of other people in the public service - the bill that is before us seems to do much more than just pause their pay for 12 months, and this is the particular concern. This is a debate for another day in some regards. I am not going to seek to question the member on the Budget on the basis of this. It will be something you have to figure out later if it doesn't go through our House, in terms of legislation reports, as Mr Abbott has found out.

Is there a comment you can make at this stage without going to the debate on that particular piece of legislation?

Mr GUTWEIN - All the bill does, apart from pausing people's wages and increments for 12 months, is allow the Tasmanian Industrial Commission to do the complete range of roles and functions that it has currently, excepting that there will be a legislated government wages policy within which it needs to operate. That is it. When you say it goes a lot further, I would argue that it does not. The previous government had a 2 per cent wages cap in place which was disregarded by the TIC. What this effectively does -

Ms FORREST - It binds the TIC.

Mr GUTWEIN - It ensures that they take regard, absolutely, of what the Government wages' policy is. Again, this is in regards to what may or may not happen with this legislation. There are no other options. It is either the pay pause or job losses. That is it.

Ms FORREST - No, we have already established there are other options with our election commitments and that sort of thing.

Mr GUTWEIN - No, because we have to find savings from within agencies because the allocation that is in the Budget to agencies takes into account the fact that in the Budget bills you have the pay pause will come into effect. If it doesn't, agencies will need to find other savings. That will be, unfortunately, job losses. I want to be clear on that.

Ms FORREST - I understand you have made a promise but one of the options is that perhaps you review some of those decisions. For example, is now the right time to be putting the school nurses into schools? I understand the benefits. There are times when perhaps some of those election commitments could be deferred or reconsidered. There are other ways to make savings - not just saying, 'if you don't support this, your actions will result in job losses'.

Mr GUTWEIN - It is long overdue that a government stood by the commitments it made and that is what we are going to do. We have been clear with the Tasmanian people that not only did we take a range of commitments to election, we took a range of savings to fully fund them and, at the same time, improve the Budget bottom line. What we are dealing with now is a challenge within the Budget that has been left by the previous administration that is worse than was expected before the election.

Ms FORREST - Isn't that a reason why you should review your promises? Doesn't that show good leadership when you say, hang on, things are worse than we thought.

Mr GUTWEIN - In regards to the challenge we have, the plan that we took to the election is ensuring that we deal with some of the structural challenges. The education initiative - 14 percent of boys in regional and rural areas are going to year 11 and 12. It is long overdue that we sorted out year 11 and 12. In regards to health, the elective surgery funding that is going in - long overdue that was in -

Ms FORREST - I am not arguing with those initiatives.

Mr GUTWEIN - They were commitments that we received a mandate for to deliver and we will deliver them. At the same time we will deliver the savings that we said that we would.

Ms FORREST - If you had gone with the wage freeze as one of your election commitments to achieve funding of these things I wouldn't have had an argument then. If you had said upfront, 'We need to focus on education, particularly year 11-12 retention, to deal with our elective surgery waiting list and preventive health; there is a whole range of things. To do that, one thing we will look at is a wage freeze'.

Mr GUTWEIN - I am dealing with 1 000 embedded job cuts in the Budget. As a result of that we have been able, through the process, to reduce that 1 000 to 200. The wage pause enables us to save another 500 and the remainder are saved as a result of the additional savings that we have found across government and revenue moves.

CHAIR - Both sides have made points on this, which is impending legislation before the House and I think it is time to move on. Are there any other overview questions?

Ms FORREST - Yes. I have questions related to page 1 before we go to Treasury and Finance.

CHAIR - All right, then.

Ms FORREST - I want to ask a question about concessions. Tasmania picked up the concessions the federal government had chosen to no longer fund, which I think is commendable. The proposed white paper on federal-state relations will presumably canvass their respective roles in the provision of concessions. Does your Government have a view on who should pay what, and does this include local government as well? I ask in regard to a range of age-based, income support, disability, NDIS and remoteness concessions. Are they the federal Government's responsibility? What are your views around concessions more broadly? I believe 2007 was the last time there was an article on concessions in the Budget papers which made it much easier to appreciate the cost of concessions. Will you consider publishing that, particularly if we are picking up another concession that was the federal Government's previous responsibility?

Mr GUTWEIN - Overall, concessions impact on the Budget is around \$300 million, but there are a lot of concessions included in that, not just those people would normally consider, such as electricity or rates, water and sewage, et cetera. There is concessional land tax, bereavement and other concessions that apply.

On the broader issue, we will fund concessions for Tasmania's most disadvantaged, not just in this year but over the period of the forward Estimates.

I have made it clear to local government that no unilateral decision made by a high level of government is going to impact on them. I do not think it is fair; the federal Government caught us by surprise. No-one was expecting that we would lose concessions overnight.

The concessions are funded over the four years; we are not going to move from that. A lot of people in Tasmania do it tough; they need these concessions and we are very pleased that we could lock them in and provide that absolute certainty. I see the federal government's white paper process as a real opportunity for Tasmania.

Ms FORREST - My next question is about that.

Mr GUTWEIN - This might answer it. When Andrew Inglis Clark sat down in the 1890s to draft background papers for our Constitution, he could never have envisaged, and nor could the other founding fathers, that in 2014 Tasmania would have had roughly 50 per cent of its landmass locked away from productive use. When framing the Federation and how it was to work, no-one back then could ever have taken into account that over the years Tasmania would become the environmental conscience of the country, largely driven by successive federal governments wanting to lock up parts of Tasmania to salve their environmental lone quest.

Ms FORREST - Of both colours.

Mr GUTWEIN - Of both colours. I am quite happy to make that point. We have ended up in a position where we do not have the same percentage of our economic footprint available to us as the other states. Look at Western Australia, which has less than 20 per cent, in fact less than 15 per cent, of its land mass that it cannot use; up and down the eastern seaboard it is all less than 20 per cent. The white paper on federalism provided us with both opportunities and also risks but for the first time we actually get the opportunity in a broader national debate to state Tasmania's case. It is a really good opportunity.

Ms FORREST - How will you go about that?

Mr GUTWEIN - Across Government there is a working group looking to ensure that we have the necessary capacity to take forward Tasmania's position. Treasury and DPAC are playing a key role, and we will draw on other departments as and when we need to. This is a very important opportunity; it has risks but it is an opportunity. For the first time since 1901, Tasmania has an opportunity to state its case and to ensure that we are treated fairly. At the moment, and I think over time, it has been a form of environmental bracket creep. We have lost the opportunity to be as productive as we possibly could - that is working against us and we have to start to address it.

Ms FORREST - It is not only environmental bracket creep but there is a whole range of other interest groups that make their case quite loudly at times so that tensions have arisen in Tasmania.

Mr GUTWEIN - There are, and please don't get me started on them. As a state, there is the tyranny of distance that we need to overcome. One of the key aims of this Government over time is to ensure that we offer a very competitive footprint for investment, we have to. We have Bass Strait to overcome and if we are going to retain capital and intellectual capital here, if we are going to attract capital and intellectual capital to Tasmania we have to provide a very competitive footprint. The opportunity of the white paper presents is a wonderful chance to state our case.

CHAIR - We will keep going with the overview but I might give Craig a chance to ask a couple of questions.

Mr FARRELL - Back on the pay freeze, back in 1986 a similar thing was done and it led to what became the '40 per cent we will never forget' issue. What plans are there in place for future parity with other states as far as catching up goes? If we have a pause now, will that mean that we will have to have a bigger gap to catch up in the future?

Mr GUTWEIN - I don't believe so. At the moment, compared to the national average in regards to public sector wages, we sit at roughly 4 per cent below. That is outlined in the Budget.

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When you take into account the cost of living, and I used housing, and Ruth correctly said that not everyone owns a house, but people will either rent or they will pay a mortgage, they will need to live somewhere.

We are relatively well placed in regards to cost of living here, certainly when compared to the major capital cities. So, no I don't think that there will need to be a major catch-up. All we are asking people to do is pause for one year. I should clarify a couple of matters from your speech while I am at it; I will get to that in a moment. There were some very good contributions, I did enjoy reading them. Some of you have fantastic turns of phrase.

Mr MULDER - Feel free to borrow from the till of attribution.

[10.00 a.m.]

Mr GUTWEIN - There are always some gems in yours, Mr Mulder, I can assure you.

Mr FARRELL - As far as the risks report goes, were they quantified in the Budget? The risks that you were mentioning before?

Mr GUTWEIN - Absolutely. In the NDIS, for example, it is a \$40 million impact in the 2017-18 year. The ERO, and the Treasury secretary will correct me if I get this wrong, it was \$11 million in that year. The Gonski funding was another \$54 million for the 5th and 6th year which we needed to find. They are all funded in the Budget. The major risks are funded, as I have outlined.

Mr FARRELL - With the forward Estimates, you have a savings target of \$774 million. Will that require further job cuts in the public service?

Mr GUTWEIN - I do not believe so. This is where the pay pause is so important because it provides a reset which carries forward over the forward Estimates. We will save more than 500 people losing their job. In regard to the current FTE savings it is 700, working with agencies. I know the press is keen to say it is 700 job cuts but the impact is less than 1.5 per cent of the public sector this year. We have turnover in the public sector. It has been as high as 10 per cent some years. It sits around 3 per cent to 4 per cent. A large number of these positions will come from natural attrition. It would not be fair at this stage to take you on over some of these things but, if they are raised, I will.

Mrs HISCUTT - To change the subject completely, the superannuation liability in the balance sheet increases by about \$700 million in the forward four-year Estimates. Can you give us some insight as to how you,

CHAIR - That comes down in the superannuation part later.

Mr GUTWEIN - I am happy to make a couple of comments but whatever suits you, Chair.

Mrs HISCUTT - I am happy to wait.

CHAIR - On the general questions of revenues, we have talked about cutting expenditure and ways you want to do that. Are there significant areas you can see where the revenues could be increased, bearing in mind that unfortunately we have 69 per cent per annum that comes out of the GST. I think it was tabled at 6.5 in Budget paper number 1 about pay roll tax, 32; tax on

property, 33; gambling and insurance, 19; and motor vehicle, 16. They are areas where you could increase revenues reform. Have you taken some of those into account?

Mr GUTWEIN - I very strongly believe that we have to have a very competitive tax regime in Tasmania because we have to overcome the tyranny of distance. So, in regard to taxes, we are not looking to increase or create any new taxes. We are not. I will not let the Treasury secretary talk about revenue raising because they have a different view than me on these things.

Ms FORREST - I think he might agree with me.

Mr GUTWEIN - Where we have to get to in regards to state taxation, and I think more broadly taxes, fees and charges, but also the time that it takes to do something, Tasmania has to reach a point where we can put Hodgman on the national stage as the Premier and he can proudly declare that Tasmania is the most competitive place in the country to live, work or invest. That is what we have to get to.

In regard to raising additional revenues, no, I am not prepared to look at increasing taxes. We will see growth in payroll tax as a result of more jobs being created and wages increasing. We will see, hopefully, in regards to duties, there has been more activity in the housing market. We are seeing a flow-on effect of that.

One of the things I very strongly believe and that Tasmania could not stand, is to begin increasing taxes and decrease its competitiveness. We simply have to be more competitive. On the taxation severity ratio we sit just behind the Northern Territory. We are seen to be quite competitive in comparison to the other states. We have to maintain that.

CHAIR - So you would not entertain increasing land tax? It is supposed to be broadened out at this stage. If you think about it, it is probably the broadest-based one that you could attack if you went down that track, at a fair bit of political peril.

Mr GUTWEIN - I have no intentions of broadening the base on land tax, the reason being that in Tasmania we have roughly 36 000 small businesses, many of them currently, whilst they are starting to see an upturn in the economy, have done it pretty tough for some time. If you broaden the land tax base onto more properties -

Ms FORREST - You'd lower the rate.

Mr GUTWEIN - If you broaden the land tax base onto more properties, you will end up with a lot people who currently aren't paying land tax suddenly paying tax, and that just increases the impost on people at a time when I don't think the economy can stand it. We are not considering broadening the base on land tax.

Ms FORREST - I am looking at fiscal strategies now but I will start with number 3. That is where the Chair has been.

Ms FORREST - Fiscal action 3 says that 'taxes be efficient, fair, simple, stable and sustainable'. How do you interpret all these adjectives, particularly in relation to our existing taxes? We have just talked about land tax. How do you describe that because this is one of the arguments in support of tax reform in this area?

Mr GUTWEIN - I am glad we got to the fiscal strategy because that gives me an opportunity to set the record straight on one thing. When I was reading through the speeches I was very surprised, Ms Forrest, that you would make the claim that we failed to produce a fiscal strategy as required by the Charter of Budget Responsibility. We met our obligations under the law prior to the election. I threw a copy in which is the fiscal strategy document that we released before the election, and it was provided. As many of the comments that were made in your speech regarding the fiscal strategy started with that as a basis - that we hadn't even bothered to put forward a fiscal strategy and it only talked about improving the Budget bottom line - that is a matter that needs clarifying at the next opportunity in the upper House because it does exist. We have met our obligations under the law and we submitted it to Treasury.

Ms FORREST - Are you happy to table that?

Mr GUTWEIN - .Yes, in fact it is available on websites, everywhere. We will get a copy for everyone if you like. In regards to the taxation environment, as you well know and understand as a result of being on that tax reform process with me, the suggestions always are that you should broaden your base. We have had the question about land tax. That is the proposal - that the impact is always on people that currently don't pay tax. As you and I both know, and I am sure other members around the table know, we have a transaction-based taxation system in Tasmania, and it is relatively narrow. Some people would argue that they pay more than they should, but a lot of Tasmanians don't pay tax as a result of the current system. Broadening the base is something we are not contemplating. Do members of the upper House think we should be putting land tax on the family home or the family farm? If that is being suggested, we would rule it out.

Ms FORREST - We are not being completely open and honest about your discussions concerning land tax reform. But land tax is only one element. Clearly, if there is to be a change there needs to be a transitional support system. Many Tasmanians don't pay tax, and a lot of them are quite capable of paying tax, and are in positions where they can. They choose not to move. They own their own home and don't own an investment property. They don't change their car very often, so they don't pay any state tax but they have incomes that fully support a capacity to pay tax. We are being a bit disingenuous when we say we are only going to hit people who can't afford it. That is not true. That is not right.

Mr GUTWEIN - No, I said that a lot of people who currently don't pay tax, will be paying tax.

Ms FORREST - A lot of people will be paying less.

Mr GUTWEIN - If you consider the land tax base, there are a broad range of exemptions. If you want to argue that tax should be levied on the family farm or the family home, by all means go ahead and do it. It is not something, as a government, we are going to do.

We are in a competition - federalism is about a competition. We have to be able to tell those who want to invest here, or live here, or operate a business here, that we have the most competitive taxation and charging environment in the country. We have to overcome the tyranny of distance. That is a given.

Ms FORREST - The other issue is stamp duty on property transfers. That can often be seen as a deterrent for people having to move for employment, and the current employment

environment in Tasmania is pretty tough. If you focused on expanding or broadening the tax base and lowering the rate, we could benefit the people you are concerned about.

Mr GUTWEIN - Stamp duty won't limit the movement of people around the state seeking employment opportunities.

Ms FORREST - No, but it adds another cost.

Mr GUTWEIN - That won't be the thing that stops them from moving. It will be whether we have a growing property market and they get value for their property when they sell.

Having a very competitive taxation environment is absolutely critical to ensuring we can attract investment that is going to grow the property market.

Ms FORREST - In the Budget papers, you said it has to be efficient, fair, simple, stable and sustainable. I don't know that we have achieved that with the current settings.

Mr GUTWEIN - As we work through this process - every year you see bills coming up that tidy up matters in regard to taxation. If you want to argue for a broadening of the tax base, by all means go ahead and do it. Certainly, this Government is not going to do it.

Ms FORREST - Can we go back to the other fiscal strategies? I take on board what you said about your own fiscal strategy. In the past it seems that fiscal strategies have been developed after the event, rather than being a guiding principle. How have you established the fiscal strategy for the period in the Budget papers?

Mr GUTWEIN - One of the things that has always concerned me with fiscal strategies is that they have been very short term.

Ms FORREST - And they keep changing, too.

[10.15 a.m.]

Mr GUTWEIN - Yes. Since 1991 we have had seven different fiscal strategies. There has been five since around 2000. The budget papers make it perfectly clear that the last five changes have largely been rewritten on the basis that the government of the day couldn't meet the targets. We have decided to embed a set of principles into the act. Around those principles we have a set of actions to ensure that we keep expenditures below the long run growth in revenue. To me that is common sense. The Budget papers have to report against that each year; in 2015-16 we will provide a report on the long run sustainability of the state's finances and we will legislate that that be done every five years. That is a really important opportunity because it will ensure that there is a document that can sit above election cycles - that will lay out warts and all where the state is, and where it is heading.

As part of the longer term fiscal strategy, I feel very comfortable with what we have arrived at here. Principles-based, over the longer term, reported on annually, legislated to ensure that the government reports annually against it but, importantly, we will have a look at the long run sustainability of the state's finances every five years.

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Ms FORREST - The change you are suggesting to the CBRA is not around the principles as such, then; the principle already exists there. It is more about the reporting; is that what you are saying? It was unclear - to me, it said you were going to rewrite the principles.

Mr GUTWEIN - The principles we developed and committed to two alternative budgets ago are a better set of overarching principles. A fiscal strategy reported on annually is going to stand the test of time. With five rewrites, the fiscal strategy of the government became a joke. People stopped looking at it because it was continually rewritten.

Ms FORREST - Fiscal action 1 says growth in general government expenditure will be lower than the long-term average growth and revenue. Is this the reporting time frame you are talking about?

Mr GUTWEIN - Yes.

Ms FORREST - It is five years, not 10?

Mr GUTWEIN - The five-yearly basis I was talking about is that we are committing to providing a report, the first in 2015-16 and legislating that the government of the day must provide a report that looks at the long run sustainability of the budget in a broader sense, separate from the first strategic action of the fiscal strategies.

The Treasury secretary has reminded me I am talking about it as a government report. It will be a Treasury report and not a government report. Regardless of who is in government, that will be legislated to ensure that it occurs.

Ms FORREST - I assume this approach was tested against historical data. Would it have predicted the challenges we have now if we had had it in place previously?

Mr GUTWEIN - For a start, it wouldn't have needed to be rewritten -

Ms FORREST - Did you look at it historically?

Mr GUTWEIN - If it had been used historically, it would have demonstrated that growth and expenditures were outstripping growth and revenues for a long time.

Ms FORREST - It will show that in the future, then.

Mr GUTWEIN - Yes, and it will enable us to reporting annually whether or not we expect to remain within the benchmarks we have set. What it would not do - in the last two years, where the government allowed its expenditures to get out of control. The budget paper makes it perfectly clear. The argument has been that it is all about revenue, but it is not collapsing revenues that has created the problem. Revenue has increased by \$171 million over the three years from 2011-12, but expenditure, which is a government decision, increased by \$751 million. Reporting on this basis will indicate whether expenditures are outstripping revenues, so that will give a clear indication, on an annual basis, of where you are heading. But, if a government wants to behave irresponsibly, it does not matter.

Ms FORREST - Pre-election for example? That is when it needs to be picked up.

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Mr GUTWEIN - The Treasury report on a five-yearly basis is going to be an opportunity to shine some sunlight on the longer term issues the state faces. It will be a good option.

Ms FORREST - Moving on to fiscal strategy 2. It says general government debt servicing will be less than 6 per cent of general government cash receipts. Why would you include capital receipts, as these cannot be used to service debt or the super liability?

Mr GUTWEIN - Are you talking about total -

Mr FERRALL - We have used total receipts. If you did not include capital receipts you would just change the ratio. Capital receipts change on an annual basis and they are quite variable. It is much easier to take a total receipt basis and use that ratio, and that is targeting below 6 per cent. It gives it consistency with other states. You could do as you have indicated, and strip out capital receipts, but you would then target a different ratio.

Mr GUTWEIN - As a mechanism, this looks fairly simple but we know the liability for superannuation is rising. The cap that we'd set ourselves forces the government of the day to be increasingly more vigilant in regard to its borrowings. If you are going to maintain within that cap while you have an increasing superannuation liability - if your debt is not decreasing and it is not under control, you will blow the 6 per cent cap. It will become quite evident that you have a debt problem. It works on a number of levels.

Ms FORREST - Have you enjoyed my contribution on this? I have been arguing for it for years.

Mr GUTWEIN - There were some very good contributions. There were one or two things I was concerned about, but I thought they were very good contributions across the board.

Ms FORREST - The measure in fiscal strategy 2 seems to categorically rule out any extra borrowings at this stage, which is probably sensible. Has the Government decided that the GBEs should shout all the borrowings, because you are not going to do it in the general government sector? If that is the case, doesn't it conflict with fiscal strategy action 4 - 'Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to the Government'.

Mr GUTWEIN - It is certainly not our intention to shovel debt across to the GBEs. Let me deal with MAIB and the extra special dividend we see there. MAIB has had a cracker of a run in investment markets for the last three years. That money will not impact on the solvency of the company - it allows the company to remain well within its ratios. This is not taking money out of a government business that is going to worsen its financial position.

Ms FORREST - MAIB is the trick, yes I agree. But let us look at Hydro.

Mr GUTWEIN - We are taking no money out of Hydro.

Ms FORREST - What about 2016-17?

Mr GUTWEIN - Over four years we hope we can have Hydro back onto a pathway where they can provide a dividend. We have spoken with the chair and the CEO in regard to this and they believe, like we do, that Hydro should be able to provide a return to the state.

Ms FORREST - I asked for their expected profits for the next four years, and they were not provided. We may get them later. The policy and parameters statement suggests they are not going to be in a profit position.

Mr GUTWEIN - They are not providing a return to the state.

Ms FORREST - Until 2016-17.

Mr GUTWEIN - They effectively have four years in front of them to get themselves to a position where they can provide a return to the state. For a business like Hydro, with the level of equity we have invested in them, it is unacceptable that they are not in a position to provide a return. We are going to work with company to ensure that we can get the settings right and so that once again they will be able to provide a reasonable return. Action 2 doesn't suggest that we are going to be pushing debt off the general government balance sheets into the government businesses.

Ms FORREST - There is no capacity for the Government to borrow more - that is what it seems to suggest at this stage.

Mr GUTWEIN - This instils a level of discipline across government by setting this parameter in regards to what the cost of borrowing and the cost of our superannuation liability are going to be over the forward Estimates. I think, over the long run, that is a good thing.

Ms FORREST - Fiscal action 5 is about maintaining existing assets and responding to the changing needs of the community. It is slightly different from the previous government's one of just maintaining it above depreciation, which is a scary thought in itself. What do you really mean by this, apart from basically providing carte blanche to spend whatever you like in any regard? There are no parameters around this that I can see. We have seen in recent years - again, not in your Government but recently - that the capital expenditure is often the first to be curbed or pushed back when cash is tight. Really, shouldn't the Government be committing to spending a certain percentage of its receipts in addition to what we get from the feds?

Mr GUTWEIN - The first aim of anyone, whether it is at a state government level or at a business level, should be that you would at least be able to fund your depreciation. In effect, what we have set as a target here is that we will do that. We will maintain our existing stock of assets and then we will invest over and above that depending on where we can either find productivity gains, or where settlement patterns have changed, or where we need to invest. As a starting point, the most important thing you have to be able to do is to maintain your existing stock. So that is the measure here and we are looking to invest at a higher level than that.

Ms FORREST - There is no specific target or expectation?

Mr GUTWEIN - Because we have never had an holistic statewide infrastructure plan, certainly not one that has pulled together where the settlement patterns are going to be and where we need productivity gains, Infrastructure Tasmania will be tasked with doing that. As a result of that process, what Engineers Tasmania and a number of the representatives of business in Tasmania have been calling for from the Government is a long-run infrastructure plan. They want to know that we are going to work with them to plan projects into the future that smooth out some of the troughs and peaks that currently occur. We will, over time, develop that but as a starting

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point, ensuring that we are at least maintaining our stocks of - the first thing we do. As far as a measure, that has to be our baseline.

Ms FORREST - That is all on fiscal strategies?

CHAIR - Yes. Basically we have done an overview.

Ms FORREST - If other members don't have any questions, I'd like to look at a couple of things in budget paper 1.

Mr GUTWEIN - When do we get a comfort stop?

CHAIR - We like to put on a bit of pressure on the other side of the table.

My intention was 11.00 a.m. but if you so desire, we can go early - are your eyes watering?

[10.30 a.m.]

Mr GUTWEIN - If it becomes challenging, I'll let you know.

Ms FORREST - Can I take you to page 5.3 page 1. General Government Income Statement. If this is better dealt with under another item, then say. There is quite a significant downward movement in investment in GBEs - \$347 million. Can you give us some background on that?

Mr GUTWEIN - My initial thought is to simply say it is a valuation change in the Government Business portfolio.

Ms FORREST - Assets?

Mr GUTWEIN - It could be for a range of matters. I am presuming it is driven by, for example, long run cost of electricity. Across the portfolio it is a change in the value of our equity.

Ms FORREST - There is no footnote so it makes it a bit hard to understand some of it. There is quite significant movement there. Are you able to provide some more information around what that relates to?

Mr GUTWEIN - Yes, we can.

Ms FORREST - Also the next line there, 'other gains/losses', there is an extra \$176 million. I assume that could relate to the DHH housing stock but it would be good to have some more details because there are no footnotes.

Mr FERRALL - We can get some more detail on that.

Ms FORREST - Over the page on 5.4, you have the revaluation of non-financial assets of \$300 million plus each year. Last year the budget figure was \$326 million. The preliminary outcome figure ended up being \$44 million. Can you explain what is happening here?

Mr FERRALL - We don't have the details underpinning that.

Ms FORREST - Going to the next page, the balance sheet. At the end of 2016-17 it appears there will only be \$45 million in cash, with \$771 million of internal borrowings still owing to the Australian Government Funds Management Account, the TRMA, and other accounts. How is it going to be possible to operate the general government with so little cash and manage on a day-to-day basis? You know how much the payroll is on payroll day, and yet pay no interest. In Finance General - this is going to be an output at 1.1 - it shows virtually no debt servicing. How is that going to work?

Mr GUTWEIN - I might ask Craig to provide some detail on that. In regards to cash and deposits, we have cash and deposits set aside that we have received for the Royal Hobart Hospital. There is other cash included across government. The borrowings, as you have correctly identified, is the overnight borrowing that takes place to make sure that the balance sheet can be determined. We are not going to run out of cash. If you want more detail I will ask Craig Jeffery, Director, Government Finance and Accounting Branch.

Mr JEFFERY - Thank you, Treasurer. Following on from the recent briefing that you were at with the Public Accounts' Committee, Ms Forrest, what I said is we actively manage cash on a daily basis and what is reflected in the balance sheet is at a point in time. That is the balance of cash at 30 June and the cash fluctuates quite widely throughout the year, particularly as large amounts of revenue and expenditure take place. For instance, the major ones are the inflows of moneys from the Australian Government for GST, for particular national partnership agreements, so there are large lumps of money coming in at various points of time. The flow of expenses is a lot smoother; in particular, the salaries profile is pretty consistent across the year. There are some big lumpy movements when grant payments are made by the Department of Health and Human Services to the not-for-profit sector and when grant payments are made to the private schools.

We are managing cash and predicting cash into the future and the profile is managed to make sure that we, at the end of each reporting period, do an end of quarter borrowing to cash back the public account. We are also managing the cash to make sure we always have cash-backed any legislative and true trust accounts.

We have basically looked at the cash flows into the future and done profiling to make sure we are going to deliver on all those commitments and manage all those movements of cash over time. The profile, based on the Budget, shows that the cash is always going to above the \$100 million point. There is potential in the future that it may dip down for a small period of time and we have built some debt servicing costs in to account for that. But, at this stage, based on the numbers, there will be no need to borrow and that is what is showing in the Finance General debt service impost.

Ms FORREST - Treasurer, you mentioned the funding flowing in to the Royal Hobart Hospital Redevelopment. It is all well and good to spend it on other things, but it will need to be spent on the Royal - is that going to present some challenges?

Mr GUTWEIN - No, it won't. The balance sheet indicates, at that point in time - 30 June - that we have more than sufficient cash in deposits to meet our requirements. This conversation has gone on for a number of years, since the then premier said, 'Let's get the hay out of the barn' and started to spend with, what I considered at the time to be, gay abandon considering the cash volumes we had.

You have written a number of papers in regard to what happened through that period - running down the cash - but the simple fact is that based on the balance sheet as it stands, we have the cash and there is no problem at all in funding those projects.

Ms FORREST - Can I take you to the policy and parameter statement - page 5? That was an interesting read. I am not quite sure I understand it properly this time. The total revenue changes this year are an increase of \$10.3 million, and expenditure changes for this year, based on policy changes, show a decrease in \$27.5 million. The parameter changes - an increase of \$158.9 million -

Mr GUTWEIN - Where are you, Ruth?

Ms FORREST - The policy and parameter statement, starting on page 5.10. I want to understand the difference between the policy and the parameter changes. I agree that the previous government had a bit of a spending problem, not a revenue problem. But the policy and parameter statement shows expenditure increases of \$131.4 million this year.

Mr GUTWEIN - That is a very good point and one I have been waiting to get to. A number of your contributions indicated that we have increased expenditure this year by about 3 per cent, at a time when we are suggesting we need to be frugal.

If you go back to the preliminary outcomes report, it indicated there was a nearly \$400 million underlying net operating balance. The key reason was that there were a range of expenditures that were not met in 2013-14 that were going to be carried forward to this financial year. So the impact on our expenditure - going up - is largely as a result, certainly to the tune of around 3 per cent, of carried forward expenditures that should have been met last year.

Ms FORREST - Doesn't this make the net operating balance this year \$121 million worse, compared to what was predicted last year? It would have been \$221 million, except for the NOB dividend.

Mr GUTWEIN - It's the policy decisions in the expenditures that improve the bottom line. It's the parameter adjustments which in large part are as a result of the carry forward as expenditure that should have been expended last year. The outcome for the operating balance for the 2013-14 year was around \$157 million. That should have been significantly higher, if expenditures that were forecast to be spent in 2013-14 had been carried forward to this year, and that is why there is a parameter adjustment to the size that there is. In effect we are paying for this year, expenditure that should have been dealt with last year.

Ms FORREST - That is the part I was saying to you earlier, that would have been expected to be pushed out. There are valid reasons for that, but not all. It's only because money is not there.

I want to take you to page 5.15 in policy and parameter statement. Included in the budget savings strategies on this page, which you have outlined, are the Finance-General savings, approximately \$175 million over four years. What makes up this figure?

Mr GUTWEIN - The key measures are detailed there. There is the saving from the Forestry Tasmania ongoing funding. That has been removed. We have moved the Treasurer's Reserve from \$20 million to \$10 million, so there's \$10 million there, and in Finance-General that lists the

removal of the ICT fund, which over the period of the forward Estimates from last year's budget was forecast over the previous four years to be \$28 million.

Ms FORREST - In regard to the Forestry money, I understand you have taken out the money in Finance-General. When you go down to Finance-General, actual expenditure, under policy [inaudible] for the out years, what is that specifically?

Mr GUTWEIN - That is part of the TFA Agreement, which was being funded by the Commonwealth, but that's in relation to agreements that were entered into as a result of that agreement. For example the cable harvesting. There was a range of other programs that were part of that agreement where Forestry Tasmania had ongoing commitments and we met those ongoing commitments.

Ms FORREST - There is also on the next page, \$3.2 million for DPIPWE. I assume that is for the funding -

Mr GUTWEIN - That is for the transfer of the Forestry Tasmania staff that went across to Parks, to manage the reserves. They will remain with Parks and they will continue to manage the 400 000 that is in the future production of forest reserves there.

Ms FORREST - Okay, that is why it is a policy adjustment as opposed to [inaudible]. So it's not related to the Federal Government funding. It's the transfer of staff.

Mr GUTWEIN - We still have negotiations under way with the Federal Government in regards to a number of these matters, but what we have done, we have funded them in the Budget, ourselves. There may be a windfall gain if we can get a positive outcome with the Commonwealth on the continuation of some of those funding streams, but we have funded them on the basis that there were agreements in place.

Ms FORREST - I think there was \$7 million additional from Commonwealth for community service obligations by FT.

Mr GUTWEIN - No, there was \$7 million that was provided by the Commonwealth for reserve management, which then increased over time.

Ms FORREST - Was that to go to FT?

Mr GUTWEIN - No.

Ms FORREST - It was all to go to Parks.

Mr GUTWEIN - Which is why we funded the staff component.

[10.45 a.m.]

Ms FORREST - Where did we see this \$7 million?

Mr GUTWEIN - No, the funding from the Commonwealth is not in the Budget. We are funding it at a state level. Where the commitments are entered into by Forestry Tasmania or agreements on the transfer of staff, we have funded those commitments. We are negotiating with

the Commonwealth currently as to whether or not some of those ongoing funding streams will continue.

Ms FORREST - Going back to 5.1.5 - the Tasmanian Forests Agreement under Finance General Agency Expenditure; you said that was Commonwealth money.

Mr GUTWEIN - No, initially it was Commonwealth funding. We are funding it at a state level.

Mr FERRALL - We had a budgetary receipt last year of 7.4 and in the next chapter, in the revenue chapter, 6.4 - you can see it has zeroed out in the out years. We are not budgeting at this point for the receipt of the additional money from the Commonwealth. It is still in negotiation.

Ms FORREST - Back on 5.1.3, for the GST revenue, at the top there it shows it continues to fall and page 6.5 on the Budget paper number 1 shows a decline in Tasmania's proportion of the pool. I know this is subject to the ongoing review and I am pleased that Tasmania is getting involved in that. Is there any conceivable chance in your opinion, Treasurer, that our relativity will improve? National disposable income is slowing, as evidenced in recent nationally released figures, and iron ore prices are down to almost record lows - \$83 per tonne last week - which means that mineral royalties will fall in Western Australia and they could be putting their hand out. Realistically, is this likely to change?

Mr GUTWEIN - We are taking what I think is a responsible approach. The GST numbers included in this Budget are the GST forecasts that came out the Federal Budget. It is the first time in three years that we have gone back to using the Federal forecasts. Prior to that, you should be aware that for a time there was some volatility in the GST forecasts and, generally speaking, if you look at the history, we tended to do slightly better than the Commonwealth forecasts over time.

Ms FORREST - Like \$55 million in one year, I remember.

Mr GUTWEIN - There were significant windfall gains, if we could call it that, in certain years. Three years ago Treasury took it upon themselves to model and their modelling turned out to be reasonably close in the first and second years. At the moment, because of the review that is under way in the Commonwealth Grants Commission, there is uncertainty and the other states are making their positions well known. It was felt that in this Budget the most responsible thing to do was to fall back to the Commonwealth numbers. We could get less than the Commonwealth numbers but I think there is an opportunity for some upside risk in where we planned it.

Ms FORREST - Are you saying that the risk is of getting less is getting higher in view of what is happening with iron ore prices and other recently released figures around the national disposable income?

Mr GUTWEIN - Again, our relative disadvantage has not improved. As part of the modelling process, that would be taken into account. Western Australia has their forward Estimates wrong. They have used some very courageous assumptions about both exchange rates and mineral prices in setting their own forward Estimates. What they find now is that they have increasing deficits. Our very clear message to them is, 'Don't come to Tasmania or other states looking to share some of our GST to fix the problem you have created yourselves'.

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Ms FORREST - You are telling them to get their house in order. They are telling us to get our house in order. It is a bit of tit for tat, isn't it?

Mr GUTWEIN - Western Australia forget that it is not that long ago that they were a net beneficiary. Queensland today is a beneficiary. They have a budget problem largely because of courageous assumptions. Our position to them is, 'Sort out your own budget. We will sort out ours and you sort out yours'.

Mr ARMSTRONG - On page 5.16 under State Growth, a cultural assistance package. Point 2.3, enlighten me as to what that is.

Mr GUTWEIN - I do not have that detail but I will take it on notice.

Mr ARMSTRONG - And also rail provision, 11 through to 11.6 in 2016-17 and 2017-18.

Mr GUTWEIN - I will defer to the secretary if I do not capture this completely. We are currently negotiating with the Federal Government about the assistance they provide for infrastructure. They provide both road and rail investment on the basis that we provide a matching contribution. Federal roads is an 80/20 split; rail is 50/50. We have built into the forward Estimates a provision that if they will not accept or might have some difficulty with the matching contributions we want to make, will ensure that we get full value.

Mr FARRELL - Back to the GST, does the Budget quantify the risk of GST declines as the risk report does?

Mr GUTWEIN - In the Budget there is a risk analysis on page 6.32 and it touches on a range of the risks, as has been the case in the risks report, previous budgets, the RAR, et cetera. It sets out what I covered with Ruth but we are going through the Commonwealth Grants Commission process at the moment. I hope there is some upside risk in the Budget.

It would be fair to say that, based on the forecast from last year's budget, that we could have built more upside into our GST numbers in this Budget if we had wanted to, but that would have been a courageous decision in the current circumstances. We think it is a responsible position to use the Commonwealth's own home numbers at this stage. Hopefully, there is more upside risk than downside.

Ms FORREST - The statement of risk does not provide any numbers.

Mr GUTWEIN - At this time we would be shooting in the dark. That process will not be finalised until February next year and then it goes before the Federal Treasurer. We will be working through that process and putting the state's case.

CHAIR - Treasurer, at this stage I can see that you need a break. The committee will adjourn until 11.15 a.m.

The committee suspended from 11.04 a.m. to 11.19 a.m.

Ms FORREST - I would like to start with the Budget initiatives in Treasury and Finance. I understand you have a pretty old system, which is being replaced, and this may well be a Dorothy Dixier for you, but how will that improve systems and save money? There is obviously the expense to put it in place, but how will it improve things?

Mr GUTWEIN - I was very surprised to learn, on becoming Treasurer, that the system we had in place was over 20 years old - nearly 20 years old. The system in place today is the same system that was in place when Rundle was Treasurer back in the early 1990s. One of the issues raised with me was that as systems get older, the risk profile rises, with more likelihood of problems. The Budget is not only a Treasury matter - it delivers a budget for all government agencies. We decided to take the opportunity to get it sorted, and the program is being put in place. The cash flows for the program are on page 11.2 - you will see it is not a cheap investment but it is a necessary one. If the integrity of the budget management system fractures, then it is not just Treasury that will pay the price, it is right across government.

Ms FORREST - I accept the need for it, but how will it improve things? Will we see benefits in the longer term?

Mr GUTWEIN - There are some Treasury official who would dearly love to talk about this.

Mr FERRALL - The existing system is almost 20 years old so it does have some risks, in terms of support, for a system of that age. The current system has very limited, or no true, modelling capabilities. The work of developing budget options, particularly across the forward estimates, is mostly done outside of the system, through spreadsheets. The system also has difficulties in terms of security. It is open to all agencies or it is closed to all agencies and we do not have the capability for a separate modelling database that would not necessarily be open to agencies. It is all or none in terms of agency access.

It also has a range of limitations in things like indexation - the complexity of indexation is limited. We do not have capacity within the current system to model salaries and wages at an agency levels so we cannot easily model individual awards. With a new system, we can be more responsive to the Treasurer of the day with updates and changes, so we can give a true estimate of the financial figures almost in live time, rather than as it is now - sometimes it could take seven days to update the Treasurer in respect of a particular policy change.

Ms FORREST - You mentioned the capacity the new system will have - and I know you are not going down the tax reform path - but would it have the capacity to model changes to our current taxation regimes?

Mr FERRALL - It may, but we have to do the detailed specs for the system. We have been working on this for a couple of years. There is a trade off between being capable of doing everything and dollars, but you also need to consider the complexity of the system. The more you want to do with it, the more complex that it will become and there is a limitation on that. We will work through the detailed specs and then go to tender to get a developer, or we will get an off-the-shelf system to replace what we have.

Ms FORREST - You do not expect to implement it until 2017-18?

Mr GUTWEIN - Yes.

Ms FORREST - With regard to the 'state revenue system replacement - payroll tax and duties', what is the purpose of that one?

Mr GUTWEIN - We launched the first part of Client View about three weeks ago, and I am very pleased to say that no-one has noticed, which means it is going very well. I can assure you, if there had been a glitch in the system there would be all sorts of problems. There are technology limitations with the old system, and this is making sure we have a contemporary system within Treasury. In regard to the budget information management system, from a whole-of-government point of view, communications are important, and IT across government but if you can't manage your budget across government then you have major problems. Whilst it is a significant investment in that line item, if there is a problem with the integrity of the system then it is a problem that will affect everyone in every agency.

Ms FORREST - On another saving strategy here, under Treasury and Finances, the review of boards and committees, there is some concern that some of the boards are going to be abolished. I am interested in, overall, how many boards are going to be reduced in size as opposed to being abolished. Also, with regard to the new - not so much a board but the health advisory council which is being established through Health as part of the new process with one Tasmanian Health Service, that will be an additional body. Will it be funded? Will it have a governing council that is paid? I am not saying it is not the right approach here. I am just saying there is an additional one that is going to be funded.

Mr GUTWEIN - I am happy to go down the boards and committees in other agencies but they are probably questions that should more appropriately be put to output groups relating to the other agencies.

Regarding the Treasury boards and committees, I am very happy to talk about them because there are some significant shifts. I could start with them and see how we go. With the change to the Economic Regulator, one thing that surprised me when I took on the role of Treasurer, in regards to the Economic Regulator, more than 90 per cent of the work had already been done within Treasury. That might have been apparent to others but I had never envisaged that was the case. The Economic Regulator at the moment is a three-person panel, with the work being done behind the scenes by Treasury. Over the years, some of the roles and responsibilities of the Economic Regulator have moved. For example, the AER now conducts matters in regards to electricity pricing, et cetera, and it is not a role for the Economic Regulator.

With the Economic Regulator we are replacing a three-person panel with a single independent statutory officer, appropriately framed up in legislation, supported by Treasury to replace that role. If you like, similar to what occurred with GPOC when we had a government prices oversight commissioner. It would be a single statutory officer involved here. That provides quite a significant level of savings and at the end of the day does not compromise the independence of the processes undertaken. All of the work will continue to be done by Treasury as it currently is but an independent officer will make the decisions.

Ms FORREST - It will be done through legislation so we will have a further debate about that then perhaps.

Mr GUTWEIN - Yes. The other major of change within Treasury is the Licensing and Gaming Board. The Gaming Commission will remain within a three-person panel but we will be moving the Licensing Board functions and responsibilities into a new licensing and gaming

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commission. We will still have a single statutory officer as the Licensing Commissioner, but the roles and functions would be managed between the new body and Treasury. Again, there will be no loss of functionality, no loss of process, no loss of independence. It is just a different way of going about it and ensuring that we don't have processes in place that we don't need.

Mr GAFFNEY - With the TCF funding, I am not sure whether that comes under the area as a board restructure? What would that be under?

Mr GUTWEIN - DPAC.

Ms FORREST - There was a move by the previous treasurer to combine the community sport levy with the Tasmanian Community Fund at one stage, which met significant resistance and that might cause you some trouble.

CHAIR - I think the question was in the other committee yesterday and they went through it pretty well, with the Premier.

Ms FORREST - Sorry.

Mr GUTWEIN - With the TCF, again at a broad level, and it's not my portfolio area, it saves \$130 000 in board fees, which will be able to be utilised to cover the TCF. My understanding is that the Premier has a model in place that will enable a community representative group to provide the input that is necessary to make the decisions. I don't think there will be any loss of independence.

Mr GAFFNEY - I do not think the Premier understands how many hours and days of work those people put in. Well above \$130 000, and it's not a money saver for the Government because it wasn't costing the Government anything in the first place. It is now going to be more of a financial impost because you don't have to look after the process.

Mr GUTWEIN - That is a discussion to have with the Premier. The high level, that saves \$130 000. I am sure that the processes can be put in place to enable that change to work those benefits. I hope it does, because at the end of the day, it will provide \$130 000 more that can go in it.

Mr GAFFNEY - Inaudible.

Mr GUTWEIN - For TCF across the board, \$147 000.

Mr GAFFNEY - Of what total budget?

Ms MORGAN-WICKS - In 2015-16 is \$73 000, followed by \$147 000 thereafter.

Mr GAFFNEY - And the total budget of the TCF that it looks after?

Ms MORGAN-WICKS - I don't have that information.

Mr GAFFNEY - So you don't know how many days they worked for that money?

Ms MORGAN-WICKS - That would be a matter for Premier and Cabinet.

CHAIR - We will check that out as members have an interest in it.

Ms FORREST - Going back to the question I asked the Treasurer about the new health advisory council members and how they are going to be paid to sit on that.

Mr GUTWEIN - That is a question for the health minister. I don't have the detail.

Ms FORREST - You hold the purse strings, which says that the Treasurer is informed on health.

Mr GUTWEIN - The Treasurer is informed but again that's a matter for the health minister.

Mr GAFFNEY - Wasn't one of the mandates, before you went to election, to cut boards? What financial impact would that have? As Treasurer you would know, because that was one of the mandates.

Mr GUTWEIN - The changes we have made at the moment, including the changes to health and the THA, the forecast savings are over \$7 million and that is a good thing for Tasmania, and I am hoping that you will agree with me.

The process is not finished. We have been in government for a little more than five months. Already there is \$7 million savings on the table. We believe we can deliver the functionality that was previously occurring, that no-one is going miss out, and at the same time we have savings across government. I think that is a good thing. I am certain that as we progress through this Budget cycle we will find other opportunities where we can make savings.

Ms Forrest asked a question about boards being downsized across the government business portfolio. I think there are 10 boards that are currently being resized with no loss of cost to government businesses and we haven't finished yet.

Savings have been generated in each case. We have, through discussions with chairs, looked at the necessary skills that are required around the table to ensure that, as boards, they have the necessary skill sets they require. What we have been able to do is to reduce the size and the costs of those boards. Before the election we said we would review every board and committee, and I intend to do that. After the five-and-a-half months that we have been in government, getting \$7 million worth of savings, when before people said it couldn't be done, is a pretty good start.

Mr GAFFNEY - At what stage, with the new boards that you are introducing and the new roles, looking after TCF, what will that cost you? When will you know the cost of those? It is all right to close this down but if you start something else up then you need to know the cost of that.

Mr GUTWEIN - With the TCF, and I am not certain of what the Premier's answer was yesterday, my understanding is that is going to be managed from within internal resources, there will be no additional cost. He has a model in place for that. We went to the election with a range of new boards or bodies that we said we would create, we were clear and upfront with that. We then said in regards to the more than 150 that were existing and nearly 1 000 people that sit on them that we would go through the review and look for savings. To date we have been very successful, and I think there are more savings to come.

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Ms FORREST - There is work in progress that you will update us on at a later time no doubt, won't you?

Mr GUTWEIN - We put out a list in this last couple of weeks of all the boards across Government and there 16 being abolished and a further 18 boards that we are reducing in funding or membership or amalgamating. The amalgamated boards would be some of the ones that are in the 16 that are being abolished.

CHAIR - It is on the public record, it is already out there, is it?

Ms MORGAN-WICKS - It's in the budget paper at page 4.3.

Ms FORREST - One thing that you talked about with the white papers - the one on Reform of the Federation; the taxation reform we didn't really talk about. Can you talk about what approach you are taking with that and is GST on the table?

Mr GUTWEIN - You will get a clearer answer out of the Federal Government on that.

Ms FORREST - You are going to participate in the process though, surely.

Mr GUTWEIN - Absolutely. In looking at how we can improve our own taxation system - and I am certain that there are ways, I am not going to broaden the base of land tax and tax people on their primary homes - our overarching aim is to ensure that we have the most competitive system in the country. But we can't move unilaterally to do that, we made a start in this Budget as you would be aware in regards to motor tax and MIAB duty. We said before the election that we would start to reduce that and in the fourth year we take around \$9.5 million coming straight out of our tax base to make us more competitive here in regard to purchasing a vehicle.

We will engage fully in the process with the Federal Government. Already we are having discussion across jurisdictions with my contemporaries in other states and listening to their views on this. Our primary aim has to be that Tasmania doesn't go backwards and importantly improves as a result of this process.

Ms FORREST - Will you address GST in your submission?

Mr GUTWEIN - We have made it perfectly clear that we don't support an increase in GST. Tasmania has a population base, a socioeconomic demographic, here that it would impact on harder than in most other states - we all understand that. We have made our position perfectly clear.

Ms FORREST - If we have more in GST coming to the state though there is more capacity to support those people.

Mr GUTWEIN - We will find out from the Commonwealth Grants Commission through this relativity process what their view is in regards to both ourselves and the other states by February next year. I am hopeful that we can get a good outcome out of it. We will be fighting like mad to make sure that we do get a worse outcome out of it but hopefully we can get a better outcome. All of these things are going to be a part of a national discussion coming up and we will engage fully.

Ms FORREST - Treasurer, it just seems odd to me that you are ruling out any support for an increase or broadening the base of GST. You are ruling out any discussion about broadening the base or lowering the rate of land tax as a result of that, but you are willing to freeze wages in an attempt to fix a budget problem. You are saying this is the only option.

Mr GUTWEIN - Beginning with our tax base, you come back to revenues. Correct me if I am wrong, but growth in state taxes is around 3 per cent to 4 per cent over the four years. Our base is growing by around 4 per cent. That is not a static number in our Budget. Our state taxation base, being largely transaction-based, and obviously underpinned by payroll tax, means that if we have a strong economy there will be growth in state taxes. That is a given.

Ms FORREST - But we still are heavily reliant on the Commonwealth.

Mr GUTWEIN - This is part of the conversation with regard to the white paper on federation. I think it is the starting point. No-one would have ever envisaged that, by 2014, as a result of decisions made by previous federal Governments - largely to salve the environmental conscience of people in other parts of the country - we would be in a position where we have, in percentage terms, the largest amount of land mass locked up out of all the states and territories. Sorry, Canberra is worse but at the end of the day, Canberra does not do a lot, in a productive sense, in regards to its land mass.

Mr GAFFNEY - Or anything else.

Mr GUTWEIN - That is for others to judge, Mr Gaffney.

But that has to be the starting point. I am really passionate about this. As a government, as a parliament and as a community, this white paper is Tasmania's opportunity, for the first time, to open up the lid on federalism and state our case.

Ms FORREST - But I am talking about tax reform?

Mr GUTWEIN - That is the point. We have to look at the productive opportunities we have. We have to ensure that the Commonwealth and other states understand the disabilities we operate under, which are largely disabilities that have been brought upon us by others.

CHAIR - At this stage we seem to be getting towards philosophical discussion. If both sides of the table made points, we would probably have a fair few different views, but we need to progress.

Mr GUTWEIN - I am in your hands, Mr Chairman.

CHAIR - Yes, I know. We need to get into outputs. We have quite a lot of people who want to ask questions on them.

Ms FORREST - I would like to go to 1.3.

Mr GUTWEIN - On that, around 3 per cent is the growth in state taxes over the forward estimates.

Ms FORREST - I appreciate there is a need for growth. But it is still a low percentage of our revenue that comes from the state. We still rely heavily on the Commonwealth, you can't argue with that.

Mr GUTWEIN - I am certainly not arguing with that. Sixty per cent of our revenues come from the Commonwealth. The challenge has to be - what can we do, in a productive sense, to grow our own taxation base? We know that if people are confident, if they are employed, and if there is economic activity, house prices will go up and people will be more inclined to be mobile. We will see a range of positive impacts on our own state revenues as a result.

1.3 Shareholder advice on government businesses

CHAIR - Treasurer, there is not a lot of detail on how this works. Does it require audit reporting through the shareholder ministers? Is it done on a monthly basis? Can you explain that to me?

Mr GUTWEIN - Every quarter I receive an update on the previous quarter's performance for each government business. I provide a report of the performance of those government businesses to each portfolio minister. The government businesses generally have board meetings on a monthly basis. The shareholder minister, and usually a representative from my office, attend a post-board meeting to discuss issues with the government businesses.

CHAIR - It is not a huge expense, but it does seem a little bit excessive to me - \$2.5 million.

Mr GUTWEIN - We have net equity of about \$4 billion tied up in these businesses, and there is a lot of work involved with them. We have seen a lot of movement in the energy area in recent years. There is an initiative in this Budget with regard to Forestry Tasmania. There's work going on looking at opportunities for TasRail and Tasports - whether there are opportunities that will improve the productivity of those businesses, and also benefit Tasmanians. They do a fair bit of work in that portfolio.

CHAIR - Are you, as Treasurer, a stakeholder minister in all the GBEs?

Mr GUTWEIN - Yes, both the GBEs and state-owned companies.

CHAIR - Do you receive ongoing information, outside of the quarterly reports?

Mr GUTWEIN - Someone from my office and the shareholder minister attend post-board meetings each month for the GBEs.

CHAIR - So, you get a monthly update?

Mr GUTWEIN - There is more work going on with the GBEs than what I understood there would be before I came to Treasury. There are a lot of challenges in the Government Business portfolio - significant challenges.

As a result of the reform process, Aurora is in a different position. If an opportunity arises to sell the customer base, work will need to happen with that. Aurora has been through a massive restructure. Hydro has challenges on a number of fronts. The TasNetworks business has taken on poles and wires from Aurora, and the Transend role as well.

It is evident, however, that some GBEs and state-owned businesses are run better than others. My challenge is to make certain we have a framework in place that ensures Tasmanians get the services they need, delivered at the lowest possible price, but, at the same time, we get a reasonable return on the taxpayer investment we have in these companies.

CHAIR - I didn't want to drill down too far with each of the GBEs, because there are other shareholder ministers. We will be dealing with energy, for example, with the minister, Mr Groom. Whilst I am still dwelling on that, Leonie?

Mrs HISCUTT - The quarterly advice you receive, Treasurer, is that from outside consultants or is it in-house advice?

Mr GUTWEIN - The businesses provide their financials to Treasury and Treasury then provides me with advice. I receive advice from Treasury on a quarterly basis - it is effectively their analysis of the financials for the preceding period.

Mrs HISCUTT - So we have enough expertise within the department to provide that advice to you?

Mr GUTWEIN - Absolutely. Treasury has been exemplary, in the way its officers have performed. Those who have had interactions with Treasury over the years recognise that there are some very high quality individuals working in Treasury.

Mrs HISCUTT - In your table 11.3, page 11.9, there is a variance between the Budget Estimates and the actual, a positive variance. It is down largely due to external influences impacting on profitability.

Mr GUTWEIN - Performance measure?

Mrs HISCUTT - Yes. Point 6, the variance between the Budget Estimates is a positive variance and it says it is largely due to external influences and impacting on profitability - point 6 down the bottom end. Can you expand on that? It sounds like we might be on the right track.

Mr GUTWEIN - The wholesale price of energy will have a major impact in regards to the returns that businesses will provide. Other external factors - a simple one is how many people decide to travel on buses. We are not expecting to get a return from Metro but we provide significant funding to them. Again, it is those external factors that all businesses would need to deal with. TT-Line is a prime one. We are not expecting returns from TT-Line through the Budget moving forward, but they have been able to build up significant cash holdings as a business. Ideally, you are going to see a positive percentage in regards to our forecasting around those businesses. There are a number of business that have some significant challenges.

CHAIR - Following on from that, there was a time when we had no government debt as such but in the GBEs there is quite a lot. Is that a concern to you? An amalgam of the whole lot?

Mr GUTWEIN - We are going through a capital restructure review with the energy companies at the moment. There have been some significant shifts in regards to the role and functions of Aurora, for example. We now have a much larger network business than we had

before and Hydro is facing some external challenges in regards to the wholesale energy price. That is not what anybody expected it to be and that is paying into its returns.

Across the board, the majority of the debt is held within the electricity businesses. The TT-Line for example, carries no debt. We have to make sure that we get the mix right and ensure that those companies, not only have an appropriate debt ratio that they are carrying on their balance sheet, but are in a position to write the returns we want.

Ms FORREST - I had a question I put a week or two ago about the dividends and income tax equivalents including Budget based and estimated taxable incomes over forward Estimates. Will you provide these Estimates, particularly for energy entities and TT-Line, Tasports and TasRail, to save us having to work out what they are from the figures in forward Estimates regarding the dividends and income tax equivalents?

Mr GUTWEIN - You get the opportunity with the government businesses, in regards to government business estimates, each year to discuss it with them. In regard to more detail from the corporate planning point of view, I would be hesitant to release more information than is publicly available at the moment, either through the Budget or through government business estimates because in the main, a lot of them operate in commercial space. We would all understand Hydro is not just operating here in Tasmania, but also on the mainland.

Ms FORREST - You can go to Policy and Parameters Statement and more or less figure out that Hydro is not going to be in a profit position for the next few years.

Mr GUTWEIN - Absolutely, and we will be receiving no dividend from them.

Ms FORREST - That's right. Except in 2016-17 when you are going to get \$75 million out of them and I can't see how.

Mr GUTWEIN - Again, we have a capital review under way. Hydro carries a substantial level of debt. We have to make sure we have the balance right across the electricity portfolio in regards to who carries that debt and is able to service it. Again, that will play into the return we achieved from the different businesses. The other issue as well is that over a four-year period, Hydro is over the medium term and now has the opportunity to ensure it structures its business appropriately to return to a profitable position. I can assure you that the directors and all the management of Hydro view that business not being able to provide a return as satisfactory, certainly the State Government doesn't. So we will work with it.

Mr GAFFNEY - Okay.

Ms FORREST - With regard to FT, we have commentary around their working with FT to ensure the business is sustainable over the longer term. What are the predicted shortfalls for this year in FT's financial position?

Mr GUTWEIN - From an FT point of view, in their annual report which will be released shortly, there will be the full details for the last financial year. FT is in a challenging space, there are no two ways about that, the changes that have occurred over the last couple of years have not been of benefit to FT. Rather than shirk that responsibility - and providing them with an ongoing support from the taxpayer through the Budget is not the way to get that business onto its feet - we have provided through this Budget a modest amounts of funding for its CSO, for its firefighting

and for those agreements that it had in place. Treasury, DPAC and State Growth have a working committee, they are working with the board to have a look at that model. We have to ensure we get that model onto a sustainable footing.

Ms FORREST - If the deficits that were projected in their last few annual reports are a reality and I can't see how they won't be with what has been going on for the last few years, the only option that seems to be available through the issuing of the letter of comfort that you provided, is for them to actually borrow to pay for their operating costs.

Mr GUTWEIN - In regards to the letter of comfort, the level of borrowings that is in place is exactly the same with Tascorp as what it was under the previous government. We have not increased that. I provided Forestry Tasmania with a letter of comfort - for want of a better word - in regards to the fact we view that business as being a business that we want to keep, work with and put onto a sustainable path. Currently that process is under way. Their annual report will be out shortly; the government business enterprise scrutiny committees will be on before Christmas -

Ms FORREST - You only have three GBEs before the committee, and only every second year we get each one. We can never scrutinise all of them.

Mr GUTWEIN - Someone does though. I am sure there will an appetite for forestry this year somewhere within the Parliament, there is no doubt in my mind about that.

Ms FORREST - I think it's down on your page.

Mr GUTWEIN - We have looked to taking a responsible approach to FT. We need to have Treasury; State Growth has some expertise in these areas, and also DPAC for a whole-of-government approach. We need to ensure that we can put FT onto a sustainable pathway. There may be, and there probably will be, some challenges and some difficult decisions to come out of that report. But we are very firm in our view that FT has a role to play in this state over the long term, and we have to make certain we are getting good value from that company.

Ms FORREST - They have to have markets for that, haven't they?

Mr GUTWEIN - Without wanting to end up in the politics of forestry, they do have markets. Part of their problem is that they don't have a southern port. They have no problems selling the wood that they have at the moment, as I understand.

Ms FORREST - Can I just go to the RBF review under this line item as well. I know there was work done by the previous government around RBF. Will members need to vote on a transfer to a new fund should that be the case?

Mr GUTWEIN - The advice is that it depends on the legislative instrument that is used. First, from the point of view of any movement for RBF members, or any other superannuation fund member, any change has to be in the best interests of the member and the directors have to take that into account. I think this is a positive opportunity for the state. As members would be aware the previous government asked PWC to do a review in regards to the RBT and whether government should still be providing superannuation services. The outcome of that review was, probably not.

The decision was made to the second report which was put in place before the election and our position prior to the election was I would wait until after the election and have a look at that. What the PWC 1 report made the point of, is that you need to have a certain scale to be able to offer members the best possible level of service at the best possible price. For the RBF, under the current arrangements where members can have member choice, and can move from the RBF to other funds, the view was that:

- (1) Government should not be involved in it.
- (2) We should probably allow the RBF to be part of a 'beauty parade' whereby one of the major firms on the mainland might have picked it up and taken over responsibility for it.

Tasplan and Quadrant for some time have been discussing whether they would form a single company to create some scale in regards to their operations. There was a proposal put to me in the last couple of months that what I should allow to occur would be the RBF to have a conversation with Tasplan and Quadrant to see whether there is an opportunity to have the three major Tasmanian based superannuation schemes come together to form a 'TasSuper' business.

I have allowed that conversation to go ahead and I have asked for the three firms to provide me with their views on that. I have not read that yet. I think something has come in, in recent times, in regard to it. Rather than allowing the RBF with a 100 jobs attached to it to be consumed by a large mainland or international super fund, I want to test the opportunities to whether we can maintain a business of scale in Tasmania and at the same time retain as many jobs as we possibly can. If possible look to grow the business by taking over some of the smaller mainland schemes and managing from them from Tasmania. There is a good opportunity here but until I get the report from the three firms involved we will not be making a decision on this.

Ms FORREST - This has been raised a number of times, with a number of people, with me and this is the first opportunity I have to drill down into the specifics. Can members' benefits be transferred without their approval? I accept that there can be no detriment to actual or potential members in that decision. Can that happen? Can they be transferred without the members' approval?

Mr GUTWEIN - The simple answer to that is, that with the merger of any superannuation scheme, if the directors have made the decision for that merger to go ahead, member benefits will be transferred. Members have choice. They can move to any scheme now that they want to and which they think might suit their needs better.

Ms FORREST - That is one of the challenges because anecdotally, and we do not get RBF in front of us at GBE either, that choice is an option and if what I am hearing is correct, a number of people have exercised that choice and withdrawn and gone to other funds which is their choice and right to do so. This means that there is less value in the business in terms of the beauty parade you talked about trying to amalgamate. Because of this level of uncertainty out there, there is a range of concerns on a number of levels - the devaluing of the business as it is, and the concern that it could be sold off without the consent of members.

Mr GUTWEIN - Option one under the previous government was that we would be announcing the results of the PWC 2 report that the RBF would probably be moving interstate at some stage. I do not think that is the best outcome. We are moving as quickly as we can to

enable both members and the people that work within the three businesses to understand whether or not there is a model that might be able to provide a product that is in the best interests of the members but at the same time keep more of the jobs here in Tasmania, and, importantly, have a growth profile.

I should say, and I want to be clear on this, we are not talking about the defined benefits scheme though. This is only the accumulation scheme. The defined benefits scheme will remain with the Government.

Ms FORREST - A legacy of the government for many years. It is good to see the whale graph in the Budget papers, too.

Mr GUTWEIN - I thought it was important in this paper to explain that over the next 50 years we can spend \$22 billion. It would have been far easier without pointing at any particular person at the table if we hadn't spent this far and drawn down on it over the years.

Ms FORREST - It was never there anyway. I have a couple more questions on RBF. You may not be able to answer this but I need something on the record about it. It concerns many people. Is there likely to be a transfer, or will the Government be able to sell the management rights as some commentators have suggested?

Mr GUTWEIN - There is no sale. There are no valuables.

Ms FORREST - You are saying that there is nothing to sell?

Mr GUTWEIN - No.

Ms FORREST - The Transferee Fund?

Mr GUTWEIN - It is the members' money. We hold it in trust.

Ms FORREST - The Transferee Fund - will it only accept assets as agreed and, in that case, where will it leave assets such as the Hobart Airport? The defined benefit portion of the fund is obviously separate. That means it once again becomes the sole responsibility of the Government.

Mr GUTWEIN - Once again, on those matters of detail, we are not at the point of a final decision that we are going to remove ourselves from the RBF. That decision has not been made. Those matters will all be dealt with as we deal with [inaudible].

Ms FORREST - Thank you.

Mrs HISCUTT - This particular line item mentions submissions to credit rating agencies. How often are those submissions done? Do we have AA+ at the moment? Is that acceptable? Do you look to improve that? How important is it and how often do you submit to these agencies?

Mr GUTWEIN - I will be making my first submissions to them within the next month or so. They have a real interest in what occurs in the state and the ratings are important. The secretary can run through where we currently sit with our credit ratings.

This is one of the reasons why this pay pause is important. It is part of the Budget repair and if the pay pause is interfered with and the integrity of the Budget is brought into question, then there is no doubt that credit rating agencies are going to have a dim view of where we stand. There is our plan on the table and in the absence of that jobs will need to go because we have to achieve the level of savings. This will play very heavily with the credit rating agencies.

Mr FERRALL - We meet annually with both credit rating agencies - Moody's and Standard and Poor's. We also have telephone hook-ups with them when there is a major financial release. We generally do that at the time of the revised Estimates reports - a mid-year report. We also talk to them if there is any other change with the other quarterly reports. When we release the Treasurer's annual financial report we have a phone hook-up and provide them with information. In regard to your question about the AA+ rating - is it a good rating? All Australian states, in an international context, are highly rated, because the Australian Government is so highly rated in an international context. So, yes, AA+ is a good rating.

Mr GUTWEIN - And one I would like to keep.

1.4 Government property and accommodation services

Mr ARMSTRONG - Treasurer, why is the funding for 2014-15 lower than the previous financial year and that of the forward Estimates for 2015-16 - \$75 000 - and are the same services still provided in this area?

Mr FERRALL - The slight decline in the 2014-15 year is to do with our budget management strategies. We have already started a process of managing our budget, as we always do in Treasury. One staff member who retired is not included in the 2014-15 budget. The changes across the forward Estimates are relatively minor - going up by about \$30 000 into 2015-16 would just be through normal changes.

When you look at these individual outputs, we also have overheads that go across them. You get a range of small changes because of the overhead attribution.

Mr ARMSTRONG - Has the government identified any surplus properties for disposal, either government-owned properties or rental houses?

Mr GUTWEIN - That is an ongoing process. At the moment there are a number of education properties on the market.

Mr FERRALL - It is just the ongoing surplus properties identified by agencies, but there are no major new surplus properties being identified. Over previous years schools have amalgamated and school sites have been sold, or the police have identified police housing that is no longer required and it is sold. There is an ongoing sales program of relatively small properties.

Mr MULDER - You mentioned that some of that is a retiring FTE. When you are doing your calculations for FTEs, what level of on costs do you consider? At one stage in the police department, by the time we factored in the uniform and the cars, every time you put on 10 FTEs you had to pay for 11 of them if you included admin supports. With your calculations about the potential FTE savings, are you factoring in the administrative costs, depending on who they are or where they are, or is it just the salary?

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Mr GUTWEIN - If you look at the cost of employee expenses and divide that by the 24 500 FTEs across the sector, you end up with a total cost per employee of about \$98 000.

Mr MULDER - So that's the figure you use?

Mr GUTWEIN - Yes, roughly \$100 000. When we talk about the pay pause and the saving to the budget of \$50 million a year, it is roughly 500 jobs.

Mr MULDER - The pay pause does not pause the administrative support, but it might impact on superannuation.

Mr GUTWEIN - I am talking about the total cost of an employee. Certainly in regard to the police, there may be some other issues - I think the total cost of a new constable is around \$130 000.

Mr MULDER - When they were getting \$50 000 a year the cost was about \$70 000.

Mr FERRALL - These things vary across agencies. Treasury is much higher on staffing costs compared to other agencies; we don't have the same level of -

[12.15 p.m.]

Mr MULDER - That comes to the point though, the difference between getting rid of an FTE and getting rid of the full on-cost. A pay pause doesn't get rid of the on-costs, it only reduces the pay and the super.

Mr GUTWEIN - It is equivalent to it, if you removed 500 employees based on the average cost of \$98 000. That is a saving of around \$50 million per year. The pay pause saves \$50 million per year so it is an equivalent to it.

1.5 Government Procurement Services

Mrs HISCUTT - Treasurer, the government procurement services, can you just outline to me how that is going to work in the future, especially with regards to tenders for any infrastructure, in particular, but all tenders. Then I must touch on the Tasmanian Risk Management Fund after that.

Mr GUTWEIN - In regard to procurement across government and government tenders, the view was that where it was possible, we wanted to ensure that we broke tenders down into smaller parcels that would give more Tasmanian businesses the opportunity to compete for those tenders. Through the process, we have also introduced the industry participation plans as well. As part of the process we are working with agencies to ensure that a culture exists not just across Treasury but other agencies, from a procurement point of view, that we want to give Tasmanian businesses the opportunity to compete. We have had a very strong program, and I know Kath has been doing a lot of work, if you want to provide any update.

Ms MORGAN-WICKS - The 'buy local' policy was launched in May, and one of the key elements was looking at the procurement threshold, which has been lifted. In terms of being able to go direct, that has been lifted from \$50 000 to \$250 000 before the tender processes is required, in order to try to minimise red tape. The 'buy local' policy encourages the disaggregation of contracts, with exemptions to be approved by heads of agency and published in the agencies' annual reports to again lift that transparency. But disaggregation is required for tenders over

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\$250 000. It's early days yet in terms of seeing the evidence of that; most tenders will operate from around three to four months, so we are monitoring that closely.

Mrs HISCUTT - Just following on from that, once it is disaggregated and we get a mainland company perhaps vying for the same tender as a local one is, do you have to go for the lowest price or can you apply a local benefits test or something like that?

Ms MORGAN-WICKS - As part of the policy there is a local impact assessment before they even start the tender to make sure they can try to identify local suppliers to participate. Then, as part of the valuation phase of a tender, agencies are required to evaluate a local benefits test and there is a minimum amount of 10 per cent of the evaluation criteria that has to apply to local benefits. Both our mainland contractor and a Tasmanian or even Hobart contractor would be part of that evaluation of local benefit.

Mrs HISCUTT - If you were going to drop the threshold, which means we are going to start to include a lot of other smaller businesses which may not be used to writing tenders - I know they are fairly tedious at times - is there going to be any help perhaps through the business development places to help them with that?

Ms MORGAN-WICKS - Yes, certainly. Treasury will be undertaking some training sessions together with the Department of State Growth both for business and also for the government procurement divisions within the agencies to make sure that they are out there in assisting businesses to complete the local impact assessment or, for big procurements, the Tasmanian Industry Participation Plan.

Mrs HISCUTT - Will you be using Chambers of Commerce to deliver that training? Or how will you be doing that?

Ms MORGAN-WICKS - That is currently under formulation with the Department of State Growth.

Mr MULDER - You have covered it quite nicely. Is this social local community benefits test, something that we have had all along or is it a new initiative?

Mr GUTWEIN - We have increased the weighting. The clear message to business in Tasmania is that the government wants to deal with you.

Mr MULDER - We are here to help.

Mr GUTWEIN - We can be flippant about that and frighten them off but what we want to work with them and the key message to business is that if you are not engaged in the government's space and you have a product or services, get engaged in the government's space. There are plenty of opportunities and portals you can come through to find out what the opportunities are. We want to see Tasmanian businesses benefit from the biggest purchaser in town.

Output Group 2 - Economic and Fiscal Policy Advice

2.1 Economic Policy Advice

Mr FARRELL - I would like to know more about this, what the advice relates to more specifically and who is used to provide this advice. I think it is roughly \$1.2 million.

Mr GUTWEIN - The man sitting next to me is best placed to answer. Beyond a whole lot of issues of the impact of national and local decisions, and changes in the local marketplace, as a government you have to receive advice on what those consequences may be. With matters like energy over the longer term, for example, you take advice on the impacts that is going to have on how you shape your policies. Anton, as Deputy Secretary, is probably best placed to provide some broader commentary.

Mr VOSS - The economic policy branch provides a range of information to the Treasurer and the government on economic policy advice. We provide not just the [inaudible] advice to the public. For example, on Treasury's website we release reports on the ABS data that comes out each month and also remodelling. That division often gets involved in ministry assistance matters when they want different economic policy to, say, the Department of State Growth. There are people who deal with microeconomic reform; for example, they were heavily involved in the water and sewage reforms. Matters like regulatory information notices are all dealt with in the economic policy branch; it is around 12 FTEs.

Mr FARRELL - That amount of money does not cover any outsourcing or consultancy work?

Mr VOSS - A very small component is allocated for that but the vast bulk, as Tony said before, is people in general.

Mr GUTWEIN - Chair, there was a question from Ms Forrest about the balance sheet. I have some handwritten notes; if I read it in that detail will go into *Hansard*. This was regarding the balance sheet, page 5.3.

- (1) The movement in investments in GBEs and SOCs, primarily [inaudible] have fallen and net assets of the electricity entities are approximately \$200 million due to a downward revaluation of infrastructure assets.
- (2) The other gains and losses primarily reflect the transfer of \$132 million from Health and Human Services housing to the non-government sector, stage 2 of the Better Housing Futures program. Three, the revaluation of non-financial assets reflects the normal ongoing asset revelation process which was undertaken across all agencies annually to ensure that asset values better reflect current estimates.

Ms FORREST - Thank you.

Mr MULDER - On this output group generally, if we go back to the table on 11.14 page 11.10 in the previous finance section. Looking at the variations between the Budget Estimates and a similar item between the estimates for Australian Government payments, as well as for actual taxation receipts, we have 2, 2.2, 1.9 and then less than 5 per cent. I wonder if you would like to explain what those numbers mean. I have this issue with the Estimates you are using. Here you have a level of variation as an output performance measure but which set of numbers are you using for your own forecasting? Are you being conservative?

Mr FERRALL - I think you are misinterpreting the table. This is a measure of performance of Treasury in terms of its forecasting. We look to have the variation between our Budget estimate and the actual tax outcome to be less than a 5 per cent variation. Using that as the example, in 2011-12 it was a 2 per cent variation so we have performed better than our outer limit of 5 per cent.

Mr GUTWEIN - It was not the forecasting that we are aiming for a reduction in receipts. It is the variation.

Mr MULDER - I am wondering, given the issues we have had around Treasury forecasting and the use that has been made of it by previous governments, how we are going to get this confidence measure in there? Are we using a different methodology for estimating?

Mr FERRALL - In terms of Treasury performance regarding our state source tax estimates, the performance is very good. In terms of forecasting of Commonwealth Government receipts it is not as good but it is better than the Commonwealth's own forecasts.

Mr MULDER - What you are saying is you have a level of confidence in your own forecasting of budget Estimates so what are we doing to get this confidence in the Australian Government forecast more accurate?

Mr GUTWEIN - As a starting point in this Budget we have the Commonwealth Government's numbers in our Budget. Any variance from that is not our fault. It is the Commonwealth Government's numbers. In regards to GST, but probably revenues more forwardly, we do not have a revenue problem. For the last three years we have had \$171 million more in revenue received by the state than was forecast. Where the issue is, is within expenditures.

Broadly speaking, Treasury has been within the envelope they set for themselves. In this Budget, as a result of the Commonwealth Grants Commission process that is under way regarding GST and relativities, we have taken a very responsible view and left in place the Commonwealth Government's numbers. I hope there would be some up-side risk, but we are not going to know. I would like to see a variance here that is significantly greater than five per cent in regards to the Commonwealth Government when I am here next year. We won't know until February.

2.2 Regulatory Policy

Mrs HISCUTT - This output talks about the advice relating to regulation. My advice is there is too much regulation, but perhaps this is an area that needs a bit of regulation. With regards to liquor sales, have you been advised or do you have a comment on liquor sales within supermarkets?

Mr GUTWEIN - I do not have advice before me on that. I am happy to speak from my own personal view. I am not in favour of it. Having been a small businessman, I am of the view that we have a number of businesses out there in that area that are attempting in to make a living and I do not think we should create more challenges for them. I am certain there will be advice I will receive over time that is going to be contrary to that. It will be a judgement and I am not in favour of it.

2.3 Intergovernmental Financial Matters

Mr GAFFNEY - I gather the \$102 000 is the salary reduction, or the Government looking at a position there, in the financial matters between last year and this year as part of the Budget saving measures? That is one position. Are there three staff involved with that group?

Mr FERRALL - Because we treat a number of aspects within the agency as an overhead they end up going across a variety of these outputs and so some of the changes we have made, due to previous saving strategies and the current saving strategies, apply in our overheads. They are figures like corporate support and other things and they end up going across a range of these individual outputs. It does not necessarily mean that within that output there will be a reduction in the staff.

Mr GUTWEIN - Is that the other part of the question about State Grants Commissions as well?

Mr GAFFNEY - No, that comes up later but I also went to the reports and they acknowledged they had support from your staff, so that is fine.

Output Group 3 - Revenue and Regulatory Management Services

3.1 Tax Administration and Revenue Collection.

Ms FORREST - It is interesting to know that it costs us effectively \$8.4 million to collect \$983 million in tax revenue. It also deals with the administration concession as I understand it. Is that right?

Mr GUTWEIN - That is right.

Ms FORREST - Is this a purely administrative cost? Is that what we are looking at here?

Mr GUTWEIN - The secretary can provide more of an overview - just the cost of administering the system.

3.2 Regulation and Administration of Liquor and Gaming

Mr MULDER - In relation to the administration of liquor and gaming activity, in terms of gaming I am wondering about the famous deal with Federal Hotels - the monopoly on the poker machines on the licensed premises. I was wondering where the future of that deal lies in the eyes of the Government. I think it was renewed not long ago, for how long?

Mr GUTWEIN - It was in place, as I understand it, as a result of the previous government to 2022. It has a rollover point in 2017, I think, for five years to 2022. To be honest I have not given it a great deal of consideration at this point.

Mr MULDER - At the time it was much touted about the exchange for this extension that there would be certain projects that would be taken up by Federal Hotels and certain investment made. There has been a view that they might not have kept up their side of the bargain to the extent of investment.

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Mr GUTWEIN - There were some concerns raised by my side of politics at the time, when the change was made from -

Mr MULDER - A 250 bed to a 50 bed.

Mr GUTWEIN - I thought it was 100 to 150 bed model being changed for a smaller model. To be fair, Saffire brings a range of other benefits to the state. There is no doubt it has placed the state in the minds of some of the wealthiest people, both in Australia and in the world. Whilst it didn't fit within the original proposal, that was a decision by the previous government, not me. I have never been to Saffire - in fact I am not even sure I know anyone who has. The reviews I have read say it is a fantastic property.

Mr MULDER - Is the Wilderness Railway a part of that deal?

Mr GUTWEIN - Again that is matter for the previous government.

Mr MULDER - Yes, I just thought I'd ask.

In regard to liquor licensing, the Government is making massive amounts on excise and taxes. Have you considered increasing licence fees in an attempt to offset some of the social and health costs that are attributable to alcohol?

Mr GUTWEIN - We don't make a great deal of money. The federal Government may, but we certainly we don't. We charge for liquor licences.

Mr MULDER - What is the cost of a liquor licence?

Mr GUTWEIN - It depends on the type of licence - there are different variations. I'm sure Jonathon can provide a rundown.

Mr MULDER - I appreciate the data, but I want your view about maybe increasing licence fees as a source of revenue.

CHAIR - Jonathon?

Mr GUTWEIN - Jonathon Root. I am just trying to think of Jonathon's title when he sits here. Director of Liquor and Gaming?

Mr ROOT - That will do.

Mr MULDER - Knowledge of all things alcoholic, yes?

Mr GUTWEIN - And state revenue commissioner.

Mr ROOT - Commissioner of taxes.

Mr GUTWEIN - Having been a former publican - and I presume that might be where the question is coming from.

Mr MULDER - No, it wasn't personal at all.

Mr GUTWEIN - Obviously I have an interest in it. A well-regulated industry is a very positive thing for the state, and we have a well-regulated industry. There are obviously challenges. With your background, Mr Mulder, you would have seen many -

Mr MULDER - As a customer, I meant.

Mr GUTWEIN - Well, both. In your policing role no doubt you had many experiences with people who were under the influence, when they perhaps should not have been.

A well-regulated industry is an important part of the fabric of society. Some of the abuses of alcohol that you read about are very concerning, particularly for parents.

Mr MULDER - You are now wandering into the realms of other ministers. It wasn't issues about the regulating the industry -

Mr GUTWEIN - That's what you were asking about.

Mr MULDER - No, I was asking about the opportunity presented by the licensing fees to offset some of the costs of the inevitable social consequences of the liquor industry. It was about the opportunities for increasing licensing fees.

Mr GUTWEIN - It is a matter I haven't considered.

3.3 Economic Regulation.

Mr MULDER - That has been pretty adequately covered in some of the previous discussions.

Mrs HISCUTT - With regard to the Economic Regulator - it is always put to me, out in the community, that the Government controls the Economic Regulator. Does the Government have any influence? Do we make any submissions to the Tasmanian Economic Regulator? How does that work/

Mr GUTWEIN - First, the role of the Economic regulator will change as a result of this Budget. Subject to legislation passing, we will have in place an independent statutory officer conducting that role. Certainly, the Government is in a position to make submissions to the Economic Regulator. The Economic Regulator and the new statutory officer will still have areas where they can look at competition policy - for local government, for example. Since coming to this role I have referred matters to the Economic Regulator for their consideration.

There are two issues here. Without doubt, the Economic Regulator and the new statutory officer will stand at arm's length from the Government. You have to have an independent pricing authority. You need that. Government should not involve itself in that role. Whatever decisions the Economic Regulator or the new statutory officer make, the Government wears the outcome. It is that simple.

Can we reach in and pull the levers? No.

Ms FORREST - What will be the reporting framework? The Auditor-General has a pretty close working relationship with the PAC, for example. He gives the energy regulator and the Economic Work Regulator reports to the Subordinate Legislation Committee and they are tabled there. Is there going to be a relationship between a parliamentary committee of any sort and the Economic Regulator?

Mr GUTWEIN - As part of the review we will look at the reporting streams currently in place for the Economic Regulator. Some of them are really valuable. Others I am not all that certain of. I do not envisage there will be any less under the new model. In fact, there will probably be more reporting on this function. Some people may be concerned about the power of an independent statutory officer, instead of an Economic Regulator. I want to make certain we provide sufficient information to satisfy people that the process is at arm's length and is independent.

Ms FORREST - You have one person acting as the Economic Regulator. Correct me if I am wrong, but you said they will be supported through Treasury?

Mr GUTWEIN - Which they are at the moment.

Ms FORREST - There is not going to an Office of the Economic Regulator? It will still be one person, the statutory officer, and yet to be determined reporting structures and pathways?

Mr GUTWEIN - Yes, it is the same as the Commissioner for State Taxation. There is never an argument that the Government is reaching in and interfering with that statutory office. The Director of the EPA is another statutory position. I don't think anyone would argue that he is not independent. So we will be establishing that framework, and making certain there are appropriate reporting arrangements in place. If there are ways we can improve, I am happy to hear them as we go through this process.

Output Group 4 - Community Assistance

Ms FORREST - This leads on to the Bass Strait islands community service obligation. In view of the declining populations, it is good to see adequate provision being made to meet the obligations here. How much of this allocation has been used over the last two or three years?

Mr GUTWEIN - The allocations - all of it has been used.

Ms FORREST - If that is the case and money is not being held over into the next financial year, I am interested that it is continuing to increase. I know there are increased costs like travel, et cetera, but we are currently seeing a decline in population on these islands. It could change - the population could increase again if you get the mine on King Island, and an abattoir going, and there are other opportunities, of course.

Mr GUTWEIN - Let's hope so.

Ms FORREST - Yes, that is right. Is this in anticipation of no further population decline on those islands?

UNCORRECTED PROOF ISSUE

Mr FERRALL - It certainly does not deal with population change on the islands. The change is really for indexation claims by Hydro, so in the forward Estimates we are not predicting any increase or decrease in the populations on the islands.

[12.45 p.m.]

Ms FORREST - This also includes the travel, or is that a separate line item, cash to transport subsidy? There is no footnote to remind us about this one.

Mr GUTWEIN - State Growth - this is for electricity.

Mrs HISCUTT - Here it says 'and pensioner concessions for Bass Strait island electricity customers'. Thank you, I clarified that myself.

Mr GAFFNEY - I notice there is about an \$80 000 projected increase per year. I know there is the Guardianship and Administration Board for people who cannot look after their own affairs, how many people are we talking about, say in the last 12 months, who would probably access this service? Can you put that on notice? I just want to know that we are spending x amount of dollars. The other question there that should be raised is, it says in the annual report that the current CSO funding agreement was to expire on 30 June this year, so the Government has obviously had conversations with the new group, and has taken it up from \$50 000 up to 80 000, which is still well short of what they will owe. Are you still keeping 'where the Government has determined not to seek payment of dividend while the amount of any dividend is less than the funding gap'? Is that still part of the deal?

Mr GUTWEIN - Yes, we haven't changed that policy.

Mrs HISCUTT - You may not even know, Treasurer, but what is the percentage of an estate that the Public Trustee takes when they are administering a will?

Mr GUTWEIN - That is probably a question for the Public Trustee. Off the top of my head I do not know, we can take that on notice if you want. Department of Justice would be the one.

CHAIR - Do you want to leave it for GBEs or do you still want to have it?

Mrs HISCUTT - I would like to know at some stage, I am happy to leave it.

Mr FARRELL - I'd like just a little bit more detail on where this is allocated, where it ends up.

Mr ROOT - The CSL is split up three ways: 25 per cent goes to sporting clubs, 50 per cent goes to research into gaming and assistance for gaming operators, and 25 per cent goes to gaming support activities for problem gamblers. I don't have the actual breakdown for the last financial year here but it is published in the Gaming Commission's annual report.

Mr FARRELL - Who makes the decision as to where the funding goes? Is it a board decision?

Mr GUTWEIN - In regards to the breakdown that has just been provided?

Mr FARRELL - Yes, and to which organisations. I imagine the sports and gaming support would go to different community organisations.

Mr ROOT - The health aspects are decided within Health, and then Sport and Rec within DSG look after the sports applications.

Mr FARRELL - Right, so that goes out to various departments that are continuing. Did the minister make the decision once the money goes out, or is it -?

Mr ROOT - Our budget is put through Treasury and then approved, and once the Budget is approved the departments who are responsible for the expenditure ensure the expenditure occurs.

Ms FORREST - In terms of the 50 per cent component for research, what research has been undertaken and is it supposed to be targeted research?

Mr ROOT - The 50 per cent is not just to research, it is also to support people affected by gaming and so on.

Ms FORREST - That is the 25 per cent, isn't it?

Mr ROOT - Twenty five per cent goes to charities and 50 per cent goes to the provision of support for problem gamblers, for research into gambling, and those sorts of things. For example, some has gone recently into a national gambling research body that does a whole range of research. A lot of research is through DHHS as a component of this.

Ms FORREST - Have we any research sessions being conducted that we have results from, any useful information for Tasmania?

Mr ROOT - The primary one is the Social and Economic Impact Studies into gaming. That is under way at the moment and will be reporting soon. That is a substantial bit of research work in the Budget of something over \$1 million. That has currently happened every three years and the outcomes of the SEIS goes into, for example, the policy response from Government that leads to things like a mandatory code.

Ms FORREST - The line item affects the administrative cost, not the amount of money that is available?

Mr ROOT - The line item.

Ms FORREST - Which is \$4.5 million and \$4.6 million next year.

Mr ROOT - No, that is the CSL itself.

Ms FORREST - That is the money coming in?

Mr ROOT - That is correct.

4.3 Community Support Levy

5.1 Electricity Reform

Mr MULDER - I am wondering about the whole question of the sale, and the introduction of consumer competition into the market through the sale of the customer list. Has that been put on hold or is that being pursued?

Mr GUTWEIN - There has been around \$80 million in overall costs in regards to the reform process, of which about \$68 million was the process to get to a point through FRC and to see whether we can attract any competition. That part of the process has failed and has been very expensive. We still firmly believe that competition is a good thing, I am of the view that the Aurora customer book does have some value. The new arrangements that are currently in place for Aurora are being bedded down as we work through this process. I am hopeful that we can get Aurora to the market at some stage in the near future.

Mr MULDER - How much do you think that extension of the one-to-one feeding tower for another five years, for the customer to manage to get themselves on to a solar rebate, would have impacted upon the value of that book? Do we have to wait for that to wash through before it becomes valuable?

Mr GUTWEIN - No, it was my understanding that was paid by government to offset that. It was not an impact on the sale. It is a substantial amount - \$14 million over a five-year period.

Mr MULDER - The question is about what the future feed-in tariff order will leave for the Minister.

Mr GUTWEIN - Trouble him with that.

Mr MULDER - We have gone from an incredibly generous 1.1 and I think the feed-in tariff is still about only a third of the wholesale electricity price. I don't know whether from your stakeholder minister or Treasury hat you want to think about that.

Mr GUTWEIN - Certainly I am convinced by the arguments that have been put in relation to setting it at the rate that it currently is. What has to be understood as a result of solar feed-in tariffs and the more expensive ones operating on the mainland - and even ours at one for one - someone has to pay.

Mr MULDER - My question goes to what the future feed-in tariff should be. Should that be at something considerably less than the wholesale price that it is paying to energy generators, or should it be a little closer to that?

Mr GUTWEIN - I think the balance is about right at the moment. Many would argue that it is not. Again, from what we will see over time, there are going to be significant improvements in battery life in five years' time. I don't think we have any understanding at the moment of just how efficient the battery capabilities may become, ensuring that customers can get full value night and day from their solar.

Mr MULDER - But my question relates to the adequacy of a future feed-in tariff being equivalent to wholesale, or close to the wholesale price rather than considerably less than it.

Mr GUTWEIN - I think we have it about right.

Capital Investment Program

Ms FORREST - We have done it, haven't we?

Mr GUTWEIN - We have touched on it with the BMS.

Mr MULDER - I think we have.

Mr GUTWEIN - In response to Mr Armstrong's question on Huon Aquaculture - that was a project by the previous government and was included in the RER and funding. The Tasmanian Development Board supported the expansion of Huon Aquaculture's Parramatta Creek processing facility. The project will result in around 100 jobs during construction and 90 on commissioning. The project is valued at \$12 million and the grant totalled \$1.5 million.

For the Public Trustee, this probably won't help, Leonie, but fees are listed on the website under 'What does it cost to make a will with Public Trustee', and they have their full fee structure there.

CHAIR - Thank you very much. We will move without starting Division 2. The umpires will decree that bad light has stopped play for an hour.

Mr GUTWEIN - Chair, what will we be resuming on? Will it still be Treasury estimates or will we go to Justice?

CHAIR - Division 2 - Finance-General. As a normal course it is a much quicker process than we have been through from past business and we have you until 3 p.m. as Treasurer.

Mr GUTWEIN - I wear two hats as Treasurer. I wonder where we might fit Justice in because as Treasurer I am only on until 3 p.m. but I have a responsibility for Building Services, Occupational Licensing and WorkCover.

CHAIR - We can extend if you wish. That is a guide. We will go through them as quickly as possible. My preference, and probably yours and the committee's, is that we don't have a meal break and push through until we get it done.

Mr GUTWEIN - I don't want to lose the opportunity once I shift from Treasurer to Planning Minister to deal with those outputs and Justice if need be.

CHAIR - We might not be interested.

The committee suspended from 1 p.m. to 2 p.m.

CHAIR - I will call the meeting to order and just to say to the Treasurer and for the members' benefit as well just to make sure that what we are doing is division 11 [inaudible] and division 4, Treasurer, and then the Attorney-General for a short visit, and then we will go to division 4, Planning [inaudible] local government so that covers you.

Mr GUTWEIN - We have to do Justice.

Ms FORREST - He is dead keen to do Justice; he has said it 50 times now.

Mr GUTWEIN - If the committee forgets it -

CHAIR - We will not forget it. As long as everyone on both sides is succinct we will get through by afternoon tea time.

Ms FORREST - 1.1 Debt Servicing. A bit of it relates to 1.3 as well, but in Debt Servicing I noticed that if the Budget is declined there because according to the footnote, a decrease in the [inaudible] bank fees so whether it has been transferred out of 4.3, is that all related to the housing debt? Is that the only thing you are talking about here or is there other debt as well?

Mr FERRALL - The difference relates to the difference in estimates in the cash holders and the bank charges, as we have indicated, have changed. The \$86 000 going into 2014-15 is the interest on the temporary overnight borrowing.

Ms FORREST - Nothing to do with the housing debt, then? So why the variation and up and down of the forward Estimates? Why is it down to 59 in 2015-16?

Mr FERRALL - It is just the estimated balance that is needed in terms of the temporary overnight borrowings going forward.

Ms FORREST - So you are expecting the overnight borrowings in 2015-16 to be significantly less - is that what you are suggesting?

Mr FERRALL - It does go down slightly in 2015-16 - fewer days. In the 2014-15 year we have estimated four days at the end of each quarter and in the out-years it could be a lower number of days overnight borrowing. It depends whether the end of the quarter falls on a week day or a weekend, changes like that.

1.2 Interest on sundry deposits

Mr ARMSTRONG - Could you tell me what special deposits mean?

Mr GUTWEIN - In the Public Account we have basically two funds. We have the Consolidated Fund, which is what we will be voting on in regards to the Budget and the allocations from that, then we have the Special Deposits and Trust Fund. They hold a range of moneys for various purposes. For example, in the Special Deposits and Trust Fund there is an account established for the Royal Hobart Hospital.

Ms FORREST - Not just that.

Mr GUTWEIN - No. Each department will have an operating account in the Special Deposits and Trust Fund. There are other funds in there for other purposes. The best way to understand it is to go to the Treasurer's annual report for the previous year and look at the back in the Consolidated Fund section where they list all the funds across government. If we get the opportunity to look at the new Financial Management Act, we can certainly improve things.

UNCORRECTED PROOF ISSUE

Mrs HISCUTT - Treasurer, does the Tasmanian Risk Management Fund come under that? Do you have any funds there under Special Deposits and Trust Fund - is that where that goes?

Mr GUTWEIN - That is included in the Special Deposits and Trust Fund. The balance 12 months ago was \$190 million.

Mrs HISCUTT - Treasurer, looking through the Tasmanian Risk Management Fund page, I see that personal injuries are down, which is a good thing, but medical liability has a large claim. What is the difference between those? Why would you have a medical liability if you were not claiming for something?

Mr GUTWEIN - I imagine, and I will be corrected if I am wrong by the officials here, that a lot of the medical liabilities are long-run costs through the three THOs, the state doctors.

Mrs HISCUTT - So most of that \$190 million in that fund would cover things like that, plus schools burning down - that sort of stuff?

Mr GUTWEIN - Yes.

Mr FERRALL - Motor vehicles, general property, medical liability, yes.

Mrs HISCUTT - Are you comfortable with \$190 million that there is enough funds to cover incidentals that may arise?

Mr FERRALL - There is an actuary's assessment done annually which establishes the contributions from agencies and also establishes the adequacy of the fund.

CHAIR - Treasurer, perhaps I should have asked you this under 1.1. In regard to the financial assistance grants and what impact they would have - there is concern amongst local governments about what is going to happen there as to the effect on ratepayers per se.

Mr GUTWEIN - The FAGs being frozen at the federal level has certainly raised concerns for councils across the forward Estimates. There was a figure put on it, as to what the impact was going to be - around \$17 million. We will get that number.

CHAIR - We can deal with it now, or we can do it in Grants and Subsidies - Table 3.9

Mr GUTWEIN - Across the forward Estimates, it has obviously put a lot of councils under pressure. We are not in a position to offset that - we simply can't. A number of councils have raised concerns, and a number of them are operating with deficits at the moment. The most recent Auditor-General's report indicates that half the councils have operating deficits, and they are finding it increasingly tough.

A number of people in local government have been calling for assistance, should they want to have conversations about amalgamation. We promised no forced amalgamations, but once the October elections are over, we will be talking with local government about resource-sharing opportunities and improved services for ratepayers. We want to support them in those discussions, and we will look at an allocation in next year's budget to enable those conversations to continue.

At the LGAT conference, the first question that was asked of me was whether we would provide support. With the FAGs not being available, or there being no indexation on them over the forward Estimates, a number of councils have asked about what support might be available. We will start that conversation after the October elections.

CHAIR - We might have to expand on that later. Ruth, on 1.3?

Ms FORREST - This relates to the housing debt. This is the costs associated with that, or the outstanding amount?

Mr FERRALL - It is interest payments on commonwealth/state housing.

Ms FORREST - Is there any intention at all to have further discussions with the Commonwealth about this? It has been there for a long time, and it has been talked about in the past.

Mr GUTWEIN - There are a number of conversations that are going to occur in relation to both the white paper on federation and the tax reform process. Obviously matters such as this are going to be discussed.

Ms FORREST - So it is on the table then?

[2.15 p.m.]

Mr GUTWEIN - It has always been on the table. Everyone would like the Commonwealth to take responsibility for it but again it is a matter of making our case as we move forward.

CHAIR - Anything further on 1.3 Debt Management?

Output Group 2 - Employee Related Costs

CHAIR - The question I have is with the unfunded super liability. Has Treasury done any financial modelling on what the savings might be? In my view, which is a pretty inequitable scheme compared to those in the [inaudible] if they were in fact wound back at that point in time.

Mr GUTWEIN - I have not asked for any modelling to be done. We made a clear commitment before the election that we were not going to interfere in defined benefits super arrangements. That was somewhere we wouldn't go. There is no doubt that there is a need for people to understand what the impact is on the state Budget. In this Budget paper we have included more detail than has been collated together. The detail here has generally been available across government and other places but this Budget paper has for the first time put in place the annual costs of the scheme over the next 50-odd years. There is \$42 billion worth of impact on the Budget over that period, so it is significant and challenging.

CHAIR - Over a long term.

Mr GUTWEIN - Over a long time. But it is a legacy issue, and I want to be clear for members of the defined benefits scheme that we are not in any way reaching in and altering -

CHAIR - On a micro-scale you are changing employees' conditions by the pay pause.

Mr GUTWEIN - Over time increases will rise and fall year by year. We are simply going to have a 0 per cent increase for a year. Your question goes to whether or not we looked at cutting and shutting the benefits of that scheme over the longer term.

CHAIR - That has been suggested by some financial commentators and others, because of that long-term effect that it is going to have on future budgets. That is why I say, 'Wouldn't it be responsible to be able to do something?'

Mr GUTWEIN - The responsible thing for a long period - and Ruth made the point earlier - was that for a time the fund was not cash-backed but we were building up significant cash assets for a long time with a view to being in a position where that longer term unfunded liability could be funded.

Ms FORREST - The GFC.

Mr GUTWEIN - Those who have been here for a while would recall, and when I came to Parliament, there was a view that by 2015 we would have sufficient cash assets to fund that unfunded liability, but it was pushed out to 2017 and then to 2035 before ultimately being wound up completely.

I have raised it in more detail in this Budget, with a view, because I think people to understand the long-term challenge. What I have to do and what the government has to do first and foremost is get the Budget back to a surplus before you can start to build up any cash assets against that liability.

CHAIR - Anecdotally, I am told, it costs RBF some millions of dollars every year to administer the defined benefits scheme. If that is the case, then it seems to me then that alone is a further detriment to those on such schemes.

Mr GUTWEIN - Every scheme has costs that would be determined as a result of some form of asset under management fee or the way funds recoup their fees from members. The defined benefits scheme does have a cost but that is usual across all schemes.

CHAIR - It is quite complex to administer, as I understand it. It is more so.

Mr GUTWEIN - Compared with an accumulation scheme, it is vastly more difficult. This is one of the reasons why, in the fiscal strategy, we set that 6 per cent limit in regards to payments for both the unfunded liability moving forward and the amount of money that we spend on servicing debt. We need to ensure that we provide an envelope that the Budget can sustain. That will become challenging. There are no two ways about that. The better part of that 6 per cent gets eaten up over time, when we peak in regard to super. It means we have to be more disciplined in regard to our own borrowings.

The age profile of the Defined Benefits Scheme members puts them at the age where they are seeking more advice in regard to their arrangements, as opposed to accumulation members who are a long way from retirement and require less advice. There are some accumulation members around this table.

CHAIR - *Hansard* is having problems with the microphones here which aren't very good. Could people speak more slowly, distinctly and clearly, and stop rattling papers.

Ms FORREST - I asked if the Government has done any modelling on the effects of the wage pause on the value of superannuation? Has anyone looked at the future annual savings as per the undiscounted future obligations as listed on page 8, point 11, as regards the wage pause?

Mr GUTWEIN - Simple answer is no.

Ms FORREST - With regard to the differing discount rates used for the unfunded superannuation liability, last year in the Treasury and Financial Report, Treasury used the discount rate of 4.25 per cent compared with 3.45 per cent in 2011-12. This year's Budget uses 5.5 per cent and last year it was 6 per cent. What will be this year's discount rate for the Treasury and Financial Report? Be it that we have 6 per cent this year - isn't it?

Mr FERRALL - I would have to see what the long term bond rate was on 30 June. I don't have a figure for it. The difference in those rates comes from using the bond rate on the rate and we use what we believe is a reasonable long-term average and we are using 5.5.

Ms FORREST - The gap is closing between the two different ones. Do you intend to use the two different rates?

Mr GUTWEIN - One is the actual rate at 30 June and the other is the long-term average. From a Budget point of view, it means that there is a smoothing in regard to the liability that appears in the balance sheet. What would happen, depending on movements in the bond rate of 30 June, is it could be up and down.

Ms FORREST - As far as the implications of the unfunded liability, since you have highlighted the ongoing savings from having fewer employees, and that was part of the requirement in this report, what impact will the lump sum severances have for these employees who will go, regardless of what happens with the wage freeze. There is always going to be severance costs associated with that, including some lump sum amounts for Defined Benefits Scheme members who may be some of these people. Extra pension payments if they are members of the defined benefits scheme of pension instead of a lump sum and their annual and long service leave entitlements.

Mr FERRALL - Annual and long service leave entitlements are basically covered within agency budgets. With the superannuation it really depends on whether individuals - the assumption you are making is that they are at a point where they can obtain their benefits so they are effectively at retirement age and the impact is really whether they are advancing their retirement or potentially delaying it and their requirement for either a lump sum or a pension. The fact that there is a wages pause really won't make any immediate difference to that; in other words, someone could have taken a pension or they could have taken a lump sum but the wages pause is not necessarily going to impact on that choice.

Ms FORREST - Yes, the 500 jobs that you already identified pre-election are going to go. I think, Treasurer, the point the secretary made was that it depends on are they able to access their super benefits and does that influence what positions may go in the decision-making?

Mr GUTWEIN - No, no, it doesn't, but on the issue of natural attrition, there is no doubt that amongst the 700 positions we have said would go, there will be some who will be taking retirement regardless.

Ms FORREST - They will be?

Mr GUTWEIN - They will be, there will be some who are at retirement age, it will depend. It is a matter of, within agencies, understanding the profile of the spills they require and the services they need depending on whether a person retiring will be replaced with someone else or not, whether that position can be managed.

Ms FORREST - Have you done any costing to look at what happens if the wage freeze does not go and we have to lose another 500 jobs or something like that, as the Premier suggested yesterday?

Mr GUTWEIN - That wasn't a suggestion. There is no other choice before us. The Budget is predicated upon \$50 million worth of savings per annum as a result of the wage freeze. If the wage freeze doesn't go ahead, then those savings are going to have to be found. The only way we can reduce wages without a wage pause is going to be through allowing more people to go. That is the decision in front of us.

Ms FORREST - Have you looked at the actual costs of the severance payments for these people that are going?

Mr GUTWEIN - For the redundancies we have established in the Special Deposits and Trust Fund an account to the value of \$10 million that agencies will be able to draw on to assist them with redundancy payments or RIPs.

Ms FORREST - That would be in addition to their annual leave and long service leave entitlements? Or did you say they'd already meet those from within?

Mr GUTWEIN - Agencies would meet those from within.

Mr FERRALL - So any incentive payment that might be paid to the individuals leaving would be principally funded by agencies but if they are unable to fund that, there is capacity within Finance-General to effectively lend to them and for them to repay that over a number of years.

Ms FORREST - Is that actually listed in here or would that be in the Treasury's annual financial report? It is not actually in here as a line item anywhere?

Mr FERRALL - No, we have made provision but you actually can't see it because it is a balance sheet item.

3.1 Forestry Tasmania

Ms FORREST - I asked the question I wanted to ask about FTEs; I don't think there is anything further I wanted to ask about that one.

Mr MULDER - I noticed that we have gone from 27 down to 6, which is cash injections or subsidies. In the budget paper it says that \$2 million is for firefighting and then it says that \$4 million is for non-commercial obligations. Can we just have an idea what those non-commercial obligations are?

[2.30 p.m.]

Mr GUTWEIN - Maintaining roads that go to tourism sites. Things that are not specifically related to the harvesting and management of forests - ongoing provision of the agreed forest education activities, non-commercial tourism activities, management of the Huon pine log stockpile on non-commercial terms, maintenance of agreed roads to allow for continued public and fire fighting access, et cetera.

Mr MULDER - Is there any consideration of the potential costs of extraction of special species timbers?

Mr GUTWEIN - There is 'identification, management and harvest of special species timber' and 'management of Huon pine log stock'.

Mr MULDER - There is some assistance for the special species timber industry in relation to the non-identified cost of harvesting just for those species, rather than as a by-catch of regular forest operations?

Mr GUTWEIN - It is a matter of providing support for those areas of their operation that are non-commercial.

3.2 State Fire Commission

Mrs HISCUTT - Treasurer, the forward Estimates and the pricings there look fairly 'steady as she goes'. The \$790 000 set aside for the bush fire mitigation program - we had one of those recently, didn't we? There were bushfire mitigation program burn-offs - did that include the \$790 000, or has it not begun yet?

Mr GUTWEIN - Are you speaking more broadly about the \$28 million we set aside for fire management?

Mrs HISCUTT - There is an increase of \$790 000 for the bushfire mitigation program. Is that more funding to come? This is in point 4.

Ms WICKS - The \$790 000 was previously provided by DPIPW for primary industries.

Mrs HISCUTT - So, does this include the bushfire mitigation program?

Mr GUTWEIN - No, that is being managed by DPIPW. The agencies will operate under a heads of agreement arrangement, as I understand it, between DPIPW and the State Fire Management Council. They will then manage the wider program across Crown land.

3.4 Government Businesses

Mr MULDER - A note in relation to this particular item refers to the reclassification of port infrastructure and funding of \$1 million as an equity contribution to Tasports. This is a direct subsidy to Tasports, and it gets picked up a little later on.

Ms FORREST - On that point, why do you classify it as an equity contribution, as opposed to a grant? What is the purpose of it?

UNCORRECTED PROOF ISSUE

Mr FERRALL - To be an equity contribution it has to satisfy certain tests. It was in there previously as a grant but we have now moved it to equity and it satisfies the test of equity. There is an increase or an improvement in the asset.

Ms FORREST - When there is an increase or improvement in the asset it is classified as an equity injection.

Mr FERRALL - That, and/or a loan repayment. Repaying borrowing can also be counted as equity.

Ms FORREST - What would a grant constitute then?

Mr FERRALL - A grant would be for something that is recurrent, so there would be no additional asset value.

Ms FORREST - It was determined as a grant under a previous government.

Mr FERRALL - We had it in there as a grant; in terms of budget it was a grant, but as we have gone forward it was decided it meets the test of equity and it and it should be accounted for as an equity contribution.

Mr MULDER - The other issue on that - if you flick over to the revenues and appropriation note, it talks about \$30 million equity injections for Tas Irrigation to expand their network, and in addition, be able to continue with the planned provision of a \$17 million equity injection to Tasports over the three years 2015 to 2017 for essential remedial works on port infrastructure. That looks to be something like \$47 million over five years for those two entities.

Mr Ferrall - Yes.

Mr MULDER - But then in the forward Estimates you get the same period turning up as a four-year period. Is this some accounting? If you go to 3.4 - we are now on page 3.15 of the budget paper -

MR FERRALL - 3.15 is the appropriations, so that is basically the cash appropriation.

Mr MULDER - That turns out at \$47 million.

MR FERRALL - You will not see an equity contribution in the output group expense.

Mr MULDER - It is coincidental that the number is \$47 million?

Mr FERRALL - No. Well, it is, but that is the revenue from appropriation for those two measures - the \$47 million, which comes in as revenue, but you don't see it as an expense going out, because it is not a grant. It is being treated as equity, and therefore it is a balance sheet item.

Mr MULDER - My question, though, was that the revenue from appropriations is over four years of the forward Estimates, but when you look at the note it talks about five years rather than four.

Mr GUTWEIN - Is that anything to do with the election commitment? With the election commitment on irrigation, it was five years, \$30 million - \$6 million a year; \$24 million is included over the coming four years, with the \$6 million in the fifth year, as -

Ms FORREST - We all know the deal with Tasracing -the \$40 million bet facility - we are still paying the interest: \$1.3 million. Treasurer, have you any plan to see Tasracing pay their own interest costs?

Mr GUTWEIN - We are going through a process with Tasracing, as we are with a number of other government business enterprises. Tasracing is in a difficult position. With the deed when that was established, members would be aware that the indexation reduces over the course of the deed by roughly 1 per cent per annum, which puts them under pressure each year, forcing them to find internal support as well. That model has not worked.

Ms FORREST - Is that because they haven't stepped up to the mark?

Mr GUTWEIN - As a new government, we are going through the processes with them and attempting to understand where they are at. I am not a punter, nor someone that is involved in horses or racing, but that said, the racing industry, certainly in regional and rural areas, has an enormous role to play, so it is important to support it. But the current model is challenging.

Ms FORREST - This place approved the model. That is the reality, so that is a question for GBEs.

Output group 4 - Miscellaneous

4.2 Treasurer's Reserve

Ms FORREST - Does the Treasurer support the draft Financial Management bill as drafted in terms of the Treasurer's Reserve?

Mr GUTWEIN - I knew that I was going to get that question. I had Craig brief me on that yesterday - he is very good. In principle, I have no major concern with it. On the draft plans, I wouldn't mind being invited to PAC at some stage to have a broader discussion about it.

Ms FORREST - Before or after we provide a response it?

Mr GUTWEIN - No, provide the response and then let us have a meeting.

Ms FORREST - That would be a very constructive thing to do.

4.3 Miscellaneous

Mr MULDER - I want to zero in on the mobile radio network which has been an item on the government and police department books for the best part of 20 years. Who is managing that project? Who should I be addressing my questions to? I get a different answer every year.

Mr GUTWEIN - I am going to defer to the secretary because he has a real interest in this program.

Mr MULDER - I was hoping you would kick it across to the Police minister.

Mr FERRALL - Police are managing it. Treasury is involved and providing support, as is Premier and Cabinet - but Police are running it.

Mr MULDER - Is there a steering committee managing it?

Mr FERRALL - Kath is on the steering committee.

Mr MULDER - I will then leave my further questioning about this.

CHAIR - Nothing more in that line?

Mr MULDER - I will be really annoyed if I get there on Thursday and the minister says, 'No, that is a Treasury managed project'.

4.4 Payment to Australian Tax Office: GST Administration

Mrs HISCUTT - I notice that the 2014-15 figures were revised down by \$500 000 on the administration of GST. It is \$15 million to administer it and we are getting next year \$89.2? What's our GST revenue stream in here for?

Mr FERRALL - It will be in excess of \$1.9 billion.

Mrs HISCUTT - It seems like a lot of money to administer it.

Mr FERRALL - All states contribute on a per capita basis

Mrs HISCUTT - Nothing could be said on that except that it is a lot of money.

Ms FORREST - As I understand it there is no appropriation. This money all comes in from the various departments who make their contribution to this and that is what gives us the balance there. Do you have further breakdown on the cost of drawings on the Risk Management Fund?

Mr GUTWEIN - I am not sure if we have a number for 30 June this year, but last year the receipts to that fund were \$55 million and \$43 million was paid out.

Ms FORREST - They were predominantly medical claims?

Mr GUTWEIN - I presume in the last period that there would have been carry-over from the bushfires as well.

Ms FORREST - Normally there is a bit more information in the Budget papers about this - or I have read it somewhere?

Mr FERRALL - We used to do an annual report for the TRMF.

Mr GUTWEIN - This extra information - number of claims - and that is the estimate for this year as opposed to actuals for last year. As at 30 June - 1 480 claims, average claim size \$22 465. That is just the personal injury claim, isn't it?

Mr FERRALL - There is still a TRMF annual report, which is where you -

Ms FORREST - When did you release that?

Mr FERRALL - In the Treasury annual report. In the Auditor-General's section.

Ms FORREST - Obviously the bushfires would have created a blip in payments from the fund, but in terms of medical claims, are we seeing an increase or is it fairly stable? Medical claims tend to happen when mistakes are made, and there are a number of pressures on the Royal at the moment.

Mr FERRALL - Medical liability has been increasing for a number of years. The contribution pool was increased by 14 per cent, and that was based on the increased assumed frequency of claims and the outstanding claims liabilities. It is a combination of both - frequency of claims is greater and the cost of claims has escalated quite significantly around the country.

Mr GUTWEIN - That is not a Tasmania-specific issue.

Ms FORREST - New Zealand has a completely different model for these types of medical claims. Have there been any discussions with the Commonwealth about looking at a different model? We are not as bad as America, I accept that, but there is still a significant risk.

Mr FERRALL - In past years there have been discussions about different models but the reality is that no real changes have occurred.

Ms FORREST - Have the discussions been at a COAG level?

Mr GUTWEIN - You are talking about liability more broadly?

Ms FORREST - Yes.

Mr FERRALL - There have been discussions among states but it has never gone any further than discussions.

Mr GUTWEIN - There was a 2005 report that came out after a great deal of discussion. Which was the insurer that went broke? Was it HIH?

Ms FORREST - Yes.

Mr GUTWEIN - Changes were recommended then, but that was 2005. Since I have been Treasurer we have not had any discussions with regard to that.

1.6 Fleet management

Mr GAFFNEY - It is amazing how much media coverage fleet management gets. I note your comment that you had 'given the Government's commitment to reduce the government car fleet. The Department of Treasury and Finance will work with agencies in the implementation of the budget saving strategies to identify efficiencies in fleet management and agency fleet reductions'. That seems reasonable.

Between the 2013-14 budget of \$16.182 million and the forward Estimate of \$17.916 million, there is an increase of \$1.84 million which is quite significant. I understand that depreciation is a big cost, and that may be because cars will be taken from 40 000 kms and transferred to 60 000 kms, I am not sure.

But it concerns me more that Labor's last estimates over a three-year period compared to the Liberal Party's estimates over the same three-year period, show a \$6.497 million variation. That is quite significant, on those figures. I am just wondering what is the explanation for that variance, seeing the Treasury would be involved in those predicted figures over the last three years and over this three-year period.

Mr FERRALL - A large part of it is depreciation. Oil change, depreciation on the vehicles so that has driven part of that. The point of the note really is that with the changes in agency staffing and other saving strategies, we are expecting that agencies will be reducing their fleets over the coming years but we haven't factored that into the forward Estimates. For individual agencies that have a fleet of x size at the moment, we are expecting that they will be reducing it commensurate with their other savings strategies.

Mr GAFFNEY - With all due respect, the Premier came out yesterday and said his agency has saved \$7 million over the forward Estimates, as was in the paper, I don't know everything, that was all I picked up on. His agency knows what is happening but in this one, there was \$900 000 worth of depreciation. It just seems like when you were working before on the variances between 2 per cent and 5 per cent of what Treasury does, the difference can be that high between the three-year forward Estimate last year and this year of \$6.5 million.

Mr FERRALL - Across the forward Estimates? It can be. If you go to many of the individual line items you can see quite significant changes between one year and another. It's not that unusual for that sort of thing to occur.

Mr GAFFNEY - On a \$16 million or \$17 million line item, \$6.7 million, that percentage is quite high.

Mr FERRALL - It is a high percentage of it, I take your point it is significant but unusual in the broader budget context for changes like that to occur.

Mr GAFFNEY - Okay, even in this one. In last year's government, Mr Bacon said that there was a decrease in some 264 vehicles between 2011 and 2013 which decreased their estimations from that year from \$18 million in 2013 and they were going down to \$14.91 million in 2016, which was also their forward Estimates. Alternatively, in this Budget, when there has been the explanation that there are savings to be made, the cost of it is actually going up from \$16.1 million to \$17.9 million. What I am questioning is that in one year we have a government that is taking it from quite a high figure down to \$14.9 million and in these figures here, it's going up. A further explanation would help, I suppose.

Mr FERRALL - As I said, I don't have a more detailed explanation with me today but we can look at breaking that down further.

Mr GAFFNEY - That would be good.

The last one on that, it was interesting listening to the Auditor-General's presentation here recently about the motor vehicle fleet between 2011 and 2013, which made a series of recommendations for future governments to consider. Who has the responsibility for that? It is across agencies; does everyone look at the Auditor-General's recommendations for savings here, or how does that work?

Mr GUTWEIN - I can assure you Treasury does, and takes it into account but individual agencies will have their own processes and methodologies in place. I can't speak, for example, for what the Department of Police is doing in regards to its fleet management at the moment.

Mr FERRALL - If it was a matter for holistic fleet management, Treasury would take it into account, but if it was in relation to how an individual agency might manage their own fleet and fleet utilisation then they would deal with it.

Mr GAFFNEY - That was one highlighted by the auditor's presentations. For example, the Department of Justice's issues with the management of their fleet are very different from those of somebody on a statewide basis or even a different area, but it was interesting how he thought savings could appear and I suppose agencies will look at that.

Mr FERRALL - Yes.

4.7 Property Management Services

Mr ARMSTRONG - My understanding is that the Parliament Square building is not due for completion in late 2016 and in relation to the Budget 2014-15, can you tell me what [inaudible] costs would need to be paid for with regard to the new buildings that are not going to be completed in the next financial year.

Mr FERRALL - We are going to occupy the premise fully completed so we are doing an integrated fit-out with the construction. It will not be, 'build a complete shell and then go in and fit it out'. It will be done in tandem as part of the construction.

Mr ARMSTRONG - I noticed a significant increase in the lease and rental payment from \$18 million in 2013-14 up to \$20.5 million in 2014-15. Is this due to CPI or would it be more office space leased?

Mr FERRALL - It will not be more office space. You are talking about the \$2.5 million from 2013-14 which is basically lease and rental payments but it is not due to increased space. It is increased cost.

Ms FORREST - Higher rents and things like that.

CHAIR - Infrastructure, investment, project planning, minister; the explanatory note seems to cover that. It flat lines at \$2 million in the forward Estimates. There is a blip in 2014-15. I make an assumption that has something to do with the -

Mr FERRALL - It gets carried forward.

Grants and Subsidies

UNCORRECTED PROOF ISSUE

CHAIR - Some of these we had pretty well covered and a lot of them are under explanatory notes. We will run quickly down the list.

Mrs HISCUTT - Treasurer, you might be able to tell me how this \$475 000 will be managed. How the concessions will be managed?

Mr GUTWEIN - Where are you there?

Mrs HISCUTT - We are on page 33.17, grants and subsidies, the Australian Government Contribution for extension of pensioner concessions.

Mr GUTWEIN - There is a note at the bottom of that page which starts, 'the purpose of this item is to provide non-budget sector agencies with funds to cover the initial cost of maintaining existing concessional arrangements by extension by the Australian Government from 1 April 1993, and for eligibility for the pension and concession card'.

Mrs HISCUTT - Is this the concession that the Federal Government has stopped, that we are going to continue?

Mr GUTWEIN - The concessions that they walked away from were around \$8.9 million per annum. This is in regard to the concession arrangements with the pension concession, the non budget.

Mrs HISCUTT - Okay.

Mr GUTWEIN - Grudgingly, it has always been the same number.

Mr MULDER - I will be right next year because they kick in at 60.

Ms FORREST - I wanted to ask about the management in the Australian Government Funding, there is no explanation in the notes at all. Can you outline what this relates to? I think you missed a paragraph out in the Budget papers. There is nothing about it.

Mr GUTWEIN - Are you talking about the energy retailer concessions?

Ms FORREST - No.

Mr JEFFERY - We changed the arrangements for the management of the Australian Government funding in last year's Budget. There was half a page of narrative explaining it then so we decided it wasn't required this year but we are probably wrong. The arrangements previously were that the Australian Government funding partially went directly to agencies and some of it went through Finance-General. From last year's Budget we revised the arrangements so all national partnership payments are funnelled through Finance-General and then transferred to agencies on a reimbursement basis. After they spend the monies they are reimbursed for the funding.

Ms FORREST - This is the amount of money that sits there? It comes in from the Commonwealth and this is how much we are getting in the National Partnership Agreements and specific purpose funding?

Mr JEFFERY - No, that is an expense, so that is the profile of the expenses being paid out to the agencies as they expend the monies across the forward Estimates period. It is not the receipt of monies from the Australian Government.

Ms FORREST - This is how much is being spent?

Mr JEFFERY - Yes. The receipt side is in Budget paper 1 in the Revenue Chapter.

CHAIR - Are we up to first home owners?

Mr FARRELL - It is pleasing to see that the Government has kept that going. It has been a fairly successful scheme. Is there any data on how effective it has been in stimulating the building industry to date and will the reduction have any great effect on that?

Mr GUTWEIN - We provide that on a monthly update basis. It has been successful. The number of grants that have come through in the last six months, have been quite high. It took a while for it to warm up. I don't mind saying that. It was a slow process initially. We peaked above 100 grants in a month, or thereabouts, in June or July. At \$30 000 a grant, it is quite significant. The first home builders market appears strong. It came off a very low base.

The number of applications received were - January, 34; February, 57; March, 77. Number of applications paid in those three months - 16 for January, 32 for February, 51 for March. Then in the months of April/May/June it was applications received - 55, 59, and 61. We paid out in those three months respectively - 36, 54 and 97 grants. For July we had 80 new grants received, and paid out 63. It has been a very solid program. There has never been a better time than right now, if you are a first home builder, to build a house in Tasmania. I expect to see some increased activity as people look to get in to the \$30 000 grant. The \$20 000 will enable us to phase out of it in a gentle way, but we are attempting to bring forward building demand, and the grant is doing that.

Mr FARRELL - It is probably early days yet, but do you have any future plans for building industry stimulus programs?

Mr GUTWEIN - That will be a surprise in next year's budget, Craig.

This program will step down to \$20 000 but then we have locked it in to \$10 000, ongoing. In the context of the Australian market, it is significant in dollar terms - it is the highest first time builders' boost - but it is also significant relative to the value of properties.

Ms FORREST - The delay in uptake is probably related to problems getting development application approval.

Mr GUTWEIN - We can get to that a bit later.

Mr GAFFNEY - FAGs have been frozen for the next three years, and that is going to impact on some of the smaller councils. Obviously the Government is concerned about that. How can the state Government support councils if they find themselves adversely impacted, and how can we voice concerns about it at the federal level, because it has been a good program over the last 20 years or so?

Mr GUTWEIN - State governments right around the country are concerned about this, and councils have raised these issues. We looked long and hard at this but we simply do not have the capacity to assist in that area.

It will put pressure on local government. As a state government, we can provide assistance and support discussions, not necessarily about amalgamations, but about resource-sharing. We can provide that assistance through the Premier's Local Government Council, enabling local government to become more efficient. One of the working groups in the PLGC is looking at the issue of resource sharing and making certain there is a best practice model available for consideration. But, it is a difficult one - everyone is being squeezed.

Mr GAFFNEY - Interestingly, with resource sharing, some councils have done that without assistance from state government. Those models should be pursued as well.

Mr GUTWEIN - Absolutely, a number of councils that want to get involved in resource sharing have asked me if there is a best-practice model they could use for guidance. And there are some very good examples where councils have quite sensibly started to share resources.

Mr GAFFNEY - It is not all about financial savings, though. It is about the sustainability of human resources, to ensure councils have pathway planning for staff to keep them involved in their communities, sharing those resources, so it is more to do with - that is the one where there is going to be loss of expertise - in the management areas.

Mr GUTWEIN - I have made my views on this clear. In many regional areas, the single largest economic unit is local government. As Local Government minister I have to strengthen that, and as I say, we will start the conversation after October.

Mr MULDER - Disaster relief: \$8.8 million last year, \$2.6 million this year, and then you say \$2.1 million of that will be funding the balance of the \$2.5 million to be provided in 2014-15, which is basically the bushfire stuff. That brings you back to \$11.38 million in the forward Estimates, and then on to \$5.32 million, which I take to be the base funding. For some reason it steps up. The base funding appears to be \$5.32 million, but when you take \$2.1 million off the \$2.6 million this year you get \$5.3 million, but then next year there is \$11.38 million. A couple of questions: the first is, why is the 2015-16 year still up off the base level of \$5.32 million?

Mr FERRALL - The base is the \$5.32 million; you are correct. In 2015-16, there must be receipts continuing from the bushfire relief. This is still claims from the bushfires, so it is most likely late claims coming through.

Mr MULDER - So the balance of funding totalling \$2.1 million is not quite right. There is still another \$600 000 or something like that. My second question is: what is the \$2.1 million going to be spent on this year is my second question.

Mr FERRALL - This is claims against the Commonwealth; it could include Aurora, and local government for damage to signs, culverts - a range of things

Mr MULDER - It does not include habitat for wallabies, does it? The Red Cross money was used for that - sorry.

UNCORRECTED PROOF ISSUE

Mr GAFFNEY - There was some storm damage. There is some real concern that it is going down to \$5.32 million. An example of that would be a storm goes through a larger council like Clarence and takes away four bridges and many trees. There is a claim, but Clarence can handle it because they have a good rate base. If it goes through a smaller council area, like Kentish with a smaller rate base, it is unable to provide that certainly, and so the \$5.32 million is very minimal in view of the amount of extreme storm damage and climate change damage we are experiencing over some years. With things like storm erosion along beaches, there is concern in local government that this figure is not going to be anywhere near enough.

Mr FERRALL - Under the scheme we would be able to claim back from the Commonwealth, so that is really a base estimate in the forward Estimates.

Mr GAFFNEY - Some of it is dollar-to-dollar matching as well. That is the issue that some smaller councils have: 'We have a \$300 000 bill here; we have to come up with \$150 000 if it is dollar-for-dollar'. There are some concerns about that. A larger entity can manage it, but on a statewide basis it is important that the state government plays a little in this area. If there were some sort of fund small councils could tap into -

Mr GUTWEIN - That is a fair question; that is the first time it has been raised with me, either as Treasurer or as Minister for Local Government. That is a fair point that you make.

Mr GAFFNEY - It comes out a bit further where the support for local government infrastructure investment is now not needed because that is finished, which is fine. But there could be some case there and I won't have to talk to that one down there. There could be some case that massaged that space a little bit to be allow councils to opt in and out.

CHAIR - Okay, you are done there? Payments on local government rates and charges, remissions?

Mr GAFFNEY - How do you measure that? Do you incrementally raise it for a while? It surprises me that for one year - or is it an estimate, still going up?

Mr GUTWEIN - I am presuming there is an historical context to it.

Mr GAFFNEY - Yes. It is to do with rates monitor, so you just look at the demographics.

Mr GUTWEIN - It is based on historical data.

Mr GAFFNEY - No other questions.

CHAIR - Payroll tax.

Mrs HISCUTT - The drop-off in funds in 2016-17 to \$1 million, I presume that is when the end of the assistance begins. The purpose of this grant is to provide financial assistance to organisations subject to various eligibility criteria. What are some of the main criteria to be eligible for this assistance?

Mr GUTWEIN - You create a new job and keep it for 12 months. As a payroll tax-paying entity you register and provide the details in regards to what your workforce is at the time. This is

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the fourth iteration of this program where, as you employ people who are over and above the base, you don't pay payroll tax on them for a period of two years.

Mrs HISCUTT - So your base stays at \$1.25 million payroll tax that they are paying over and above that. Create a job, keep the money. Thank you, Treasurer.

Mr FARRELL - I know you are still waiting on the Federal Government and the information wasn't available for the Budget. What future commitments under the TFA will need to be funded by the Federal Government - a ballpark figure to complete the commitments?

Mr GUTWEIN - With the TFA, a large part of the funding that is here in 2014-15, if I recall correctly, was carried forward from last year and they were funds that were unspent. There was \$8.446 million set aside for support for affected workers, the residue study of \$1.8 million, there were funds set aside for the sawlog buyback. In most cases this was funding that was expected to be expended in the 2013-14 year and it has been carried forward as it wasn't out the door. The purpose remains.

Ms FORREST - The purpose hasn't changed?

Mr GUTWEIN - No.

Mr GAFFNEY - It is good to see the concession cards going on and that was part of the act of 2009. The \$5 million of the headworks 'holiday' - and that has been good - in the process of being an extra \$5 million felt one year and then the next year. How are you evaluating the success or otherwise of that money because it is a significant sum? How are they going to measure the impact of that?

Mr GUTWEIN - There was an announcement on this around May. The policy we took to the election was for two grants of \$5 million each over a period of two years to provide a headworks 'holiday' for two years. TasWater approached us post election to say they believed, as a corporation, they could fund the removal of headworks charges, ongoing, after the two years. What they have looked to is headworks charges after the two year period, where they are in sequence with their long-term infrastructure plan.

There was one other proviso in regard to not being in remote areas. There were two parts to this and they said if you were to provide that as a grant, what we were initially going to do is to have them bill us on an ongoing basis or as they received applications for relief. Their approach was, if we can have it in two trenches, five over the two years, we will put in a process that will remove headworks ongoing after that.

At this stage it has been money well spent on the basis that TasWater now have a process in place where the headworks charges will be waived forever.

Mr GAFFNEY - If it is outside the plan, they are up for it, deservedly, themselves.

Mr GUTWEIN - Basically, it was 'out of sequence' and 'not remote' and from that point on there would be no headworks charges. It is a good outcome.

Mr GAFFNEY - The headworks charges will not have to be paid up front. They can pay it over the course of the development of the property if it is outside the area.

Mr GUTWEIN - There may be arrangements that can be entered into. They are a part of their longer term development plan and in sequence with that it will be zero headwork charges, which is a very good outcome.

Mr GAFFNEY - So, instead of a developer, who has an 80 block development, having to pay upfront, he can space that out over a period.

Mr GUTWEIN - No, if that development is in sequence they will not pay at all.

Mr MULDER - 'Holiday' turns into retirement.

Mr GUTWEIN - The 'holiday' turns into one of the steps to making Tasmania a very competitive place to invest. You are right, it is a retirement of headworks charges. I think Mike Boss made the point down on the waterfront that they were able to bring forward the Mac1 development. That was a saving for them and it helped ensure the metrics, that they were working on in regard to a return from that project, can be brought forward. It is certainly working.

[3.25 p.m.]

Mr MULDER - At the time of the changeover from councils to the water corporations, there was a lot of concern about the sudden escalation in the headworks fees being charged by councils, compared to what the corporations were charging. Were the headworks charges you are now paying the holiday, and essentially the retirement, on, realistic, or were they inflated items that gave the corporations some capital injections to undertake basic services and works?

Mr GUTWEIN - The corporations inherited 29 different pricing models. There were some municipalities that didn't charge for headworks, and there were others that charged significantly high fees for headworks. My understanding is that pricing is moving to a uniform model across the state. In some municipalities, people have said that they never paid them before, so why do they have to pay them now. In other municipalities the charges have come down.

I don't think the corporations intentionally saw it as an opportunity to raise some cash and get some money into the system. Headworks are charged, historically, across the country. We had some local government areas that weren't charging them. However, as a state government, we don't own the water and sewerage corporation - local government does. We get complaints about it, but it is the councils that own and operate it, and receive the dividends.

Mr MULDER - My question was about the state government paying a subsidy. Have you satisfied yourself that you are subsidising a legitimate process for calculating those headworks charges?

Mr GUTWEIN - Yes. Also, it is bringing projects forward. There is no doubt at all about that, and that is a good thing.

CHAIR - We have finished with that section, Treasurer. And that being the case -

Ms FORREST - The figures I asked for about staffing numbers - are they available yet?

Mr GUTWEIN - No, but we will get them.

Ms FORREST - Okay. We will have to leave it open.

CHAIR - Treasurer, we will move to Division 4. Do you have any information you want to share with us first?

Mr GUTWEIN - Just that we will provide the Liberal party's fiscal strategy to the committee, as we said.

The committee suspended from 3.30 p.m. to 3.42 p.m.

5.6 Administration of justice

CHAIR - Thank you Treasurer, I will ask you to introduce your two members at the table.

Mr GUTWEIN - On my left, Simon Overland, Secretary of the Department of Justice, on my right Dale Webster, the Director of Building Services and Occupational Licensing.

CHAIR - Is there anything you would like to mention ?

Mr GUTWEIN - I am very happy to move straight into questions.

DIVISION 4 - (Justice)

Output Group 1 - Administration of Justice

1.10 Workers Rehabilitation and Compensation Tribunal

CHAIR - Do you have a question on that, Mike? It is self-explanatory. Craig, have you any questions on 1.10?

I will ask a question on 1.9 - the TIC. Treasurer, I suppose it is an obvious question that arises with the Government ignoring the report on MPs' wages, for example, and if the proposed pay pause proceeds, that effectively takes the independent umpire out of the equation. You have to ask: what is the point of the TIC and would you be better off saving \$1.3 million a year without it?

[3.45 p.m.]

Mr GUTWEIN - The role of the TIC will still continue. As I said this morning in regards to the wages pause, all that the legislation will do is require the TIC to operate within what is the legislative government's wages policy. In previous years, the government has had a wages policy of 2 per cent, but the TIC has operated outside of that. The legislative framework does not fetter the TIC in any of its other roles or responsibilities for wages and wage rates. It simply sets the framework within which it needs to operate and make decisions. Is the TIC still required? Yes, it is.

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CHAIR - I know that it has other roles, of course. Do any other members have any questions on the TIC and/or the Workers Rehabilitation and Compensation Tribunal at this stage?

Ms FORREST - This one is in regard to the Workers Rehabilitation and Compensation Tribunal. The reduction in the line item there I assume is as a result of the pay freeze? There are no other savings that are required to be made, or are there?

Mr GUTWEIN - No.

Ms FORREST - That is all there is?

Mr GUTWEIN - Yes - pay pause.

Output Group 3 - Corrections, Enforcement and Consumer Protection

3.5 Building and Occupational Licensing Services

Mr ARMSTRONG - The funding from this came from WorkSafe Tasmania of approximately \$18 million. Can you tell me what has happened - there is \$1.5 million when you add up the \$12.8 million for WorkSafe Tasmania and the \$3.8 million for building and occupational licensing services; that is \$16.5 million. There is a \$1.1 million difference. Is that part of the wage pause?

Mr GUTWEIN - The wage pause is a part of that. Again, across this area we are looking to achieve some operational efficiencies as well. There will be no impact on the services that are offered at the frontline level. My experience in the last couple of months especially with the Building and Occupational Licensing Section has been that we have a very outward-looking department. With Dale Webster being here, you might like to raise a couple of other matters in regards to this. The engagement we have with the building sector has been fantastic. There is one point I wanted to make in this session today, and we put out a release only recently and we have a 'show and tell' here that we might hand out in a minute, in regards to leaky building syndrome.

Ms FORREST - When you leave the taps on.

Mr GUTWEIN - No, it is almost as if you left the tap on in your roof or under your sub-floor with some of the problems that are now starting to appear in very new buildings, especially homes that have been built in recent times. I might pass to Dale if he wants to make a couple of comments more broadly about this output.

Mr WEBSTER - Firstly, on that question, part of the \$1.1 million is in fact a change in income to Building Standards and Occupational Licensing. We have reset it to a lower level. That is just to reflect the fact that the building industry has been in a downturn. Our indications are it is now turning around but we have reset the income to a lower level to indicate that over time the building sector goes up and down. That accounts for some of it. Other parts of it are how the money was transferred from WorkSafe to Building Standards and Occupational Licensing.

Within the new division, which is what the Treasurer wants me to talk about, this financial year the condensation grant that the Treasurer briefly mentioned, which is around the leaky building syndrome in New Zealand, will be one of our major activities. We are doing a review of

the entire Building Act and the building regulatory framework. We hope to have that legislation through to the Parliament in the last quarter of the financial year and submissions for that closed yesterday. There is someone back in the office putting those submissions on the website apparently so that will be published.

CHAIR - You have had plenty of submissions?

Mr WEBSTER - We had 39 in by the time I had left at lunch time, with another 18 or 19 who rang me up to ask if they could have an extension, so we are expecting quite a few.

CHAIR - Can you give the committee an indication of where most of those have come from? Have they come out of the building industry?

Mr WEBSTER - The vast majority have come from the industry itself. There are a few consumer-type ones. It is part of the building act review. We set up reference groups, one for local government, one for consumers, another for the building industry itself, the associations involved in the building industry, and the last one is a technical group made up of practitioners such as building surveyors and architects and builders. Most of those people have put it in a submission but individuals have too, so it is a fairly broad group.

CHAIR - That is something to look forward to. There are a lot of issues out there, as you know. Compliances and everything else and there are some things which need sorting.

Mr GUTWEIN - There are no two ways about that and the feedback to date has been very positive in regard to the engagement between both the department and sector and the practitioners. It has been excellent. We will get a lot of recommendations and as the review moves through some brave decisions will be made in regard to the start of the recommendations. Hopefully, we can get the support of the Parliament.

Ms FORREST - Where does the red tape reduction coordinator fit in all this? Because you have plenty to talk about and I cannot see where it fits.

Mr GUTWEIN - One of things we have and we are very mindful of, is that we have a silo effect across government. You can all agree on that but whether it be in building or in health, in the way the processes are dealt with across a range of other agencies, the red tape reduction coordinator will be tasked with working with us once we have worked through this process to ensure that the changes that we make are implemented but importantly, their role will be to range across government and -

Ms FORREST - Where does that person sit?

Mr GUTWEIN - State Growth.

Ms FORREST - And their Budget allocation is in State Growth, so I can ask the minister, Mr Groom, about that. But the Treasurer is in charge of small legislation.

Mr GUTWEIN - The responsibility falls with the office of the coordinator general and the red tape reduction coordinator will fall within that State Growth.

Output Group 4 - Regulatory and Other Services

4.1 WorkSafe Tasmania.

Mr GUTWEIN - This is Martin Shirley, General Manager, WorkSafe Tasmania.

Mrs HISCUTT - Thank you, Martin. I am looking through this with WorkSafe and the figures here and it is serious injuries nearly 13 out of 1 000 per year. That seems very high, even though it says that it lost time of five days or more. What is the average, is it around the five days or is it 10 days with serious work injuries?

Mr SHIRLEY - The average time that someone is off?

Mrs HISCUTT - Yes, of those 12.9 people that are off, is it an average of –

Mr SHIRLEY - That is 12.9 claims per 10 000 workers, and these figures of the rates of serious injury are standardised figures that we use when we are comparing accident rates across Australia. I don't have in front of me the average time that someone would be off - it would be available to recover, but I don't have it here.

Mrs HISCUTT - So you have the minimum time here?

Mr SHIRLEY - Yes.

Mrs HISCUTT - I understand that it is very important to reduce the rate of claims. We all know you have to work without being injured. But has there been an education program to help the workers to be more aware of themselves? It is easy to think that the boss will fix it. Are you trying to do that in the workplace?

Mr SHIRLEY - Yes, we are. The funding for WorkSafe comes in two portions - the consolidated revenue funding and then funding from the WorkCover Tasmania board. A lot of the funding that the WorkCover Tasmania board obtains is used for educative purposes. It has funded advisory positions - WorkSafe has advisers who deal with business, both employers and workers, to provide them advice face-to-face. We have a series of publications to help people understand what risks they face, particularly new and young workers. There is an understandable tendency for people when they start work to want to be seen to be useful and productive, but that is also when they are most at risk, because they have the least experience in the business, so we target them.

In October each year WorkSafe Tasmania runs WorkSafe Month, which is a series of free educative forums in the north, north-west and south, focused on exactly the sorts of issues you are talking about.

Mrs HISCUTT - You are mainly looking at construction industry, I presume - that would be the biggest place where WorkSafe is visible?

Mr SHIRLEY - WorkSafe Tasmania has a strategic plan focused on the four most dangerous industries. Manufacturing has 19.4 per cent of the lost time injuries, which is the highest. Health and community services has 15.9 per cent, retail trades 9.3 per cent and construction 8.3 per cent, so our focus is in those areas.

Mrs HISCUTT - I would have thought construction would have been higher, so that is good. Manufacturing businesses often have toolbox meetings; is WorkSafe present during times like that?

Mr SHIRLEY - We are available to be present. We try to have the inspectors form a relationship with businesses. We have also established a Better Work Tasmania project, not to have a dependency between the businesses and ourselves, but larger business in Tasmania is keen to be a good corporate citizen in a safety sense

Mrs HISCUTT - It is in their financial interest.

Mr SHIRLEY - Historically they have tried to improve safety down their supply chain, but I detect that currently they are more keen to do that in their locale. They are happy, if they have training sessions or the like, to invite small businesses in the area, and the Better Work Tasmania project will find a way for those people to connect. We will essentially be a dating service for safety

Mrs HISCUTT - When it comes to rules, regulations and red tape, do you find this sector is expanding, or is this education starting to contract? Your finances are beginning to drop a bit.

Mr SHIRLEY - Regulation in this area is largely consistent across Australia. Australia has pushed to have national, harmonised laws. Tasmania introduced its version of the national harmonised laws in 2012. COAG, as you are probably aware, wants to simplify that legislation. There is an exercise across Australia that Tasmania is participating in to look at simplifying the laws that apply in this area. That work will report back to the relevant ministers across Australia in November and I anticipate from that, there will an opportunity for simplification of this legislation.

CHAIR - We delayed the legislation for 12 months. New South Wales was the only state that went by itself for a while because their laws were not up to speed. We held it up for 12 months, while the codes of practice for all the different industry groups got themselves into place. Are you saying there will be a review of some of the codes of practice that are now in place, or am I missing the point?

Mr SHIRLEY - Yes, that is exactly the case. The terminology that COAG used was 'making it easier for employers and works to comply with their obligations' through simplifying the acts, simplifying the regulations, and simplifying codes of practice. In fact, Safe Work Australia recently looked at several codes of practice and determined that it wanted them implemented as guidance material. They didn't have the regulatory force of a code of practice but were in a language that was easier for people to comprehend. That work is not completed but certainly those codes of practice, or guidance materials, have cleared through Safe Work Australia for adoption by the various states.

Mrs HISCUTT - Oh minister, that's music to my ears.

Mr MULDER - You talked about simplifying the codes of practice and making it easier to comply. For things like needing to have a scaffold erected by a certified licensed operator, with a certificate attached to the scaffold once it's erected - are you saying we are going to get rid of those sorts of regulatory requirements?

Mr SHIRLEY - As you would appreciate, working at height is quite a dangerous exercise. We are trying to debunk some of the myths that exist in the workplace. There seems to have been this view amongst employers and workers that some of the standard work practices they have been accustomed to using, aren't available to them under the new laws. Testing and tagging, the use of scaffolds, ladders in workplaces - these are all areas where in some cases the new regulations are more harsh, as you have indicated. In some cases people have simply formed the view that they can't do what they used to do. We have spent a fair bit of time -

Mr MULDER - Are we regulating the outcomes or are we regulating processes? Scaffolding is a good example. Most levels of scaffolding, most people could put could up quite well. All you would really need is an inspection - and you have many of them on a building site - to say the scaffolding is erected in accordance with the appropriate standards and specifications. That is different to saying you have to rent the scaffolding off someone, who has to put it up, in which case you are regulating the process as well as the outcome. They are the sorts of issues I am getting at, about simplifying things, and getting costs down.

Mr GUTWEIN - I am very happy to hear those sorts of suggestions and take them on board.

We also have the root and branch review of the agricultural sector -

Mr MULDER - A root and branch review of the agricultural sector?

Mr SHIRLEY - COAG uses the term 'end to end regulation in agriculture', so we will be looking at red tape eradication in work health and safety and workers' rehabilitation compensation, and totally across the agricultural sector, where Tasmania is the lead.

In terms of the question you asked about whether we are regulating process or outcome, we are regulating a combination of both, but we are trying to do so in a consistent way. We are keen to have these discussions at Safe Work Australia that lead to the changes that need to be made. COAG has already indicated they would like to see simplification, but in a harmonised way. It is clearly open to Tasmania to go its own way, but, in the first instance, the work we are doing at the moment is that COAG review for simplification to lead to a whole of Australia view about how the work health and safety laws can be simplified and then I guess there is a point there for the Tasmanian Parliament to determine whether they simplify the version of work health and safety laws is what Tasmania wants to have in place.

Mrs HISCUTT - You also say here that it also assesses and processes licences and permits for key occupations. Are those four key occupations the ones you mentioned earlier?

Mr SHIRLEY - A lot of the key occupations are in those areas of manufacturing and construction and again we are going for national consistency here, so there is a process where particular occupations are identified - forklift truck drivers, crane operators and the like. Tasmania is keen to make sure that it does not regulate any occupations that are not required across the rest of Australia.

Mrs HISCUTT - That means when this happens it is not going to be an Australian standard plus a Tasmanian standard. Thank you.

Ms FORREST - This must be where their mining [inaudible]. We have not touched on that. In view of the Quinlan report, can you give us some details on who is there now - not names but positions and the qualifications of those people and how you are growing it.

Mr GUTWEIN - Certainly in regards to the qualifications and things like that. The recommendations in the report are very important. One of the key issues was the extra resourcing for the office of chief inspector of mines and we have provided that in this Budget. There is also a review under way at the moment of the laws regulating the industry. There were some recommendations from Professor Quinlan on working through. As to the personnel and the mining officer or the chief inspector of mines, Martin can run through who we have there and how we are going to manage it.

Mr SHIRLEY - Historically, the mines inspectorate has had five people. The Quinlan Report indicated a preference for having a sixth person and the Budget provides additional money for the recruitment of an additional person. Apparently there are two mining engineers; they will continue in place and the intention is to recruit a third mining engineer. The rest of the staff will be inspectors who are experienced in mining works but do not have that mining engineer's qualification.

The Quinlan report also indicates that Tasmania needs greater inspection expertise in coal mining. It is unlikely that the additional mining engineer we recruit will have that, if possible, and it would be ideal if we could get somebody to fulfil both of the mining engineer roles. But if not, the intention would be to contract in that expertise if there were a need to audit coal mining in Tasmania.

Ms FORREST - In terms of doing proactive audits on that sort of thing that would be contracted out.

Mr SHIRLEY - The inspectorate was able to do approximately 100 proactive audits in the current financial year.

Ms FORREST - In terms of the coal mine?

Mr SHIRLEY - They would not be in terms of the coal mine, yes they would need to be contracted.

Ms FORREST - I recall recommendations about the inspection of electrical activity in these places as well. That is a concern underground at times. What expertise do we have in the inspectorate on the electrical side?

Mr SHIRLEY - The mining engineers are experienced in the whole of the mining operation and most mining operations have electrical as well. The understanding is that if our mining engineers feel that they do not have the expertise then we are happy to contract in resources. We have done that previously for inspections and investigations.

Ms FORREST - In terms of I think it was in the previous Quinlan Report and in our [inaudible] we looked at in 2007, I think it was. The last other review was 2005. There is merit in working within jurisdictions to rotate some inspectors through so they get a broader range of experience, as well as contracting in perhaps someone with coalmining experience if you need it. Is that something you would look at?

Mr GUTWEIN - Obviously getting a fresh set of eyes on a lot of problems is always a good outcome. It is not part of my thinking at the moment in regards to it. With the processes that are in place, the one that is going to need to be most closely managed is insuring that the coalmining inspectorate that we bring board, as and when we need it, is managed appropriately. The response I have had from the department to date with the broader recommendations or the current predominant thought has been timely and excellent.

In light of the tragic circumstances earlier on, there has been a -

Ms FORREST - Refocusing?

Mr GUTWEIN - That's probably not the right word, but there is a very clear understanding that we have to get this right.

Ms FORREST - These recommendations have been made time and time again about the size of the inspectorate and the capacity of skills therein. I am glad to see that you are addressing that. For the injuries and lost-time injuries, do you have current figures to show across all the industry groups?

Mr GUTWEIN - I would think the annual report from the WorkCover board that is due out. That will have all the current ones. I have last year's.

Ms FORREST - Are we seeing growth in any particular area in lost-time injuries, or is it fairly consistent with previous years?

Mr OVERLAND - We are continuing to see improvement. In 2013, there were 8 185 workplace injuries, which is 836 or 10 per cent below the 9 021 reported in the previous year. Early figures show that 2014 should see an improvement on 2013. Of the 8 185 workplace injuries in 2013, 3 676 or 45 per cent were lost-time injuries. That is, injuries where an income replacement payment has been made, indicating the injured worker has had time off work due to the injury. This is 338, or 8 per cent fewer lost-time claims than in 2012, when there were 4 014. We are continuing to see improvements across the board.

Ms FORREST - I was recently at Grange's Port Latta site on 24 July and on 25 July they had just clicked over four years without a lost-time injury. That's a pretty impressive record. We hoped nothing happened the day we were there, as a result of us being on site, and it didn't. That was the Tasmanian Leaders' Group that were there. It is pretty amazing achievements that some of these companies are achieving.

Mr OVERLAND - I might also add, the rate of serious injuries also continues to improve - that is, serious injuries and injuries where there is more than a week's work time lost. In 2008-09 the rate was 14 per 1 000 employees. In 2012-13, which is the latest figure I have, it is down to 12. As a rate, that is quite a big improvement.

Mr ARMSTRONG - Could I just get some clarity about the mining inspectorate? It is five mining inspectors, is it?

Mr OVERLAND - There are five staff in the mining inspectorate.

Mr ARMSTRONG - Are they all mining inspectors?

Mr SHIRLEY - They are all mining inspectors, but three of them are mining engineers. I am sorry, three of them will be, two of them are in place and one has been recruited.

Mr ARMSTRONG - So dangerous goods, gas, flammable liquids, do those comes under that inspectorate?

Mr SHIRLEY - No, dangerous goods is another area within WorkSafe Tasmania. What is common is major hazardous facilities, so four of the mine sites are also major hazardous facility sites.

CHAIR - We'll ask the AG to come to the table. The AG keeps us honest. Any questions from members to Mike

Ms FORREST - Perhaps Mike wanted to make some opening remarks about this Budget. I think it might help if Mike could provide an overview of how he sees the Budget

Mr BLAKE - My budget has been subjected to the same savings strategies that others have, so we have managed to do that without reducing people. The 5 per cent in my case represented about \$80 000 to \$90 000. I am now giving you reports on the pen instead of a report in hard form. I have bought some old ones and some new ones so you are not going to get the fancy ones anymore. Without being flippant, that was a strategy we could put in place very quickly and that saved us \$50 000. The other thing we did was to reduce the amount that we receive through DPAC to do those employer audits on recruitment practices, for example. I was doing two of those audits a year, and now I am only doing one. That meant no people impact on my budget.

Ms FORREST - I understand that it was the intention of the Government to relocate or locate integrity bodies together. You have made that move, or are making that move?

Mr BLAKE - We initiated that process about two years ago . We started speaking to the other integrity entities. That came out of the work that I did on the Commissioner for Children report that I wrote a couple of years ago. At that time we did a benchmarking study, and we spoke to the Integrity Commission, Ombudsman, Anti-Discrimination Commissioner and the Commissioner for Children, and started a process of, 'can we share accommodation'. Quite rightly they are looking at that independently of us. We have decided we are going to go ahead without them. We move in February to cheaper accommodation. It is still an option for them to join us in the same building because there are three floors available in the same building but that decision is up to them.

Ms FORREST - If that was to occur, are there any other options for sharing administrative staff, or that sort of thing, to create greater saving

Mr BLAKE - The exercise we did was to look at accommodation and shared services. We researched whether my office should provide them with the shared services function, should we leave things as they are, or should we go in and get the functions provided to us by one of the departments. We decided the department option was the cheapest for us. We also benchmarked two departments - Health and Justice - and that resulted in us entering into a service level agreement. The budget papers indicate that we had a \$250 000 fee this year from Justice to provide that function. That was done, not necessarily to save money, but to reduce key person

dependencies. I had two people leave my office in a very short space of time and it highlighted the need to not have to rely on a small number of people. I already have a small office, so Justice now provide me with that service, both in terms of IT, HR and Finance, and it is working well.

Ms FORREST - You pay for that?

Mr BLAKE - We paid for that.

Mr De SANTI - With the co-location, the major administrative staff saving would be a shared reception given that all our back office is being done somewhere.

Mr BLAKE - That option is still on the table if the other entities want to come in with us but at this point, we have just decided to go ahead anyway.

Ms FORREST - You have your appropriation, but in raising your own revenue from audits, what capacity do you have and is there a capacity to increase that?

Mr BLAKE - No, there is not at the moment because the government is downsizing in the sense that we have fewer departments and electricity entities - Aurora is continuing but in a smaller form. We are lucky to have only one THO in the future so the number of audits we are doing is down, so that means we have to run our financial audit services in line with those changes. We do not have our final results but I am happy to give you my audited financial statements. We have made a surplus in the last 12 months and that has been because of the efforts of the two people beside me to get our costs down. We think we are going to be in a position to hold audit fees and not increase them.

That is the challenge I have given my two colleagues; we are developing a five-year financial strategy and one of the objectives of that is to not increase audit fees or at least hold them to CPI.

Ms FORREST - Performance reviews: you do not charge for those?

Mr BLAKE - No. That is under our appropriation. At the moment, the appropriation we are getting and the savings that we have already initiated - the savings come under that part of our budget - we can cope and still provide you with seven performance audits a year and one employer type audit a year.

Ms FORREST - You have had to reduce that level of scrutiny?

Mr BLAKE - The previous government reduced my budget by a cumulative figure of \$90 000 over the four-year business period which finishes next year. We have embedded those terms into our budget; we have already found savings to enable us to do that and still provide you with those audit reports.

Ms FORREST - What level of surplus did you make?

Mr BLAKE - Did I say that? \$500 000 - we had a good year.

Ms FORREST - Is the Treasurer going to take that from you?

UNCORRECTED PROOF ISSUE

Mr BLAKE - I have had a chat to the Treasurer about that and I have asked him to leave it with me so if you have read the next year of recommendations then make some recommendations for me to invest in some value-added services and some stronger IT capability. I want to use that money to invest in that and to produce and not increase audit fees, so there will be a saving as part of the process.

Mr De SANTI - Some of the surplus was one-off. There were some one-off factors that are not going to repeat so it is not going to carry forward.

Mrs HISCUTT - Did you convince him to let you keep your surplus?

Mr BLAKE - We had a discussion about it. The whole idea of having a five-year plan for me - I know that we have a forward Estimates period but we decided that one of my objectives two years ago, when we were making deficits, was to establish sustainability. I keep telling everyone else to be sustainable; we certainly needed to do it ourselves and with Rick's help and Penny's help, we have now reached a turning point. We have made surpluses two years in a row, some of those are one-off but we now need to find a way to not increase audit fees to the extent that we have so that we can then share that saving with our clients.

Mrs HISCUTT - If you continue along that line, would you consider making a dividend payment at some stage?

Mr BLAKE - We are not an organisation that pays dividends, no.

Ms FORREST - In your statement of comprehensive income you have your appropriation, sales of goods and services, audit fees and other revenue unrelated - \$5 000 across the forward Estimates. What does that relate to? Your other revenue?

Mr BLAKE - Two things - the money that I get from Premier and Cabinet to do these employer-type performance audits, they pay for. There is also some odds and sods in there. If I am a board I get director's fees which get paid to the office and some other minor items of income make that up. It is not a big number but it is quite large for us.

Ms FORREST - Again, with performance information, Mike, while we are looking at the parliamentary reports and services, the parliamentary general satisfaction index; it is every second year. I understand that in 2012-13 you had 96 per cent satisfaction guarantee - what a result. Your target for this year is only 75 per cent. Why would you want to have a lower target than the ones you achieved last time?

Mr BLAKE - In fact, I increased my target from 70 to 75; 96 per cent was unusually high. We had a 17 member response so that is just under 50 per cent, which is okay, the 95 per cent was wonderful, two years before it was 81 per cent, so it can vary depending upon whatever reports we have been giving to members of parliament over that period. I don't want to set a target of 96 per cent when I know it could so easily be the other way. I think 75 per cent is pretty good.

Ms FORREST - Isn't it true, though, that generally, when you send out surveys those people who are unhappy are the ones who respond. It depends on the cohort to a degree but generally those who have a bit of a gripe are the first ones to fill out the forms. I accept 96 per cent is pretty high but 75 per cent seems to be aiming a bit low in view of your recent history.

Mr BLAKE - I have to take it on notice. The people who responded were a good mix of Public Accounts Committee members, members of the government at the time and opposition at the time, and the Legislative Council. It wasn't as if it was just Legislative Council members, for example. It was a good mix of members. I would be kidding myself if I said wanted to have a target of 90 per cent. I am not going to please everyone every time. If you get a response rate of 17 or 18 people, you only need three or four people to say they don't like it and you are down to 70 per cent, so I think 75 per cent is realistic.

Ms FORREST - Yes, small numbers always make those things very irregular.

Mr MULDER - You mentioned that you have managed to achieve your 5 per cent target without staff cuts. Who set the 5 per cent reduction?

Mr BLAKE - The government of the day. To be fair to the government of the day, the previous government did so similarly and I have always been on the front foot to say I am part of the system and therefore I should be part of those decisions. No problem with that.

CHAIR - Thank you very much and keep up the good work.

Minister for Planning and Local Government

Mr GUTWEIN - On my left, Simon Overland, Secretary of the Department of Justice; and on my right, Greg Alomes, the Executive Commissioner of the Planning Commission.

Mr FARRELL - In regard to the internal departmental restructure, could you tell me a little bit more about what that involved, and has it achieved what it was intended to achieve?

Mr GUTWEIN - I will ask Simon to run through that.

Mr OVERLAND - There was a formal restructure of the department that had a number of aspects to it. One part related to the previous divide between what was Workplace Standards and the WorkCover Board. They were separate and free standing organisational units but there was a very significant degree of crossover between them. In the course of last year they were amalgamated to form WorkSafe Tasmania.

The other part of the restructure was more to do with the direct reports to me, and the corporate arrangements. We had two Deputy Secretary positions. There was the Deputy Secretary for Corrections, Mr Robert Williams, and Mr Michael Stevens was the Deputy Secretary, Corporate. You might recall that Mr Stevens went off to lead the bushfire recovery taskforce and I took that opportunity, for a variety of reasons, to look at the way the department was structured underneath me. It had a pretty loose, strange sort of structure - it almost did not have a structure.

Part of the process was to put a structure in place where we created a Deputy Secretary, Administration of Justice role and we clustered under that role all the administration of justice functions - the various courts and tribunals, the Electoral Commission, Births Deaths and Marriage, and support. The Deputy Secretary Corrections role did not change greatly but there were some minor changes there. There was also a General Manager Corporate role created to look after all the corporate services. The department provides corporate services to a range of internal customers - the Supreme Court, Magistrates Court, and all the tribunals - and also

provides services to a range of external customers such as the Auditor-General and other satellite entities like the Ombudsman's Office, and the Integrity Commission. We thought we needed to strengthen the corporate support side of the business.

We were also able to take some positions out of the structure to lower the cost. Essentially, it has reduced the overall cost of the department and creates better functional relationships, and cleaner and better reporting lines.

Out of that process we were also able to restructure our outputs. Under the previous arrangements we had 13 output groups, and we have gone back to four. That better reflects what we do, and makes it easier for us to manage. There is no loss of transparency - you can still see all the outputs within the individual output groups but it is a better clustering of like services within the outcome framework.

Mr FARRELL - And it is working well?

Mr OVERLAND - From my point of view, it is working well. It has reduced the number of direct reports that I have so, from a personal point of view, it works well but it also provides a better structure for the department and the rationalisation I have talked about.

Output group 4 Regulatory and Other Services.

4.2 Tasmanian Planning Commission Appeal Tribunal

Mr GAFFNEY - How much has the Tribunal been used in the last 12 months? Is it expected to get greater use in light of the new planning schemes, that's the forced scheme, coming in. Has there been any funding allocation in light of potential for greater knowledge of the new scheme or how that works.

Mr GUTWEIN - I am hoping it will get less use, for obvious reasons. I have a note here in regards to performance over 2013-14. We don't have the hard numbers. We have the percentages in regards to those matters that are determined within three months, without need for any extension but I don't have the raw data in regard to how many matters have been before it.

It's important at this stage to talk more broadly about the process we are going through and the way we are engaging with local government, and all the stakeholders, through the planning of the reformed taskforce and with Greg's efforts. I know he has been working particularly hard since the change of government in regard to implementation of the broader planning reform.

One of the key things we determined early on was that we had to have strong communication channels. Already, as minister, I have met with the northern, southern and the north western councils, to talk through the planning reform process we have embarked on.

A couple of things that were really interesting when I became planning minister, was that the current reform process, in place under the previous government, would have taken a further four years to have completed, as it stood. That was not acceptable. In the north, of the 17 schemes, we had one that hadn't been received yet - this is interim schemes. Sixteen interim schemes roughly at the same level but with Launceston out in front going through the final process of having their scheme declared. In the south we have received the 12 interim schemes from the southern

councils but they are going through the process, to use a term I picked up from Greg, where the TPC is looking for 'show stoppers' at the moment as those schemes have been brought forward.

Four years is too long a period to get the 29 schemes on to a consistent platform and one of the other concerning things was, that all of you around this table would be aware of, that with a common template the idea was that with the interim schemes that we'd end up with a reasonable level of commonality across all schemes. The level of commonality in regards to the template and headings in it, is very high. In regard to the performance of the schemes themselves it's about 15 per cent commonality. There is a vast difference between the way some councils in the north west have interpreted matters compared to up north and the south.

The process we are going through at the moment, to provide a launching pad for a single statewide scheme, is that we need to get all of the current interim schemes up to the same level. We will be bringing forward a package of legislation later this year which will enable us to have the mechanisms to move more quickly through the process of declaring all of the interim schemes. It is not going to remove people's rights. They will still have the opportunity to make representations.

One of the things we have been discussing with local government, and it makes perfect sense to me, is that, where there are a commonality of issues, that we deal with them on a regional basis. You don't have to have an individual hearing for the same issue in regards to every single one of the 12 southern schemes or every single one of the outstanding northern schemes. We can do these on a regional basis and we will be looking to do that and introduce legislation later this year to enable us to do that. The idea being that by the time that we get to the middle of next year, we are well advanced to having all of the schemes up to the one level. That will provide a common platform and we can start to introduce statewide planning provision across the schemes, starting with those areas that have the highest level of investment and economic output. Then we can start to put in place across all of the 29 schemes statewide planning provisions that provide a commonality across the state.

Do we think we will see more appeals being brought forward? I hope not. The package of legislation we are bringing forward will ensure we can deal with some of the more simple issues that arise in a much faster way than they are being dealt with at the moment. Where there are matters that are not contentious, where there are obvious failings in regard to the way the scheme has been written, or errors or omissions, then we can deal with them without having to go through a lengthy process, as is currently the case. I hope we do not see more appeals out of this. I am sure that if the communication that we are building with both local government and the development community continues in the vein it has been in, then I am hoping that this will run fairly smoothly.

Mr GAFFNEY - It would be helpful, then, if you could table at a later date the amount of appeals in 2012-13 and 2013-14 so we have that on record and have a comparison next year.

Mr GUTWEIN - Would that come out in the full report?

Mr OVERLAND - Yes, it would and we can make that data available. The number of appeals and applications lodged this financial year has reduced from the previous financial year. I think it has been declining over the last two or three years. It does broadly relate to economic activity. The tribunal does have plenty of spare capacity at the moment.

Mr MULDER - Just on that point, if you are going to get this sort of data then I would be interested to know the trends in terms of applicants who are appealing against council conditions or against a council refusal, as well as the level of appealing third parties under the new system, because that might give us a bit of a guide as to whether the problem is resolved. The real problem has been the third-party appeals issue. I would be interested to see how they are trending, particularly in the residential sector now that you have the uniform residential code.

Mr OVERLAND - We can take that on notice.

Mr GAFFNEY - The other one you mentioned was the Planning Reform Task Force. We spoke before about boards and saving funds. It would be interesting to know the cost of this task force and how long do you envisage this? Is it just for the period of getting the scheme up and running or is there a period after that with a role for them?

Mr GUTWEIN - In regard to resourcing, you have the Minister for State Growth in front of you tomorrow. It is resourced under there and he can deal with that. In regard to the appointment of board members, it was initially for a two-year period.

Mr GAFFNEY - It is fair enough that you came up with a logo or a slogan for this sort of thing saying it will be fairer, faster, cheaper and simpler, because that is a good one to sell to the public. A lot of work went on for many years with the previous government on the groundwork that needed to be done. The government, for a lot that, was hands off. They were hands on in directing the planners to get together to start the conversation. This is built on that. To your credit, you are progressing it faster and people will be pleased with that. The thing that worries me is that sometimes, when things become more prescriptive, in local government it becomes more difficult to deal with because you do not have the flexibility. That is different for a lot of the different communities that traditionally might view this as one thing, and then suddenly you have this prescriptive one-fits-all umbrella approach that can create a lot of issues. I would be interested to hear the mechanism that will be used on an individual basis where it does not have to come back to the tribunal, through mediation and that sort of thing, and whether that system will still be in place. That is already occurring in local government because of the uncertainty. How do you see that process with the mediation and role continuing, because that is important?

Mr ALOMES - The fundamental approach is that councils have their land use strategy and if their strategy, for example relating to a town, is to expand residential growth in a certain direction, the way they implement that is to rezone that land from whatever it is to residential. We are saying that is your permit to process. Once you know what your strategy is and you put it in place in your statutory planning scheme by the zone you pick, then under that zone you have use and development provisions that deal with the normal form of development that occurs. That has been tested very thoroughly in the Launceston scheme and the interim scheme assessment process. The panel that is working on that scheme with council, and through the hearing process, has identified what the acceptable solutions are - the permitted pathways - that enable development to occur under each zone that is designed to fit under that zone.

The discretion that invokes the public advertising and third-party appeal rights limits them to those things where discretion is really needed. It creates greater certainty in relation to what you can do, because that is what you expect to be able to do in relation to that zone. The discretion is only where people want to push the boundaries of what they want to do, and only for those aspects of their development where the discretion applies. That simplification will be apparent to everyone when the Launceston scheme is finalised in the coming weeks. That is the model we

will use to help build the consistency the minister was referring to. The 15 per cent should jump up to 60 per cent or 70 per cent.

Mr GAFFNEY - In our scheme we have a height restriction in an area on the beach at Hawley, Port Sorell, because we do not want high rises, or anything over 15 metres. There might be a similar community - a beach community - that is quite happy to have high rise buildings. How do you handle that in one planning scheme? You might have a developer who says, 'In this community, which is on the beach, I can build something that is seven storeys high, but over here I am not allowed'. How do you ensure the integrity of what the community wants is still maintained?

Mr ALOMES - The way councils have done that is to use what is in the template - Planning Directive One - a provision called a 'specific area plan'. For example, the Central Coast Council has identified Turners Beach as an area where the community wanted to have height restrictions. They have used the low-density residential zone, in the first instance, and then they have reinforced the height limit through a specific area plan. We are yet to assess that in a formal independent hearing process and hear the arguments. The critical issue is that there is a strategic basis to underpin that change or to have that variation. It should not be there just because we want to be different. It should be there for a good strategic reason. That is what we test in the hearing process.

Mr GUTWEIN - Where there are local area specific matters that need to be dealt with, they will still be able to be dealt with under the scheme we are proposing. When you look at, say, the residential code at the moment - PD 4.1 - if you have a similar block in Hobart, Scottsdale or Launceston, and a home being built within a similar envelope, it makes sense and people understand and there is consistency across the state. I want to see that consistency in the first instance.

The most significant amount of investment that occurs in any zone at the moment is in the residential zone, for obvious reasons. We then have zones such as commercial, light industrial et cetera where there are significant levels of investment. We will be moving those into statewide provisions, so if you want to build a factory unit in Hobart, you will have similar requirements in Launceston or on the north-west coast. There will always be those local area specific issues - Richmond, for example. That is going to have more challenges and more opportunity to showcase what it has as opposed to some of the smaller north-eastern towns that don't have that same heritage footprint. The scheme will take into account those specific local area issues but, importantly, across the board we will have commonality in the broader scheme.

Mr GAFFNEY - Are there funds set aside for - initially this push came from developers not wanting to have 43 schemes and saying the laws are all changing. Now, most of the concerns still come from the developers about 'what does this mean?' and 'I don't understand this new scheme because it's a tool that I'm not used to using', so I think that needs an education.

But there are things like farm management plans that are really impacting and costing quite a bit of money for developers to have to go through when clearly within 200 metres there is not a tree and they have to pay x amount of dollars because the rules state that. The other one is, 'We can't build the chook shed that high because it is in a plane path. Such things as flight zone patterns are impacting. Practically you are thinking that is just a nonsense, but when planning officers go to the rules and it is not a subjective thing where they can say, 'Oh, we will change our

decision because we know ...', because when they are taken to task, the tribunal or someone will say that they have assessed this poorly, this is not correct because the rules state this and this.

That is where the conundrum is, where the councils want to do the right thing but they have this rule that says they cannot. Planning staff are getting a lot of angst from developers who don't understand that they have to make a decision based on this, even when practically thinking well there is no fire risk here. Do you have a comment on how you get that message or what funds are available for you to do that?

Mr ALOMES - At the moment it is not a funding issue. The issue you raise is an important one because there are two mechanisms at play here. One is that councils with their entrance schemes have put codes at the back of their schemes that cover things like the airport controls. They haven't been subject to any test as to whether they should or shouldn't be in there but they have been approved by the councils in the north-west region, for example.

When the hearings commence in relation to those entrance schemes, then that matter will be on the table and we will be looking for the justification, the strategic evidence to support having those controls because previously they weren't there. That is one mechanism.

The second mechanism with the bushfire code, that is a state code so that is a matter the commission established a panel to assess, it was driven out of the Tasmania Fire Service and the state Emergency Management area. Clearly that has been in place now and there are problems with its implementation in the sense that it triggers too many matters and the commission has prepared a redraft of that code on the basis of the operational concerns that have been raised. The package of legislation that the minister referred to will give the minister the ability to implement an interim planning directive to fix those problems so they come into force immediately and then we conduct the hearings on them.

The other key part of that is the mapping. A lot of the controls that we want to see in planning schemes, we want to see spatial air flights so zoning is a special control. We would like to see codes also be spatially identified so that where there is a bushfire risk, vegetation prone to fire risk, we want to see that mapped, particularly mapping where there isn't a risk so that everyone in that area is exempt. Then you clearly are establishing where the bushfire code kicks in. At the moment we have that mapping in place in a statutory way that enables that clarity. They are the mechanisms by which you deal with this.

Mr GAFFNEY - Last question, minister, I know it is hard when you are working with legislation, is there somehow a time frame that you are looking at, say for the bushfire zone that it comes to because we will need to pass that information out. What are you thinking and what is the Government thinking on that?

Mr ALOMES - We are very hopeful the legislation will be in place October-November this year. We would be keen to pursue the bushfire code fairly soon because we also get those phone calls you were referring to.

CHAIR - Every member here has been caught up in them.

Mr ALOMES - It is acknowledged as a problem and we know how to fix it. The question is having the powers to put it into place quickly.

UNCORRECTED PROOF ISSUE

Mr GAFFNEY - Is there another problem that you would like to inform us about that I haven't mentioned. What is another burning issue that you have come across with developers or planners, other than those three that you have been involved in, that you think is worthwhile?

Mr ALOMES - The issue with PD4.1 which is the residential code that deals with both single dwellings and multiple units. The community has been used to being able to comment on, and have third party appeal rights, with units. It is fair to say the community will take some time to adjust to these new controls and already we are seeing some communities not liking the fact that they cannot object to some of these developments.

I would argue that with any of these new statewide codes or planning controls that after 12 months you do a review of them to see how they are working and operating. Perhaps the issue is around notification of development that doesn't necessarily invoke a third party appeal right. Or that we look at section 57 of the Land Use Planning and Approvals Act to look at the way discretion and appeal rights apply because there needs to be room for councils to exercise judgment without it necessarily invoking a third party appeal right.

Mr GAFFNEY - Minister, there is \$800 000 less in the Budget for the Planning Commission compared with last year. Are there enough funds there to cover the cost of the task force or does the task force come from elsewhere?

Mr GUTWEIN - I can deal with that. I have a note on that.

Mr GAFFNEY - And is there enough funding to implement a single planning scheme? It has taken a lot of money to get to this place and there is still a bit of work to do.

Mr GUTWEIN - I am happy to answer that and, yes, there will be enough money. There has been a lot of work done already, albeit we haven't got to where we would like to get to and now there is a need to ensure that we have a mechanism to bring this to a head sooner, as opposed to the previous time frame. It will be challenging but we believe we have sufficient resources.

The planning reform task force is operating in a way that is providing advice and also as a conduit to a broad range of industry and other stakeholders. The makeup of people around that table is ensuring that we are getting feedback in real time in regard to what we are proposing.

The feedback loop between the TPC and Greg and the task force has been excellent, as we are working through the proposed legislation. We have the opportunity for immediate feedback from people who are engaged in the business in real time in regard to what we are proposing and not only from those around the table but from the broader membership.

In regard to the planning reform task force within State Growth, the cost for 12 months is \$250 000. That takes into account both the executive chair's salary who is on an SES3 which has been already announced to the Parliament. There is funding within that \$250 000 to cover sitting fees, travel costs and catering for task force members, and some minor operational overheads. That has been funded within State Growth, output group 1.

Mr GAFFNEY - Thank you.

CHAIR - Minister, I may have missed when you talked about the tribunal but in terms of tribunal hearings, my recall was that a year or two years ago there was quite a bit of concern that

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tribunal hearings ought to be located in the southern part of the state which disenfranchised people in the northern part of the state because of the additional accommodation and because sometimes these hearings are adversarial in nature and require legal representation. Are all the hearing held in Hobart at this stage or are there still some done in Launceston?

Mr GUTWEIN - I will refer that to Simon. This is the first time that issue has been raised with me.

Mr OVERLAND - The tribunal conducts mediations on site around the state and it attempts to resolve all issues through a mediation process and is very successful at doing that. If matters go to a hearing, most of them are in Hobart, but they consider, on a case by case basis, whether there is a need, or requirement, or justification to have a hearing outside Hobart.

CHAIR - How many hearings have you had outside Hobart in the last four months?

Mr OVERLAND - I would have to get that data for you, and I am happy to do that and provide it at a later time.

Mr ALOMES - We are moving to the video link process so people do not have to travel as much.

CHAIR - I understand that, and if the technology is available then that is the way to go.

Mrs HISCUTT - Minister, there is a one-off funding that I thought might have been for the Planning Reform Task Force, but it is not. It is about \$800 000. What was that for?

Mr GUTWEIN - Where are you?

Mrs HISCUTT - I am on 4.2. There was \$4.9 million, and then on page 5.2 it says 'the decrease reflects the completion of a one-off funding provided for specialist planning skills'.

Mr GUTWEIN - If memory serves me correctly, it was \$500 000 under the previous government for part of the process. It was in place for one year to assist with part of the process.

Mr ALOMES - It was specifically to assist us to do the compliance review of the southern scheme and to do the formal assessment of the Launceston scheme, or interim scheme, which embraced the other councils in the north. In large part we have done the hard work in relation to the northern schemes and have had assistance getting the 12 schemes in the south looked at.

Mrs HISCUTT - Minister, I have the overview from the Planning Reform Task Force and I cannot see anywhere where you are going to address the Protection of Agricultural Land policy. Are you going to do that?

Mr GUTWEIN - Absolutely. One of the key issues with PAL, and one of the main issues that arises around the state, is the impact of agricultural land, specifically in the rural resource zone, which is the outskirts of towns and municipalities. We have to address this.

I announced at LGAT that, as part of this process, we are having a look at all the overarching statewide policies. One of the things that is missing in the planning system is clear direction

about the Government's principles with regard to development, on a statewide basis, and how they filter down into the individual planning schemes.

In regard to the previous process, we have a scheme that in large part has been built from the ground up. As part of the planning process we are going through, we are going to have a look at statewide policies, specifically policies like PAL that, regardless of what we do at a local government level, will have an interface with the planning scheme. We need to ensure we have all the settings right.

Jan Davis is one of the members of the Planning Reform Task Force, and this is one of the issues they will be looking at and providing advice on.

CHAIR - A tricky matter, with so many people having so many divergent views.

Mr GUTWEIN - It is. Greg raised this with me shortly after I became Planning Minister. With the coastal policy - on the east coast, that policy allows a piggery to operate but it does not allow the owner of that land, if he wanted to, put in tourism accommodation in one of the most scenic spots in Tasmania. To me there is something fundamentally wrong with that.

When we were discussing those issues it became apparent to me very early on in the piece that one part of the puzzle was ensuring that we had statewide consistency at local government level. If overarching statewide policies were taken into account as well, you would end with a statewide scheme but a state coastal policy that would allow you to run a piggery in a coastal area but not put in tourism accommodation. We need to consider these matters as we work through this process. We are opening the lid on the statewide policies as well. We will be having a look at the current suite. We will be addressing what else is required.

CHAIR - So what do we have - power, coastal, what other?

Mr ALOMES - Well, there is statewide with fire, industrial and residential. The main areas of developments are that the statewide residential code has been developed in isolation of a policy and the risk with that is lots of things get added that might not be regarded by Government as appropriate for controlling the planning system. We are finding there is a lot of pressure to have north-facing windows, for example. That becomes something that can make a development discretionary and invokes third party appeal rights. It doesn't make sense. Why are we regulating some of these things when a government state policy can clarify whether privacy or solar access, for example, are matters for the planning system or the building system - or are they matters to be regulated at all?

Mrs HISCUTT - Minister, there used to be a policy about 10 years ago where ribbon development on coastal areas was not on. You could not do it. Are you going to look into that? Bearing in mind that most people want to live on the coast - are you going to not close your mind to that sort of thing?

Mr GUTWEIN - I do not want to open up a broader discussion at the moment. At the moment councils have made decisions on their interim schemes. There are issues about certain height limits that they feel are appropriate in certain areas. We have to make certain that we take the very good work that local government has done, that as a government we don't ride roughshod over that. The state coastal policy is well overdue to be considered.

Again, it is a matter, at a government level, of ensuring that there is a set of principles embedded in the scheme at a high level that then filter down through the rest of the scheme. At the moment we have a disparate group of state policies. We have three regional land use strategies that are broadly the same but at a fundamental level are all quite different. We have 29 interim schemes that have commonality across the headings in the schemes and 15 per cent commonality in the detail. We have to draw that together but at the same time make certain that we don't end up with a statewide scheme at the interface with industry, developers and the community that then is fettered as result of not looking at those overarching policies. It makes sense that you look at this from the top down while you are doing it.

CHAIR - Any further questions on RMPAT AND TPC? If not, thank you very much Minister and gentlemen.

Local Government

Output Group 7 - Local Government

Mr GUTWEIN - I would like to introduce Mr Phillip Hoysted and Mr Greg Brown.

CHAIR - Unless there is something you would like to say, minister, I will hand over to Mr Mulder who will lead on this.

Mr MULDER - We have already had the overview of this area of this portfolio several times, in other areas.

You have mentioned a few times the idea of some sawlog merger or sharing of resources or sharing of services, that there is pressure coming on for that from areas such as reduced Federal Government funding. The other thing I picked up in your previous statement was a lot of these councils are in difficulty because they have a small ratepayer base, yet very long infrastructure issues. The number of ratepayers to fund a road, for example, is disproportionate.

I take you back to a project which you are probably still aware of which showed a lot of promise in trying to identify the sustainability indicators of local government. In that context the idea was coming out that merging two small unviable councils may only create a medium size unviable council. That is one of my concerns. I am wondering whatever became of the sustainability indicator project and did it produce indicators of what a sustainable council would be?

Mr GUTWEIN - As that is a question before my time, I will allow the Director to make some comments in regard to it.

It has been raised today in regard to local government about resource sharing and how local government is working to improve efficiencies. One of the concerns I had on becoming minister - and it is something that has concerned me about local government for a number of years - is that whilst there are some good examples of where local government have shared resources and have put models in place that appear to be working well, they are generally driven as a result of a matter of circumstance. You lose a planner, you lose a general manager, and local government comes together and they start to resource share because they cannot pick up that resource.

I do not think that is a very good model. There are some good examples where, as a result of those circumstances, local government have arrived at models but what we need to do - and

through the Premier's local government council and through the conversation which I want to begin after October - is make sure we understand what is best practice. What is working and is working well, providing real benefit and what can then be translated to other local government areas. It should not be simply as a matter of crisis that we resource share.

Mr MULDER - Which is my question about sustainable indicators. Maybe that is a pathway forward.

Mr GUTWEIN - Before I hand over to Mr Hoysted, the Auditor-General has made comments for a number of years in regards to the financial sustainability of councils. His most recent report in regards to sustainability had 16 of the councils operating in deficits. With operating deficits over the longer term that is unsustainable. The challenge is ensuring, as you rightly said - what you don't want to have happen is two local government entities decide to either resource-share or have a conversation about amalgamation, but what it leads to is a larger unsustainable unit. It is important that the conversation takes place, and as the Government we support that conversation. Mr Hoysted may like to make a comment in regards to unsustainability.

[5.15 p.m.]

Mr MULDER - What are the indicators or criteria for a sustainable council?

Mr HOYSTED - We have at least seven financial and asset management indicators we regularly collect, along with literally hundreds of other indicators and information from councils as part of our consolidated data collection. We have this huge database. We have had it going for nearly 12 years, and we are looking at ways of using that a lot better in terms of getting that information out. At the moment, the information is used by the Auditor-General in his reports to Parliament every year, particularly the financial sustainability indicators. The ABS uses the information, the Tasmanian Planning Commission uses the information, but there is also a lot more there that is not being used. We are looking at ways that we can actually get that out there. So the information is still being gathered, after 12 years.

Mr MULDER - After 12 years.

Mr HOYSTED - It is being used though by those three organisations - and the State Grants Commission. It is not information that sits on the shelf. I think there are parts of it coming out.

Mr MULDER - If there are sustainability indicators, surely we should be able to come up with a list of the attributes that a council area should have to be sustainable in terms of its infrastructure, its ratepayer base and things like that. I am just wondering if we are going to get away from what the Treasurer or the Minister for Local Government says about not having these mergers driven by crises, isn't it your job to get on the front foot and start to say that mergers should occur for these reasons so that we do get sustainable councils?

Mr GUTWEIN - The best long-term indicator of sustainability is your operating statement. If your operating statement is running a deficit and you are not able to meet your ongoing requirements, your asset replacement and maintenance, in a liquid fashion, then there are challenges there.

The conversation that we are going to start post the October election is about ensuring that local government and it has been driven by local government. At this stage it would be rare that a

week goes past that someone involved at a local government level, whether in management or at council level, doesn't raise the issue of what the future might be for them, and whether or not as a government we are prepared to engage and provide support so the conversations can go on. We are going to do that.

In regards to your point about sustainability indicators, the simplest sustainability indicator is whether your operating balance is in surplus or deficit. At the moment we have a significant number of councils that are in deficit.

Mr MULDER - That fluctuates sometimes according to the managerial performance of the council, not necessarily the size of the rate base or the size of the infrastructure or the size of its responsibilities, so I would think that we need to go a little bit deeper than just the operating statements, we probably need to look at them over time.

Mr GUTWEIN - I am not talking about looking at this as a 12-month snapshot. Let's have a look at what has historically occurred and, importantly, what they are projecting forward.

Mr MULDER - You have all the data - all 12 years of it. One of the issues that came up though is that, if we just leave this to councils to drive and lead, you end up with something that I have, which is the Sorell Council sharing resources or services with the Tasman Council. The end result is that you still end up with a medium-sized council that still lacks the ratepayer base and has even more collective infrastructure to spread across its smaller rate base.

Then, on the other hand you have the capital city councils, like Hobart, Glenorchy, Clarence, - and I think Kingborough and Brighton might not be in there - and they all came up with this wonderful proposal to create a 'super' council with a massive rate base, with comparatively small amount of infrastructure and beggar our neighbours up the valley and the smaller councils. I am just thinking whether we need to start thinking about a model as we move through here to encourage people to have a hub-and-spoke type arrangement where you have a solid ratepayer base in an urban area which also has some regional responsibilities in the areas around it. So you get the best of the extensive infrastructure and the benefit of a reasonable ratepayer base from which to fund it.

Mr GUTWEIN - That is a suggestion that you are bringing forward. What we will be doing is beginning that conversation with local government about how we can best support them to have a discussion about the best way to ensure that they are sustainable in the longer term.

Mr MULDER - Now I come to the point about the consultation that occurs. There is a capacity in there for elector polls in the Local Government Act yet from my experience on council when I tried to put this issue of council mergers to the people you get the councillors blocking that particular manoeuvre. I am wondering if it is time we consulted the ratepayers rather than the elected officials about whether we should be messing around with their little pie.

Mr GUTWEIN - Democracy is a wonderful thing. We have -

Mr MULDER - We on this table would mostly agree with you.

Mr GUTWEIN - Generally speaking I like to think that the people generally get things right. There is now, for the first time, an opportunity for an all in/all out election. For the first time an

opportunity for the mayors and deputy mayors to stand without having to have sat on a council before. There will be some that will run on models such as you have raised.

I want to have the discussion post-October with the councils then. At this stage there are a number of them that have come forward and have said we want to have a discussion. We want to know what support there might be either for looking seriously at a resource sharing model or, secondly, looking seriously at what the opportunities are for potential amalgamation.

Mr MULDER - This is where I am going to with the sustainability case. I think the government ends up picking up the bill at the end of the day through grants, subsidies and special purpose grants and all sorts of other things, it seems to me that you have a sustainability project, you have a model in mind and maybe it is time you gave some leadership and direction to it. Was it the Glamorgan/Spring Bay and Break O'Day that tried to get it and in the end it fell over because, quite sensibly, it is a wonderful idea but you will end with a middle-sized unviable council.

What I am asking you is, can you some leadership in this and drive down the words if it is mergers or sharing or resources or whatever it is, that deals need to be structured in such a way that it improves their sustainability.

Mr GUTWEIN - I think what we have is that broader conversation about sustainability. No argument at all. With the greatest of respect to local government they are beginning the conversations themselves. They are starting to have those conversations.

Mr MULDER - But then from your point of view, you don't want them in the [inaudible] of crisis where you grasp at straws.

Mr GUTWEIN - The point that I made about crisis was not necessarily in regard to their financial circumstances. The point that I made about crisis when I raised it, that generally when resource sharing has occurred in the past it has been because a local government area has lost someone that is part of their key personnel and they have ended up sharing it with another council. That is what I was talking about when I mentioned the word crisis before. Certainly not crisis in regard to their financial circumstances.

Mrs ARMITAGE - The Southern Tasmanian Councils Authority engaged June Munroe, the former General Manager of the Brisbane City Council to look at what the scenarios could be in southern Tasmania for amalgamation of councils. I think that was one of the ones Tony was talking about. There were three or four scenarios. It is not just the financial part of the council that you have to look at. It is the overall running of the council as far as looking after your assets. Whether you are fully cash funding the depreciation of your assets, et cetera, et cetera. When we talk about council amalgamations it is a broad web that you are casting. There has already been work done in southern Tasmania and those reports are available through the STCA if anyone wants to have a look at them.

Mr GUTWEIN - I am not talking about forced amalgamations in any way, shape or form. What I am saying is that it is time to have a broader conversation. It is being driven by local government in the main, where the questions are being asked, 'If we are to have these conversations with the state government, would you support us?' I am saying as a state government we would. Let us have the conversation and understand what levels of support may be required and take it forward from there.

Mr MULDER - All I am asking is you guide that conversation.

Mr GAFFNEY - I think that is happening with the PLGC and some of the studies that are undertaken at the moment. The 2006 Access Economics Report was run by local government to get that in place. Many things came out of that so I think he is heading in the right direction. The one thing I think derailed it - we cannot go into the conversation regarding it, saying it is going to decrease my rates or my neighbour's rates if we amalgamate, because that is not the right message. It is not the reason for it. That is a soft sell. I do not think it is the right sell because it is not how it works. There are efficiencies.

Initially there may be a crisis and you join general managers, but after that you are looking for opportunities. Once the general manager is there, then you look at the shared resources for opportunities. That is when you get the planners, the staff, the ground staff, the tourism officer and the youth officers sharing across council boundaries. It creates some efficiencies and that is the starting point you have to go from, not reaction.

Out of the Access Economic Report there came a lot of good stuff such as 10-year financial plans, but some councils still have not gone down that path; they are still behind the eight ball. That is where the work of PLGC is going to be very helpful.

Number 13 says:

The increase in local government in 2014-15 reflects funding for election commitments.

So we know there is an election, I understand that. That is in the [inaudible] but the next two years there is not an election and we still have \$1.3 million more in 2015-16 than you have in 2016-17, and the reason for 2014-15 you are saying is because there is an election. There is no election next year or the year after, so what is the reason in the disparity between 2015-16 and 2016-17 in funding?

Mr GUTWEIN - That is grants carried over to the following year. There was a range of election commitments that were made and were being funded through local government. In some cases there will be funding in this year and in other cases they are spread over two years.

Mr GAFFNEY - Okay, but a lot of the cost of an election is borne by councils themselves, except for staffing and running the Electoral Commission. Many councils will pay for their share of election costs, so I need a bit more information about that funding.

Mr HOYSTED - The funding is about election promises that were made, not the actual election. That is run by the Electoral Commission.

Mr GAFFNEY - So who did you promise the money to?

Mr GUTWEIN - Across local government, they did particularly well. I can table this, it is in the budget papers.

Mr GAFFNEY - No, that is fine. I thought it was because the explanation says it is offset by the cost of the election.

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - I am happy to do that, it is in the start of budget paper 2. Chair, if I could table that detail regarding the FTEs that relates to the graph and the years. I will table that as well.

Ms FORREST - Just to clarify that, Treasurer, that is the paid FTEs?

Mr GUTWEIN - It does not actually have the word 'paid' after it. It is total FTEs excluding Education [inaudible] staffing which supports that table on a year-by-year basis that is in PP1. I will table that.

CHAIR - Anything else?

Mr GUTWEIN - No, I am covered at this stage. I was just having a look to see if there was anything there at all that was left.

CHAIR - On behalf of the committee, I thank you for your input today and your cooperation, and thank the two gentlemen at the table. Thank you very much and we are done.

The committee adjourned at 5.31 p.m.