**Monday 25 June 2018 - Estimates Committee A (Gutwein)**

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Monday 25 June 2018

MEMBERS

Ms Forrest (Chair)

Mr Finch

Mr Gaffney

Ms Lovell

Mr Valentine

Mr Willie

IN ATTENDANCE

**Hon. Peter Gutwein MP**, Treasurer, Minister for Local Government, Minister for State Growth

**Department of Treasury and Finance**

**Tony Ferrall**, Secretary

**Jane Beaumont**, Deputy Secretary, Corporate and Governance

**Jonathon Root**, Deputy Secretary, Revenue, Gaming and Licensing

**Anton Voss**, Deputy Secretary, Economic and Financial Policy

**Andrew Finch**, Director, Procurement and Property

**Craig Jeffery**, Director, Government Finance and Accounting

**Amelia Jones** - Assistant Director, Office of the Secretary

**Tasmanian Audit Office**

**Rod Whitehead**, Auditor-General

**Ric De Santi**, Deputy Auditor General

**Patty Johnson**, Director, Corporate Support Services

**Department of State Growth**

**Kim Evans**, Secretary

**Bob Rutherford**, Deputy Secretary Industry and Business Services

**John Perry**, Coordinator-General

**Mark Bowles**, General Manager Business and Trade Tasmania

**Erin Buttermore**, Executive Director Trade and International Relations

**Peta Sugden**, Director Investment Attraction

**Brett Stewart**, General Manager Strategy Policy and Coordination

**Anne Beach**, Director Policy and Coordination

**Business Services**

**Amanda Russell**, Deputy Secretary, Business Services

**Glen Dean**, Director Finance

**Local Government**

**Alex Tay, Director,** Local Government Division, Premier and Cabinet

**Ruth McArdle**, **Deputy Secretary,** Department of Premier and Cabinet

**Luke Murphy-Gregory, Senior Policy Analyst,** Local Government Division

**Ministerial Office**

**James Craigie,** Chief of Staff

**James Abbott**, Senior Adviser - Treasury and TAO Estimates only

**Michael Kerschbaum,** Senior Adviser - State Growth Estimates only

**Nic Waldron,** State Growth Adviser - Estimates only

**Rick Dunn,** Senior Adviser - Local Government Estimates only

**CHAIR** (Ms Forrest) - Thank you for joining us. Treasurer, I invite you to make an opening statement and we will go to questions. We intend to spend time in the Budget overview looking at budget paper 1 before we go to the output groups.

**Mr GUTWEIN** - I thank members for their contributions last week in passing the Government's taxation appropriation bills without major amendment.

The 2018-19 Budget is about taking this state to the next level and building the state's future. It builds on the hard work of our first term and lays the foundation for what I believe will be a new golden age for Tasmania. Four years ago, I delivered the first Liberal budget in 16 years. We delivered our promises in full and on time. We began the task of fixing the financial circumstances we inherited. This Budget delivers our election commitments and our plan to build Tasmania's infrastructure for the twenty-first century, to deliver a stronger economy and more jobs, to invest in health, education and Tasmanians in need, and to act on the cost of living, to keep Tasmanians safe and to protect the Tasmanian way of life.

This Budget has as its centrepiece a record $2.6 billion spend on job-creating and productivity-enhancing infrastructure. It is a pipeline of investment that will form the backbone of Tasmania's economic future. This includes $1.1 billion into roads and bridges around Tasmania, $475 million for upgrades to hospitals and health infrastructure, and over $192 million to be invested into new school and TasTAFE infrastructure; $100 million of our $125 million Affordable Housing Strategy will be invested over the next four years, more than doubling the investment into affordable homes from 1 July for the current budget year. I want to stress that while we will make record investments into infrastructure, we will continue to remain net debt‑free and hold net cash investments across the forward Estimates.

Furthermore, over the Budget and forward Estimates, the Government will invest a record 7.6 billion into Health. This will be used toward employing more than 1300 hospital and health staff and open up another 298 beds over the next six years. The Budget delivers the first stage of our commitments and over the next four years it includes around $250 million in additional recurrent funding as well as more than $120 million for new capital investment into our hospitals and health facilities.

This Budget begins the investment of $324 million over six years into Education. Over the course of the Budget and forward Estimates we will invest nearly $70 million to recruit an extra 277 teachers and support staff. This is in addition to the investment of $192 million into education infrastructure.

The Government knows that to pay for health and education, you need to have a strong economy that grows opportunities and jobs. Tasmania has come a long way over the past four years with 13 400 new jobs created and an unemployment rate of around 6 per cent. Our economy is one of the strongest in the country with the highest growth in the nation in exports, quarterly state final demand and private investment. Retail trade is strong, our population is growing, with the fastest growth rate in nearly eight years, and our tourism economy is going from strength to strength.

Tasmanian businesses are the most confident in the nation but we know more needs to be done and this Budget includes a number of initiatives to encourage investment to take jobs growth to the next level.

**CHAIR** - We are not hearing another second reading speech on the Budget, are we?

**Mr GUTWEIN** - That was much longer than this one, I can assure you. There are some matters that should be touched on.

The Budget includes a number of initiatives to encourage investment to take growth to the next level. We will be lowering payroll tax with the introduction of a 4 per cent payroll tax rate. Payroll is between $1.2 million and $2 million. We will be extending the payroll tax rebate scheme to support apprentices and traineeships. We are supporting more apprenticeships and traineeships with $7.5 million over three years through targeted small business grants, providing payroll tax relief for interstate businesses that migrate to and employ in regional Tasmania …

We have also extended the first home builder boost and are providing the new three-year land tax exception for newly built housing made available for long-term rental.

The Government has made a strong commitment to take action on the cost of living and this Budget continues that commitment. We are spending more than $300 million in this Budget to do so. We have already taken action to legislate to cap power prices and increases in the next three years to no more than CPI.

We have a plan to make Tasmania the safest state in the nation and set a target to have the lowest serious crime rate. We will be investing significantly in our police service, recruiting a further 125 frontline police officers.

The Budget also provides additional funding for our seniors and for key non-government organisations as well. It has a strong focus on supporting the most vulnerable in our society, including those affected by child sexual abuse. The Budget contains the first tranche of our $70 million redress commitment to assist survivors as well as providing additional investment to continue Safe Homes, Safe Families and increase support to assist our most vulnerable people.

The Budget forecasts surpluses in each and every year across the forward Estimates, with a surplus of $161.9 million in the coming budget year and sensible, modest operating surpluses across the forward Estimates. Unashamedly, it is an infrastructure budget. We remain net debt free and will return to fiscal surplus in 2021. It charts the path we will take over our second term to manage our finances responsibly, to grow our economy and create the revenues our growing state needs to invest in the essential services and public infrastructure which Tasmanians expect and deserve.

**CHAIR** - Thank you, Treasurer. I hear all those things you said and we heard most of them in the second reading of your budget speech. We will focus and drill down into the others since we have had a fair go at the good news.

Treasurer, I take you to page 143 of budget paper 1, which is the balance sheet of the public non-financial corporations sector. I understand from reading this that non-financial government businesses are being asked to borrow an extra $1 billion between now and the end of the forward Estimates. The balance sheet notes the borrowings for non-financial businesses will increase from $2.681 billion to $3.684 billion; that is an increase of $1 billion.

When I looked at last year's budget, the borrowings for the non-

**Mr GUTWEIN** - What number did you have there - $3.684 billion or $3.584 billion?

**CHAIR** - Maybe it is the latter. Sorry, it is a typo. When I looked at last year's budget, the borrowings for the non-financial corporations was going to fall by $111 million over four years. A year later, this year, it is going up by $1 billion. Treasurer, why was there no footnote to describe this extraordinary change, and which companies are projected to increase their borrowings over four years, and how much is it in each instance?

**Mr GUTWEIN** - As a starting point, most people recognise that in the total state sector and in this particular part of the Budget the increase in borrowings is driven largely by the purchase of the two new TT-Line vessels over that period. Other government businesses, including Hydro and TasNetworks, are investing as well. It should come as no surprise in fact that the TT‑Line is purchasing those new vessels.

**CHAIR** - I commented on that in my second reading contribution, noting there probably was that but there is not even a footnote. There is a huge turnaround from one year to the next, with no explanation.

**Mr GUTWEIN** - To be honest, you have raised it and perhaps there could have been a footnote, but I think that most people understood that TT-Line would be purchasing those vessels and most people would recognise it in terms of the outcome.

**CHAIR** - How much are the borrowings to TT-Line then?

**Mr GUTWEIN** - $673.6 million.

**CHAIR** - That is still a bit short of the total. Which other businesses, and how much?

**Mr GUTWEIN** - Do we have a breakdown of that borrowing and costs? We can provide that but I do not have it in front of me, I am sorry. We can table it later.

**CHAIR** - Treasurer, can you tell me how much cash, excluding the overnight borrowings, will be in the general government at 30 June 2018, 2019, 2020 and 2021? For reference, on page 51 of budget paper 1, it appears to be less every year. If you could explain the overnight borrowings for each year. How much cash would there be, excluding the overnight borrowings?

**Mr GUTWEIN** - The balance sheet and page 51 indicates the grossed-up value. I have to get the number for you. There has been some discussion about this over the last four years we have repaired and turned the budget from a deficit position across almost all measures to where it was in surplus. We built up cash and the strength of the balance sheet and now going to a period of investing into infrastructure. It should not be a surprise that the gross levels of cash have come down.

It is interesting, when you look at gross debt at the end of the period in 2022 compared to the gross debt we inherited in 2013- 14, that our gross borrowings are actually lower. Not only over the four years did we lay out a program to invest heavily into infrastructure that will by itself drive our economy and increase revenues over and above what are forecast, but at the same time we have a better gross debt position than we inherited in 2013- 14.

**CHAIR** - I am interested in how much cash there will be.

**Mr GUTWEIN** - The cash and deposits before the temporary borrowing, over the forward Estimates are: 2018- 19, 431; 2019- 20, 61; 2020- 21, 31; and 2021- 22, 57.

**CHAIR** - With the exception of 2021- 22, it is diminishing significantly. This is the argument about the lack of a buffer. You have increase in borrowings from reducing cash. Is that really a buffer?

**Mr GUTWEIN** - The point in terms of the net operating surplus is the starting position that flows through the other measures on both balance sheet and operating statement. Having a relatively healthy 2 to 3 per cent overarching surplus provides you with the capacity to have numbers.

**CHAIR** - This does not include the capital grants from the Commonwealth.

**Mr GUTWEIN** - It is time we busted the myth on this and talked about what it was first introduced into the budget for, but we can come back to that. As a state, we have built a strong financial position and now investing into the infrastructure Tasmanians need.

Some on your side of the table - and certainly a range of commentators - would be arguing that at a time our population is growing, when we need better health and education facilities and should be investing in public housing and affordable housing, that if we were holding significant amounts of cash across the forward Estimates, we should be spending it.

**CHAIR** - If you had significant amounts of cash I would be arguing, but we are not.

**Mr GUTWEIN** - Look at the gross debt position compared to where we started in 2013- 14 and where we finish at the end of the four years. We actually have a better gross debt position over that period than we started with and we will have delivered a $2.6 billion infrastructure program.

**CHAIR** - You would hope that would be the case with the economic growth there has been. I am not saying you are doing a bad job, Treasurer.

**Mr GUTWEIN** - Do you want us to invest in these assets and the infrastructure Tasmania needs or not?

**CHAIR** - Yes we do, but often we find it is the first thing pushed out when the buffer is not as good as we think.

**Mr GUTWEIN** - You on regularly rely on one commentator when making comments in the House. When you look at some of things said by Mr Lawrence, they are completely factually incorrect. There is a glaring hole in his most recent article, which I am happy to point out at any time you give me the opportunity. I would not draw too much from the position he takes. Our state is in a strong financial position, with a growing economy and increasing need for investment into infrastructure, which is what we are delivering. At the same time we are keeping the state in a net debt-free position.

**CHAIR** - Let us look at the net debt for a second and then I will go to some others. If you turn to page 162 of budget paper 1, which is for the total state sector, not just for the general government sector. You are talking about the whole state, which includes the subsidiary companies, government businesses and state-owned companies. When I look at the net debt calculation for the total state sector, the state moves from being net debt-free, which is $1 million in the black, to having a net debt of $1.147 billion in the forward Estimates. That is an increase in net debt of $1.498 billion, almost $1.5 billion. Correct me if I am wrong, but do increases in net debt occur when cash reserves run down or borrowings are increasing? Is that not what we are seeing?

**Mr GUTWEIN** - Again, you have answered your own question. In your opening question, you asked: what is happening to the net debt position of the financial corporations? We are investing, and TT-Line specifically, is making a significant investment into -

**CHAIR** - I accept that, Treasurer. When you talk about this buffer to cope with anything that might come along, it is an increase in state sector borrowing, reducing your cash. Surely you can't argue there is a real buffer?

**Mr GUTWEIN -** I would argue that there is a buffer. We keep the budget in a negative net debt position. That is we hold net cash and investments across the forward Estimates, across the general government -

**CHAIR** - You are talking about general government, not the total sector?

**Mr GUTWEIN** - In terms of the total state sector, our businesses - and they are businesses, and businesses do borrow - are borrowing to invest in significant assets that are going to stand this state in good stead for the next 25 to 30 years, possibly longer, depending on the life of those assets. I am not sure what fight you are picking because I do not think there is a fight. The Budget outlines that we are going to invest considerably across the general government sector. We remain net cash positive across the four years.

In the total state sector, our businesses are investing in assets that we need as a state to continue to generate further revenues.

**CHAIR -** That is fine until we have some sort of issue. I believe the Productivity Commission's GST redistribution report is going to be released today. Have you seen it yet?

**Mr GUTWEIN -** I do not believe it will be released today. That is not my advice.

**CHAIR** - You can't believe the media then.

**Mr GUTWEIN -** The federal government may consider that today.

**CHAIR** - If you have a negative outcome from that, and even the status quo is negative over the forward Estimates, if there is no less cash coming our way, as you alluded that the prime minister assured you, over time that is a decline. If that occurs and it is not factored into forward Estimates, your position could be worse. You might not have the buffer you talk about.

**Mr GUTWEIN** - The net operating balance in the fourth year, over $190 million-worth of net operating surplus, is a bit more than 7 per cent of our overall GST. I do not expect we are going to see any change. I believe it will be business as usual, based on my conversations with the federal Treasurer and the guarantees that have been provided by the Prime Minister. The very worst outcome forecast in the Productivity Commission report was for a reduction of around 8 per cent. Even in the very worst outcome - and I am not countenancing that - we have a significant operating surplus in that fourth year to soak up any change.

The risks Tasmania faces are more real in terms of wildfire and floods and those types of things. We have the capacity in our operating statement to manage those issues. Obviously if those risks do occur, all the numbers in the Budget change. If there is a flood, the infrastructure program is affected; if there's a fire, the infrastructure program is affected, and that could mean either additional investment or investment is slowed. The Budget is in good shape to deal with those things.

**Mr WILLIE** - Treasurer, on the GST, as the member for Murchison highlighted, The Prime Minister is walking around town saying that the state will be not $1 worse off and you seem to accept that. Are you being complacent? What have you done to stand up to Canberra to ensure that situation doesn't eventuate?

Last year, in this hearing, your language was a lot firmer, and I think that's what Tasmanians want to see. You said, 'We have to be very firm in our intent to make sure we don't lose as a result of any change.'

My question is: you are accepting the Prime Minister's word and saying that it is a risk to the Budget, but we can cope -is that complacency?

**Mr GUTWEIN** - No, two things: first, we have made it perfectly clear that we would fight tooth and nail to retain our GST. Both the Premier and I are long on the record in that regard.

**Mr WILLIE** - So what have you done?

**Mr GUTWEIN** - In this Budget - we have a guarantee from the Prime Minister - I could rhetorically ask you on the basis that Mr Shorten has only made a guarantee for Western Australia -

**Mr WILLIE** - No, Mr Shorten has made a guarantee that there will be no changes to the distribution methodology. He has offered an infrastructure grant to Western Australia and you know that.

**Mr GUTWEIN** - No, Mr Shorten has provided a guarantee to Western Australia. He has said nothing about Tasmania. He has had plenty of opportunity to be here to say so, and he hasn't.

**CHAIR** - Let the Treasurer answer the question. You don't need to pose questions across this way.

**Mr GUTWEIN** - When politics are being played, you have to call them out.

We came into this Budget with more certainty than any past budgets. Most of you understand this in terms of the GST. There are five-yearly reviews of the GST that create uncertainty. There is a review every year by the Commonwealth Grants Commission in terms of the GST and the relativities. Those relativities are not locked in stone until the federal treasurer of the day actually signs off on them, so every year there is uncertainty about the GST. This year, we have a guarantee from the Prime Minister that is not $1, not one cent less. We have made it perfectly clear to the federal government that we expect not $1, not one cent, less in our GST.

**Mr WILLIE** - Treasurer, last year you also said that Treasury was preparing a paper that will report on the GST that would be provided to all members of parliament, both state and federal, and that it would inform your submission to the Productivity Commission. I don't recall ever getting a copy of that. Was that report provided to all members of parliament?

**Mr GUTWEIN** - It is on the website; my understanding is it was.

**Mr WILLIE** - So it was published on the website but wasn't -

**Mr GUTWEIN** - I am certain I put out a statement that the work had been done and it was available. I think we even worked with the Opposition. I would have to check, but I am advised that the view is that I wrote to the opposition leader and the Greens member to provide them with a heads up that this report was available.

**Mr WILLIE** - But the language used was that it would be provided to all members of parliament, and I don't ever recall that being provided to me.

**Mr GUTWEIN** - At the very worst, I provided it to all Tasmanians because we published it. If you didn't receive a copy, I am sorry but I thought most members had.

**CHAIR** - Going back to the GST on page 76, I am interested -

**Mr GUTWEIN** - I should ask Mr Willie: if you had received it, would you have tried a bit harder to get a guarantee out of Mr Shorten?

**Mr WILLIE** - We have covered that and I have said what he has guaranteed.

**CHAIR** - We will move on. The federal government's statement in its budget paper 3 estimates the size of the pool over the forward Estimates. I am interested in how you have estimated our percentage share because I believe that on a per capita basis we get 176.7 per cent in 2018-19. Page 76 in the budget paper shows a declining share over that period of forward Estimates. How are our percentages in the outer years calculated and how does Treasury prepare these Estimates?

**Mr GUTWEIN** - Treasury has, for a long time - perhaps a decade - been considering the relativity for the state each year. Historically, on the vast majority of occasions, we have always used Treasury's assessment of what our GST would be over the four years. There was some politics made of this. In past years the Commonwealth Grants Commission has determined a relativity, which the federal treasurer has signed off on. This relativity has been applied to the forward estimates in budget paper 3. That relativity has been kept constant across the forward Estimates. For any state that in the past would utilise budget paper 3, especially Tasmania with a growing economy, the expectation that over time is that we would see increased state revenues and then therefore a lower share of the GST. It would have actually painted the wrong picture from the point of view of the state and its revenue position for GST.

The federal budget provides, because of the constant relativity applied over the four years, a higher number for GST.

**CHAIR** - What accounts for our falling share?

**Mr GUTWEIN** - What accounts for our falling share is Treasury assesses the current relativity. It then informs itself on all published information from all of the other jurisdictions. In terms of the relativity we use, it has been a much better guide then utilising the fixed relativities previous federal budgets have provided. It provides a better view of what is occurring relating to your economy and the opportunity to provide services to the community once we have what is occurring in the other state budgets. If the secretary wants to provide some further detail -

**CHAIR** - I am interested in the factors that determined our falling share according to the projections in this budget paper.

**Mr GUTWEIN** - In terms of the falling share, obviously while our population is growing at the fastest rate it has in eight years, it still is not growing at the same rate as some of the larger jurisdictions. They receive a greater population share, even though we are growing strongly.

**CHAIR** - Population is one fact - and I assumed would be the case - but are there others?

**Mr GUTWEIN** - Population. The position of the other states in terms of their revenue and Tasmania's own source revenue.

**CHAIR** - So we are cutting our own source revenue with a bill we passed the other day, which has some issues we will talk about later.

**Mr GUTWEIN** - We are making ourselves a little more competitive.

**CHAIR** - We will talk about that later under a particular line item as there is a few questions to be asked about that one.

**Mr GUTWEIN** - On 22 June 2017 the Department of Treasury and Finance prepared a paper which provides a comprehensive overview of Horizontal Fiscal Equalisation; the paper is available on Treasury's website.

**Mr WILLIE** - You said all members of parliament so -

**Mr GUTWEIN** - If she has chosen not to give it to you, I am sorry.

**Mr WILLIE** - No, it is your language last year, Treasurer.

**CHAIR** - Trimming round the edges with semantics. Back to the GST, is there any other factors beside the population decline and our own state revenues?

**Mr FERRALL -** The relativity, as name describes, is dependent on what is occurring across the other states. We do our own modelling of relativities into the forward Estimates. We take all the other jurisdictions' budgets and effectively replicate what would be the Commonwealth Grants Commission - CGC - modelling to forecast our future relativity. It is really based around the Estimates and budgets of the other jurisdictions.

The Australian Government doesn't do that. The Australian Government has no real interest in the relativity or the split up between states, because from their budget point of view, it is a distribution from them to all the states. They do not even attempt to calculate the distribution on relativities.

**CHAIR** - Whilst we are still on the GST and our own revenues, but also our expenditure. I am sure you are aware there has been conversation by some commentators on how our relative share is calculated, and the cost to deliver services is a part of that. With the impact of wages, there has been some commentary around public sector wages being kept low, and you are maintaining your 2 per cent wages policy in the foreseeable future, as far as I can determine. I want to understand what the impact is.

As I understand it, the wages the Commonwealth Grants Commission assesses are Tasmanian wages include both public sector and private sector wages. If the general level of wages here rises relative to other states, our GST will be greater. I want you to correct me if I am wrong. In other words, it will cost government more to deliver the same service because our wages are higher, our costs are higher and we will end up receiving more GST. If this is the case, by keeping a lid on public sector wages, the general level of wages in Tasmania is lower and we receive less GCT as a consequence. Is my understanding correct? If public service wages were $100 million higher to deliver the same service, how much extra GST will we receive and what is the time lag?

**Mr GUTWEIN** - Let me put Tasmanian wages into context. The most recent information I have is for the Wage Price Index ending March 2018. In that quarter, Tasmania grew by 0.6 per cent, which was the equal highest wage growth of any jurisdiction. It was equal with South Australia and well ahead of the national average of 0.4 per cent for the same period. The data shows that over the 12 months to March 2018 the Wage Price Index in Tasmania grew by 2.2 per cent, both public and private, the equal highest of any jurisdiction.

**CHAIR** - Private sector wages been pretty flat though.

**Mr GUTWEIN** - They were equal with the rate of Victoria and well ahead of the national of 2 per cent. If you break the Wage Price Index down, both public and private, public sector wages grew at 2.3 per cent over that 12-month period. That compared with public sector growth nationally of around 2.4 per cent, growing at the same rate as the national figures. Private sector wages rose by 0.4 per cent for the quarter - they were 2.2 per cent for the 12 months. Nationally, private sector wages rose by a similar amount for the quarter, but only 1.9 per cent for the 12 months. The argument that our wages aren't growing doesn't hold up. They are, in many cases, from the point of your wages growth -

**CHAIR** -Are you talking about public sector wages?

**Mr GUTWEIN** - No, public sector and private.

**CHAIR** - Private is still lagging, going by what you said?

**Mr GUTWEIN** - Private sector wages in Tasmania grew by 2.2 per cent over the 12 months. Nationally private sector wages grew by 1.9 per cent for the 12 months. Our private sector wages are increasing above the national average. For that 12-month period we were the equal highest of any jurisdiction, equal with Victoria in the Wage Price Index overall. Wages in Tasmania are growing. I brought a chart I thought might be useful for wages. Members can see the red line is the CPI from March 2014 to March 2018. The blue line is our public sector wages policy at 2 per cent and the grey line is the Wage Price Index over that same period. The argument that our wages in Tasmania aren't keeping pace with the cost of living just doesn't stand up.

**CHAIR** - I wasn't making an argument. I was asking the question about the impact on our GST. Compared with other states you have the national figure for, are some states are seeing higher wage growth than us and others lower?

**Mr FERRALL -** Tasmanian wages, on a relative basis to other jurisdictions, are assessed on the basis of private sector wages in the assessment of the GST. There is a component in the methodology that utilises the Tasmanian private sector wages. That private sector wage is something like - don't quote me - but about 0.89. It is lower, relatively, than other jurisdictions. Because of that, even though Tasmanian public sector wages are higher than private sector wages, we have an adjustment in our GST distribution that effectively takes into account that our wages are lower than the other jurisdictions. It is driven by the private sector relativity rather than the public sector relativity. To some extent, the difference between what is considered the private sector Tasmanian wage versus the other jurisdictions and the public sector wage versus that private sector outcome is considered a policy choice and we have no increment or detriment to our GST because of that.

**Ms LOVELL** - Treasurer, you said recently in Parliament - I do not have the exact date but I can find it - that the average public sector wage in Tasmania is $110 000. That has been disputed and the most recent Australian Bureau of Statistics - ABS - data gives the average public sector wage in Tasmania as $74 000. Can you explain that discrepancy and what data is your figure based upon?

**Mr GUTWEIN** - First, the $110 000 is the average cost of the public servant. It is simply by taking the full-time equivalence we have and dividing that into total wage costs, including superannuation. The $110 000 represents the cost of a public servant, on average, to the Tasmanian budget. In terms of the Wage Price Index or that other number you raised, I do not -

**Ms LOVELL** - That was from the ABS.

**Mr GUTWEIN** - I do not have that data set in front of me. This includes all public sector, including state government. I think local government is included, the university and the Commonwealth. I do not know how big that dataset is. You can go to the budget and look at the total number of FTEs we employ in the general government sector, divide that into the wages bill and add superannuation and that will give you an average cost of $110 000 to the budget for a public servant.

**Ms LOVELL** - Do you have a breakdown of the number of the public servants employed at the different salary band levels you can provide to the committee?

**Mr GUTWEIN** - I do not think we have that here. That is a question more appropriate for the State Service Management Office. I am certain they would have it. I am certain they provide that breakdown in their annual report each year. That is available and the Premier will provide that information today if he is asked the question.

**Mr VALENTINE -** Following up on the mean wage: you are saying you take the total bill and divide it by the number of FTEs. Does that include all the overheads associated with those individuals as well?

**Mr GUTWEIN** - It is a total cost of employment. It is wages, super and I am presuming the other -

**Mr VALENTINE** - What about office accommodation and those sorts of things?

**Mr GUTWEIN** - Those costs that are associated with the salary - annual leave, long service leave and sick pay.

**Mr VALENTINE** - Not accommodation costs?

**Mr GUTWEIN** - No, it is in the budget every year. We provide that employee cost number and the superannuation costs. It is a matter of taking the total number of FTEs and dividing that.

**Mr VALENTINE -** It is not really a true indication of the number of median and the mean. The median being the average and the mean being the number of FTEs on a certain wage.

**Mr GUTWEIN** - The median would be the centre point with an equal number above and an equal number below, whereas the average is just derived by dividing the total.

**Mr VALENTINE** - That is exactly what you are talking about, so do you know what the median is of the salary rate?

**Mr GUTWEIN** - I don't have that figure with me.

**Mr WILLIE** - Can you take it on notice?

**Mr GUTWEIN** - I am happy to do that.

**Mr WILLIE** - Will you take it on notice?

**Mr GUTWEIN** - Are they put on record?

**CHAIR** - If you are unable to provide them later in the day, Treasurer, we will send you a letter listing anything outstanding at the end of the day.

**Mr GUTWEIN** - We will see what we can do; the secretary has just said it might be a difficult number to calculate. It is not one I have ever seen, but we will see what we can do.

**Mr VALENTINE** - It tells a true story about the workforce and what it is coping with.

**Mr GUTWEIN** - In terms of what they are coping with, we have used FTEs, which we think is the most appropriate measure of looking at what the average cost to the budget is of a full‑time equivalent.

We would have part-time or casual employees who might be paid a high hourly rate but work very few hours, so in their total earnings they would be very much towards the bottom of the median scale. Whether that would help inform anything, I don't know.

**Mr VALENTINE** - I guess it gives a good understanding as to what people need to cope with in their daily lives. You can say that the average is $110 000, but it is a far cry from the reality of what they are getting in their pay packet.

**Mr GUTWEIN** - If I could make the point how it would help inform the debate, let us say, for example, there is a specialist who was employed on a significant hourly rate of close to $200 but they worked only a handful of hours each week and therefore, the median would tell us that person would be at the lower end of the earnings scale, but it does not paint a picture explaining the circumstances of their employment.

**Mr VALENTINE** - A split up with between contractors and full-time or permanently employed staff would be interesting. I understand the complexity you are getting at, but maybe for permanent employees it would be good to know.

**Mr GUTWEIN** - We will look at what information we can provide. I come back to that chart I've just showed you. In terms of wages keeping pace with cost of living, the evidence is very clear that over the past four years, both in terms of the Government's wages policy but also the Wage Price Index, on both measures public servants in Tasmania were paid in excess of the cost of living increases.

**CHAIR** - Treasurer, would you mind tabling that chart that so we can have it as part of the record.

**Mr GUTWEIN** - Yes, that is fine.

**Ms LOVELL** - This relates to the member for Murchison's line of questioning earlier. On page 7 of budget paper 1, table 1.2, Underlying Net Operating Balance, in particular I am looking at 2019-20, where you have an underlying net operating balance of an $82.6 million deficit. In fact, each year is in deficit until the final year which has a surplus of only $11.1 million. How can you call that a buffer when it doesn't provide any room for any kind of global economic downturn? It doesn't provide any room for any change in the GST distribution, which we know is a very real risk. You are claiming to have fixed the budget and created this buffer, but we can see quite clearly here that the underlying net operating balance actually has us in deficit for most of the years of the forward Estimates.

**Mr GUTWEIN** - I want to bust this myth about the underlying net operating balance. Does anybody on the other side of the table know when it was first introduced and why?

**Mr VALENTINE** - Educate us.

**CHAIR** - It was to remove the distorting effect of federal grants that came in as revenue but didn't go out as expenditure.

**Mr GUTWEIN** - It was introduced around the time federal grants were coming in truckloads after the GFC. I looked back at the first budget in which it was introduced - and I will stand corrected - and the net underlying operating balance is not a standard accounting measure. It was introduced because when the GFC hit, the federal government introduced massive stimulus programs, such as the Building the Education Revolution and other nation-building projects. The first table indicates they were the only measures included because they were over and above the normal level of assistance a state could reasonably expect to receive every year from the federal government - that is, long-term roads programs, capital into health and so on. That table did not include those normal long-term measures. Over time, Treasury, very helpfully, included other measures in the table to show programs we can reasonably expect. There is now a 10-year strategic roads program. Should it be included in here? Is it a one-off? Is it going to disappear overnight? No, it is not. My view is that it shouldn't be, with Treasury maintaining and including processes developed by previous governments.

**Ms FORREST** - You have to accept that infrastructure is the first thing pushed out when things get tight.

**Mr GUTWEIN** - If infrastructure is pushed out, it will increase your cash position. In terms of the underlying net operating balance, I reject any assertion that the Budget is not robust. If you take out those measures across the forward Estimates such as roads and rail funding - if you take out roads as strategic importance, and look at what the Government can reasonably expect to have in its budget for a long time, we would be in surplus. It is a contrived statement. It was developed for a point in time when this state and other states were receiving significant federal inflows over and above what they would normally expect to receive.

**Ms LOVELL** - It was developed so that there was more transparency around the true picture of the budget and so that where surpluses are claimed Tasmanians can understand that is not the real picture.

**Mr GUTWEIN** - It demonstrates that there were significant inflows of federal capital at that particular time. In terms of the Budget, it is not a standardised accounting measure. It provides information on your side of the table that you might think is useful. I think it is misleading because it enables those who want to take a non-standardised accounting measure to use it for their political advantage. The vast majority of the programs in there are not one-off, one-year or two-year funding programs, they are long-term funding programs. It tells us little about the strength of the Budget. It is my advice that no other state uses it.

**Ms LOVELL -** Perhaps they should.

**Mr GUTWEIN** - The reason they don't is that people take the opportunity to play politics and look for any measure in the budget that does not provide a surplus position. Across the forward Estimates the net underlying operating balance, by virtue of the fact that we include significant tranches of Commonwealth spending which are part of rolling five-year or 10-year commitments, paints a picture that people can use for their political advantage. I reject any assertion that the net underlying operating balance can tell a story about this Budget.

**Ms LOVELL** - Other than if an event happens during the forward Estimates of this Budget or during the periods of these commitments, there is a risk these commitments no longer stand.

**Mr GUTWEIN** - Are you suggesting the federal government will take out its five-year rolling roads program? Or it will remove its 10-year commitment to strategic roads of importance? That is just farcical.

**Ms LOVELL** - I am suggesting that if there is an event in the future, as we saw with the GFC, that impacts on federal government and state government spending, Tasmanians should be aware there is a risk to the budget.

**Mr GUTWEIN** - If there were to be another GFC, I would expect the federal government would probably respond similarly to what it did in 2009- 10. In the post-GFC period, it would tip more money at the states to maintain their economies. I reject your assertions.

**Mr WILLIE** - It was a federal Labor government at the time, managing the GFC.

**Mr GUTWEIN** - I am suggesting they tipped significant amounts of money into state coffers. Was it well managed? The jury is out on that. The reason this table exists in the budget, is because there was an emergency response from the federal government to tip significant amounts of money into the states. The first table we introduced highlighted those relatively short‑term programs. Members would remember the school halls, the affordable housing projects conducted, but it has not morphed into a -

**CHAIR** - Do not mention -

**Mr GUTWEIN** - I am not going to mention that either.

This reflects a much wider amount of federal government programs, many of them are not one-off. They are long-term structural spending programs of the federal government.

**Ms LOVELL** - Everything you have told us is explained here in the budget papers. The underlying net operating balance has been used for a number of years as a measure that removes the distorting impact of one-off Australian Government funding for specific capital projects. If it is not a standardised accounting measure, why then does the Auditor-General use this measure to measure the sustainability of the Tasmanian local governments?

**Mr GUTWEIN** - That is a question you should ask the Auditor-General.

**Ms LOVELL** - Are you saying it is not an accurate measure?

**Mr GUTWEIN** - In terms of this table in this budget, the purpose it was designed for was to do exactly as you say - to remove the distorting effect of one-off capital injections. These are long-term programs, they are not one-offs. Some of them ran for 10 years.

**CHAIR** - Why did Treasury include those then?

**Mr FERRALL** - In 2009-10, when that table was introduced, there was an interim fiscal strategy close to the GFC. One of the measures in the interim fiscal strategy was a net underlying balance on a four-year rolling basis, put in as part of that interim fiscal strategy. That was the genesis of that table. It was not because Treasury believed it was a better measure, because the standard measures they provide in terms of operating balance, fiscal balance, cash et cetera, are really the measures you should ultimately be looking at. Not any single measure, but looking at all of the measures. The challenge we always have with the underlying net operating balance is what you actually include in it. There has to be a significant level of judgment in the subjectivity of which components you include or not include. The actual underlying measure is not particularly significant; you really have to look at the normal or standard measures in the budget papers. If the Treasurer does not mind, for about three years I have been advising it should not be included because all it does is lead to the debates.

**CHAIR** - The Treasurer does not want the heat when that happens.

**Mr FERRALL** - It leads to erroneous debate around sustainability because people do not understand what it actually measures.

**CHAIR** - I made this point during my second reading contribution, which I know you have read and responded to: if you recorded financials as the Australian Government does, on the cash position as opposed to a profit position. I know you do not have to - the Australian Accounting Standards report the way we do. I accept that, but a rhetorical question was posed - if you report it the same way as the Commonwealth Government, would you still be in surplus?

**Mr GUTWEIN** - If you look at the cashflow statement, in terms of the operating measures of government and our operating expenses, we are throwing significant cash surpluses. Across the forward Estimates on the cashflow statement, we have around half a billion dollars, rising to $600 million on the cashflow statement. As a state government, you have significant investments that you make into infrastructure. I was asking Mr Ferrall about how best to explain this. The only way I could come up with is to explain it on the basis of somebody's wage and running their own household. If somebody earns $100 000 and has $90 000-worth of expenses, they have a $10 000 surplus. But then, if they wanted to buy a car that is worth $20 000, they might have savings they could put towards that or they might be borrowing. That $20 000, in the way we account for matters, is then deducted off their $10 000 surplus and they would have in that household a negative $10 000 fiscal outcome.

**CHAIR** - But a car is an ongoing liability, it is not an asset.

**Mr GUTWEIN** - They would depreciate that asset, but they may have paid cash for it. They might not be borrowing and have any impact in terms of their financial position each year. The fiscal balance provides for that same outcome at a state level. You can look at what the operating position of the state government is and then -

**CHAIR** - I understand that, Treasurer, but the question was: if you report it on a cash basis alone, as the federal government does, would we then be in surplus?

**Mr GUTWEIN** - I would have look at it; I don't know.

**CHAIR** - No, that's right - it is a deficit in your cashflow statement - page 53, table 4.3, General Government Cash Flow Statement.

**Mr GUTWEIN** - But if you look at the cashflow statement and look at the net cashflows from operating activities, across the forward Estimates we are generating about half a billion dollars a year, rising to nearly $600 million-worth of cash after we have met our operating expenses. We have a significant infrastructure investment where we are drawing down cash and we will fund that.

The federal government reports this one way; we report it as we are required under law.

**CHAIR** - We're not going to get the answer.

**Mr VALENTINE** - I note your long-term planning approach, which I couldn't agree more with. You are talking about a 10-year strategic roads program and the like. Do you think you could approach the budgeting for this state in a similar way when it comes to the social policy areas? You look at whole-of-life outcomes when you are determining where your funding is best focused. People are saying this is a 'bloke's budget' while you are saying that infrastructure needs to be paid attention to. I don't have a problem with that in some parts, but over the long term do you think that we ought to be approaching this the way New Zealand does? They take an investment approach to spending in their social policy areas as well - not just the hard stuff but also looking at the outcomes for the populace. Do you see a benefit in doing that?

To get a proper long-term solid strategic program, you need to engage other parties. You need to say that these things are not negotiable; get some agreement on this; this is where we want to be in 20 years' time - I would suggest not 10 years. Can we all agree this is what we do with roads and this is what we do with the social aspects that we need to pay some attention to? Then we argue about the small bits. Do you see that as a better way forward if you're really committed to long-term planning, and it seems you are?

**Mr GUTWEIN** - We took the opportunity at this election to start talking about programs outside of the four-year normal forward Estimates period.

**Mr VALENTINE** - I congratulate you on that.

**Mr GUTWEIN** - We are being criticised no end for it.

**Mr VALENTINE** - I don't know that it goes far enough with the social aspects.

**Mr GUTWEIN** - They were social policy areas in large part - health and education.

**Mr VALENTINE** - It's the preventative nature.

**Mr GUTWEIN** - In terms of the overall budget, I come back to your starting point. It was a 10-year plan and we are looking at a 30-year vision as well. It is important we turn our eyes to the horizon and parse it in our future planning for the state. When I look at the last four‑and-a-half years, when I first became Treasurer, we had to run very hard to bring our finances back into reasonable shape. In the last couple of budgets we started to increase that infrastructure spend and we have now taken it up a level in this Budget. We want to begin the conversation about this 10-year plan and a 30-year vision. In terms of social aspects, we have begun the conversation looking at longer-term periods in the four years and have been roundly criticised for it. There needs to be maturity in the debate in that our Government can look six, eight or 10 years ahead and be given some credit for it.

**CHAIR** - Your members did not support a motion I moved and our House supported, except for your members, in relation to a long-term infrastructure plan. It is nice to hear you say it is a good thing now but you wouldn't have supported it at the time.

**Mr GUTWEIN** - I am not going to reflect on any debate. Without looking at what the debate was, I am not in a position to make any comment on it.

**CHAIR** - No, you shouldn't either.

**Mr GUTWEIN** - From the point of the view of the state as to what's in front of the private sector, our government businesses, general government sector and local government - albeit I have the sense there might be differing views in Hobart about some of the growth that's occurring - I think it is important we lift our eyes to the horizon and past it, start to plan and look at what the state is going to look like in 10 years, and in 30 years after that.

**Mr VALENTINE** - Unless you engage the other parties in that broad vision - you might say, look at what the other parties are trying to do to me or you - it is still going to be a four-year cycle. They are going to say you have it wrong, they are going to turn this around and spend more money in another direction. Out goes the 10-year plan and it becomes a four- or six-year plan. There has to be a change in the paradigm, don't you think?

**Mr GUTWEIN** - I will not comment on what other parties and this place might do. I hope we could reach a point where, with a 10-year infrastructure plan and a 30-year vision, it could be, if not shared, at least supported on the basis of being able to look to the future, which makes a great deal of sense. We are now in a position of having an opportunity in front of us and we have to lift our eyes.

**Mr VALENTINE** - Something such as preventative health, it's a no-brainer.

**CHAIR** - We are going off-track here.

**Mr VALENTINE** - It is the modelling, the way they look at their budget. I understand it could drift right off, but preventative health is something every party would agree with. Why not lock in a strategic direction on that over 20 years and have them sign off on it so they don't move outside the parameters?

**Mr GUTWEIN** - You might have more confidence than I have in the current political system. We have taken steps to look over the four years -

**Mr VALENTINE** - It is time for a change.

**Mr GUTWEIN** - and look past four years and have been roundly criticised for it.

**Ms LOVELL -** Do you understand that this criticism - you used health as the example so I will as well - by myself and by others in opposition - is not a criticism of long-term planning. It is a criticism of you making election promise in the realm of three-quarters-of-a-billion dollars investment into health. Yet, over the forward Estimates of this Budget you have delivered less than half that. The criticism is not that you are looking into the future, planning for six years' time. The criticism is in that you left yourself in a position where you will need to deliver more than $350 million in investment into health in the next two years after forward Estimates. Do you understand that is the criticism?

**Mr GUTWEIN** - I think you should acquaint yourself more with what has been occurring in health. In the last year alone, health spending has increased by around $350 million compared with where we started from. If you compare the starting point in 2014 to the finishing point this current financial year, the difference in health spending is more than around $350 million in this last year alone.

**CHAIR** - In this Budget, the increase is $347 million in health across the four years. To deliver on the election commitment of a three-quarter-of-a-billion dollar record investment over six years, there would need to be an investment of more than half of that in the two years following.

**Mr GUTWEIN** - In one year alone, we are spending more than $350 million more than we did when we came to government. Will we be able to achieve what we set out over six years? I believe we will.

**Ms LOVELL -** I hope so.

**CHAIR -** I have one more question about participation rates. In answers to the questions I posed during my reply to Budget, the Leader stated in her reply that in late 2015 the participation rate for the north-west coast was 61 per month on average, which was similar to the statewide participation rate at the time. For the 12 months to April 2018 the participation rate for the north‑west coast was 58.1 per cent, almost three percentage points lower than in late 2015. The rate for the north-west for the year to April 2018 is 58.1 per cent. The equivalent for Tasmania is 61.1 per cent, and the Australian equivalent estimate is 65.6 per cent. This is an answer the Leader provided. This information is not in the budget papers. There is usually quite a bit of detail in the budget papers about participation rates and how we compare. There was comment how we are lower, but no measures. I would like it, Treasurer, if you could provide the figures for participation figures for Tasmania by region and the national rate for the last four years, and any projected figures you have.

**Mr GUTWEIN** - Can I take that on notice?

**CHAIR** - Yes, you can. It is important information we don't have and it is a significant difference in the north-west coast. I understand some of that is related to the population drift to the south. My electorate grew to the east of a result of that.

**Mr GUTWEIN** - I am looking at what the ABS says we have recently put up.

**CHAIR** - Does it have the regional breakdown?

**Mr GUTWEIN** - It has the regional -

**CHAIR** - Maybe provide that later, Treasurer.

**Mr GUTWEIN** - That provides the last 12 months; you are looking for the last four years.

**CHAIR** - Yes, I am looking for historical data as well, if you can find that. Do they have projections?

**Mr GUTWEIN** - No.

**CHAIR** - Okay. The historical data and up-to-date figures, please.

**Mr GUTWEIN** - The most recent 12 months is on the website.

**CHAIR** - In view of the participation rate being quite low in the north-west, what are you doing specifically to raise participation levels, to attract those more likely to participate in the workforce, including young people with families to the region?

**Mr GUTWEIN** - We have invested heavily in the north-west coast, to give it the best opportunity we can to have a stronger economy. I think you would agree with that.

The Metro bus program being rolled out there is giving an opportunity for additional employment in the region. We have the two northern cities programs. What is occurring in Devonport at the moment is fantastic. Devonport now has that opportunity looking ahead, especially with the proposed new hotel to be built off the back of its Living City program. There is significant investment in UTAS in Burnie. As that starts to -

**CHAIR** - It creates construction jobs at the time, but I am talking about longer term jobs.

**Mr GUTWEIN** - Regarding the university, one of the most important things we can invest in is to provide people with the opportunity to upskill and be able to improve their lot. So we see -

**CHAIR** - It has been a key thing in the north-west.

**Mr GUTWEIN** - Yes. In terms of tertiary qualifications, the north-west is underdone compared to other regions. The investment with UTAS is pivotal in providing opportunities for tertiary education for people living there.

I'm sure the Deputy Premier will have more information about this, but investment in TAFE facilities and centres for excellence across the state will directly assist those on the north-west coast, certainly in Devonport.

There are different pathways for different people. The debate at both a national level and to some degree in Tasmania has been about having a university education. While there are options now available with associate degrees, the pathway for many people is into a trade or into a mature-age apprenticeship.

We need to ensure people hear loud and clear that it is not just about upskilling and having a university qualification; it is about upskilling in the areas in which you have an interest, at what you are good at, and, importantly, in which you can have a worthwhile career.

I want to put this on the record: I am often asked in Launceston about the value of a trade career versus getting a university degree. Most of the wealthiest people I know are plumbers, builders and electricians. I encourage people who are looking at an opportunity to get into the workforce -

**CHAIR** - Plumbers, builders, electricians and mining truck operators will have to be more skilled in other areas, not just, for example, in driving a vehicle. Innovations in plumbing will require a different set of skills.

**Mr GUTWEIN** - I am not suggesting they don't. We must ensure we are providing the opportunity through the year 11 and 12 extension to high schools to follow both pathways into VET or into a tertiary education. We have to ensure we are not categorising people. What we are doing is providing a rich suite of opportunities -

**CHAIR** - We are heading into education areas. We will get those figures from you later.

**Mr GUTWEIN** - We will get those on notice. You want the last four years?

**CHAIR** - Yes.

**Mr GUTWEIN** - Okay.

**Mr WILLIE** - I refer to page 162 relating to the earlier line of questioning from the member for Murchison. Net debt declines by $1.5 billion over the forward Estimates. Can you provide a breakdown of the causes for that?

**Mr GUTWEIN** - I thought we had answered that.

**Mr WILLIE** - I want a breakdown of the figures.

**Mr GUTWEIN** - I thought we had agreed we would provide the investment that was occurring. The P&FC borrowings, which would include TT-Line, would include electricity businesses and so. We can provide that. I am sure we provided that commitment earlier today.

**Mr VALENTINE** - With respect to the way money seems to be thrown around just prior to an election - and it is not just your government that does this - do you see a benefit? I think the Tasmanian public would like to see whether election promises are actually linked to a point on a strategic plan and a point on a business plan to show that in providing those funds, you are doing so according to a strategy that is already in place and are simply adding to meeting that target. Do you see the benefit in doing that?

**Mr GUTWEIN** - Largely we do that. We released a financial policy at the election that indicated how we would pay for things and also the cashflows. The previous year's budget or, more importantly, the Revised Estimates Report released in February this year provided a four‑year period that outlined the Government's intentions for investment in infrastructure and essential services et cetera. Using that as the base, election policies were framed around that with the capacity to pay.

**Mr VALENTINE** - Yes, but you can't chase it down and say, 'It is that strategy, it is that particular line item in the business plan. We are sticking to our plan; we are not just throwing money out there to get votes.' Of course that is what people think. When any government does it, that is exactly what the populace thinks. Don't you think a way forward would be to make sure anything being given reflects a business plan, line item and a strategic plan?

**CHAIR** - A bit like the Tasmania Together approach.

**Mr GUTWEIN** - I highlighted in this Budget putting in place a 10-year infrastructure pipeline for the first time; putting in place a 30-year vision - not just across the general government sector but looking at government businesses, local government and getting some sense from the private sector as well. What you are looking for, and being able to look at commitments made in four years' time from today, is that there will be a document you can look at and say, 'Yes, that continues the longer term progression.'

I can be clear about my focus in the last four years: for two years my focus was on ensuring we were in a stronger financial position. Partly the way to do that was to spend on infrastructure and do as much as we could there because it is well recognised that for every dollar you spend on infrastructure, there will be a multiplier effect. In many cases, if you plan it strategically, you will get additional investment that will come off the back of it from the private sector or the local government entities.

At the last election, we had a plan based around ensuring we could maintain the strength of our economy. There is a lot said about the numbers, net debt across the forward Estimates and the fact that we are spending. The key point is that the strength of our economy at the moment, if we continue to invest in that, will not only attract further investment and create more jobs, it will also generate the revenues that we need to invest and continue to invest at record levels into health, education or protecting the most vulnerable.

The plan we took was well considered. In the future, Tasmanians will have the opportunity against a 10-year pipeline, against a 30-year vision, to look at it and ask whether the major parties are in accord with the long-term vision. Whether we can get to that point between the major parties and have agreement on a long-term vision, we will find out in the coming months. What is clear in my mind is that we need to have that longer term planning and vision.

**Mr VALENTINE** - I couldn't agree more on that score. It is whether the public has an opportunity to know that what you are putting out there is contained within a good strategic framework.

**DIVISION 12**

(Department of Treasury and Finance)

**Output Group 1**

**Financial and Resource Management Services**

**1.1 Budget Development and Management**

**Mr VALENTINE** - The forward Estimates show an annual increase in the appropriation of between 2.5 per cent and 4.7 per cent, except for 2019-20 where there is a decline in the appropriation. It is primarily provided by staff resources within the Treasury, so the budget contains a wages forecast of around 2 per cent per annum on page 19 of budget paper 1. Given this wage is forecast, the change and expected appropriation would indicate either increased staffing for this function or significant increases in staffing related costs or use of external resources in the preparation of the budget and its administration.

Can you explain why the output, which is primarily delivered by internal staff resources of Treasury, shows annual appropriation increases which are twice the wages forecast of 2 per cent over the forward Estimates?

**Mr GUTWEIN -** You are talking about 1.1 Budget Development and Management?

**Mr VALENTINE** - Yes, table 12.9.

**Mr GUTWEIN -** I will allow Mr Ferrall to talk about this.

With the output groups Treasury is flexible and nimble, and there are cores that work in each of these different areas, but then Treasury draws resources and people as it needs to. The best person to explain how he is managing his budget internally, and how he delivers budgets of the quality of this one, would be Mr Ferrall.

**Mr FERRALL** - In part it is because of allocation overheads. We allocate our corporate overheads across each of the outputs so you do see some variations because of this.

In relation to the specific output, there is an increase of 0.8 of an FTE which relates to the digital transformation program. There are often some variations of that nature, as the Treasurer indicated. As resources are allocated across the priorities of government and the priorities internally, you will see changes.

**Mr VALENTINE** - Are you saying the digital transformation is reducing or increasing the staff?

**CHAIR** - Increase. The budget management information systems is nearly done.

**Mr FERRALL** - It is, but there is also an overhead to continue to manage that. This probably has another two years to fully implement, so there is a range of changes over the next two years.

**Mr VALENTINE** - Is that why you are saying the two years past 2019- 20 is increasing rapidly, up to 4.69 per cent?

**Mr FERRALL** - I would.

**Mr VALENTINE** - Between 2020- 22, it goes up 4.69 per cent.

**Mr GUTWEIN** - Which number are you looking at, Rob?

**Mr VALENTINE** - The Revenue from Appropriation.

**CHAIR** - Page 347. You are talking about percentage increase.

**Mr VALENTINE** - Yes, percentage increase. It is the appropriation budget.

**CHAIR** - The expenditure is on page 3.

**Mr VALENTINE** - Table 12.9, page 347.

Over and above 2017- 18, you have a 3.65 per cent increase, then a 1.04 per cent decrease, then a 2.54 per cent increase, and a 4.69 per cent increase. It has gone up more than the general wage because it is mainly looking at staff resourcing, as opposed to other things.

**CHAIR** - Does that take into account the extra 0.08 for the FTE for the digital transformation?

**Mr FERRALL** - That would be included.

**Mr VALENTINE** - What action is the Treasurer seeking from Treasury to keep its appropriation needs within the 2 per cent wage forecast?

**Mr FERRALL** - We will only have wages increases as approved by the government, which will be 2 per cent. We do not unilaterally decide our wage increases.

**Mr VALENTINE** - No, I am talking about the overall situation. People leave and people come and you get extra staff, or you put staff off, so do you have any particular plan in place to make sure your overall appropriation reflects that 2 per cent wage increase?

**Mr GUTWEIN** - Once Treasury's budget is locked down, they work to that and then, if there are other roles or tasks I need to take as part of my responsibilities as Treasurer, they will make the request after that. The Treasury manages itself very well.

**CHAIR** - It is a very tidy set of numbers.

**Mr VALENTINE** - They are not immune to your steel hand on the 2 per cent though, are they?

**Mr GUTWEIN** - In terms of managing to their budget, Mr Ferrall is the one with a steel hand in Treasury.

There is a budget set and they manage to that. In the same way as for any other agency, if there are matters that arise that cannot reasonably be forecast or considered when you are putting together the budget, then, like any agency, they can come back and make a request for additional funds.

**Mr FERRALL** - We manage the budget we are allocated by changing our FTEs. From 2009 until now our FTEs are about 35 lower - that is, if you take into account the fact that we picked up the Superannuation Commission, which added about 27 FTEs. That is basically how we cut our cloth to the available funding.

We project our budget going forward so I know the exact cost of every employee. We do that on an annual rolling basis, and to the extent we would see a potential issue in two or three years, we would start to manage that well in advance.

**Mr VALENTINE** - Did you see any particular challenges - with the introduction of your new information systems and those sorts of things that might make life more difficult for you? It might improve things; I don't know. What is your take on that?

**Mr FERRALL** - Just as for all agencies, there is a range of challenges, but we manage within those challenges. Things like the budget information system create opportunities but also create new challenges.

**Mr VALENTINE** - There would be a heavy training component, wouldn't there?

**Mr FERRALL** - Training - the fact that you have a branch that had to relearn a language, in a sense, in going on to a new system.

**Mr VALENTINE** - And everyone else in the department who interacts with it - how is that all going?

**Mr FERRALL** - That has gone very well. The Budget was delivered in the new budget system. We had some minor issues where we worked through the budget process. To implement a significant system like that which pervades right through Treasury and delivers the Budget and is interacted with by every agency, I think was quite a significant achievement.

**Mr VALENTINE** - There have not been any particular issues or problems with departments coming on board and bedding themselves into the new system?

**Mr FERRALL** - The departments worked really well with Treasury and there were various things that came up which surprised all of us, as you would expect with a new system, but the departments worked well with the people within the budget branch and our other areas, and just worked through some of those little issues. It is a major new system, so if nothing came up as a surprise, it would be a surprise.

**Mr VALENTINE** - It would be very surprising indeed. I understand that. Thank you.

**Mr GUTWEIN** - You would think there was something wrong -

**CHAIR** - There probably would be, you just didn't know what it was - it is the known unknowns and the unknown unknowns. In regard to the new schmicko system as we called it last year, is it on time and on budget?

**Mr FERRALL** - Yes.

**CHAIR** - All done. Working? I am aware it has informed these budget papers.

**Mr GUTWEIN** - Yes.

**Mr FERRALL** - The big opportunity will come in the next 12 months and two years. People within Treasury have to learn how to optimise and maximise the new system so we can provide further and additional information.

**CHAIR** - Even more good information for members on this side of the table.

**Mr FERRALL** - Further and additional information. That is right.

**CHAIR** - It is only going to get better.

**Mr GUTWEIN** - The last platform was in place for around 20 years. With the new act coming next year we will have a look at the budget papers and provide additional information.

**Mr VALENTINE** - What do you see as the biggest benefit of this system?

**Mr GUTWEIN** - That the old one does not crash.

**Mr VALENTINE** - I did not say risk.

**Mr FERRALL -** It is a contemporary system. The previous system was a legacy system so there were continuous and ongoing risks in terms of support. It also did not have some of the capabilities we now have in terms of data interrogation. It was quite clunky in the way it operated. We now have greater opportunities for broader data integration, we have greater opportunities for internal reporting and external reporting. It is like moving from your original version of Windows 3.1 to Windows 10.

**Mr VALENTINE** - Departments are going to have a better than even chance of understanding what their financial position is.

**Mr FERRALL -** On their budget side, yes.

**Mr VALENTINE -** We look forward to better days. Thank you.

**1.2 Financial Management and Accounting Services**

**Mr VALENTINE** - With respect to the appropriation, can you explain why this output shows a 14.5 per cent increase in the appropriation for 2018-19 over 2017-18 and explain the subsequent small reduction appropriation for 2019-20 followed by a small increase of 1.65 per cent and then an above wage indexation increase the final year of the forward Estimates of 4.7 per cent?

**Mr FERRALL -** There were 2.12 FTEs transferred from the Office of the Superannuation Commission. In previous years they were reflected in the commission but because they do finance and accounting functions, they are now in that branch.

**Mr VALENTINE** - Is part of the 27 who came across to you?

**Mr FERRALL -** The total allocation that came across was about35. Some of those people and functions have been integrated into other areas of Treasury. The Office of the Superannuation Commission does not have its own corporate services. Our HR and IT management is done within the body of Treasury now, so there have been some transfers from the Superannuation Commission branch into Treasury.

**Mr VALENTINE** - It has been centralised.

**Mr FERRALL -** Yes, 2.12 transferred across, with an additional FTE to provide ongoing superannuation policy support. That area of Treasury also provides superannuation advice, so there is an additional FTE.

**CHAIR** - On this output group, I appreciate the Treasurer writing to some of us with an interest in the new financial management act to inform us of the delay in implantation. Can you inform the committee, now that we are all back at work, how the consultation is going in getting that ready to go, so we do not have another delay?

**Mr GUTWEIN** - As I pointed out in that letter, we could not consult with the Public Accounts Committee nor with members of parliament more broadly. I am not sure of the timing, but I presume we will be in touch with PAC, if we haven't been already, about those briefings. We have this period through to when the next budget is due. I am sure we will have all the consultation taken care of. The most important thing is to ensure that based on the presentation and the information provided that it broadly meets everyone's expectations.

**CHAIR** - No other concerns have been raised in this period?

**Mr GUTWEIN** - No.

**CHAIR** - Agencies are cooperating to make a change?

**Mr FERRALL** - While the election and budget process was run, we had people working on the FMA implementation. We are well advanced in terms of being able to now trigger the consultation, so will continue working with agencies.

There are a number of parts to the implementation we not had sufficient consultation, either with Department of Premier and Cabinet, with agencies, or with the Auditor-General, which is why I provided advice to Treasury it was better to delay. It would have been quite a challenging to deliver a budget, immediately post an election under a new financial management act with a new budget system and not have adequate consultation.

**Mr GUTWEIN** - And without the consultation in the lead up.

**CHAIR** - If there are no other questions, we will move on to 1.3.

**1.3 Shareholder Advice on Government Businesses.**

**Mr WILLIE -** Has Treasury provided advice to the Government on its 90 per cent dividend payout ratio?

**Mr GUTWEIN** - Over time, yes.

**Mr WILLIE** - Recently?

**Mr GUTWEIN** - I am not sure, I will have to check. In terms of the payout ratio, there is no change in this Budget.

**Mr WILLIE** - That was not my question; my question is: has Treasury provided advice to the Government?

**Mr GUTWEIN** - Through the budget process, in terms of returns from businesses and the current policy.

**Mr WILLIE** - Not since the election? To be clear, are you saying as part of the budget process, that advice has been given to you?

**Mr GUTWEIN** - I would have received a range of advice, yes.

**Mr WILLIE** - Are you prepared to give that advice to the Committee?

**Mr GUTWEIN** - No, I am not prepared to release Treasury advice. We do not release Treasury advice.

**Mr WILLIE** - Does the Treasury advice state it is appropriate for all GBEs and state-owned corporations to pay out 90 per cent of their dividend?

**Mr GUTWEIN** - Again, in terms of the advice I receive from Treasury, I am not going into detail. If you are going down the path of the Motor Accidents Insurance Board, we set a financial policy. We took the view we could meet our aims for revenue required to move MAIB to a 90 per cent policy. The Budget demonstrates there is no shortage of revenue and there was no need to make the change.

**Mr WILLIE** - But you received advice from Treasury this year, and you are not willing to reveal that, but you have had a change of heart?

**Mr GUTWEIN** - Again, the revenue circumstance the Budget finds itself in is vastly different, as you would acknowledge, from the Revised Estimates Report. We make judgments as to the settings we will apply in a budget and I made judgments.

**Mr WILLIE** - During the election campaign, you outlined MAIB would move to a 90 per cent ratio. Is this an indication you lost control of spending in the campaign?

**Mr GUTWEIN** - The politics you want to play are not there. There is no fight to be had here and the budget bottom line outcome is vastly improved, vastly different to what we were talking about based on the Revised Estimates Report. To make any statement along those lines is grossly misinformed.

**Mr WILLIE** - Potentially, Treasury informed you, it would not be wise for MAIB to move to that.

**Mr GUTWEIN** - I am not going to go into the advice received through the budget process. It would be improper to do so. Look at the Revised Estimates Report and where we expected revenues to be and where the Budget has landed. The revenue situation has changed dramatically and even you would have to acknowledge this.

**Mr WILLIE** - We are talking about advice, Treasurer. I am trying to find what advice you had to make the call in the election campaign?

**Mr GUTWEIN** - During an election campaign, the same as on your side, you made judgments as to what you can and how you how you would pay for it. We made judgments and now we are in a position -

**Mr WILLIE** - Based on what advice?

**Mr GUTWEIN** - We are now in a position where the revenue circumstances are vastly different. The Budget being bought down explains clearly the level of revenue and dividends from the Government businesses.

**Mr WILLIE** - Will you rule out a 90 per cent dividend ratio for MAIB in future?

**Mr GUTWEIN** - I will not go into ruling anything in or out.

**CHAIR** - Hydro Tasmania has been increased to a 90 per cent dividend policy following the holiday they had, with a number of challenges. With Hydro Tasmania, we were taking out 30 per cent tax and a 63 per cent dividend, which is 90 per cent of the remaining 30 per cent. This only leaves 7 per cent of the income earned. Will this be sufficient for a capital-intensive such as Hydro to do what they need to do?

**Mr GUTWEIN** - I believe it will be. I have no advice that would indicated to me otherwise. We work with our government businesses all the time. There is no doubt that with Hydro, subject to what is occurring with the feasibility studies underway, there may be a need to revisit the dividend policy in future. That would be a result of it having a more intensive capital program than what is forecast in coming years.

**CHAIR** - That is always likely with a capital-intensive business, with a lot of ageing assets such as their dams and a lot of their other infrastructure.

**Mr GUTWEIN** - The dividend policy is one we discuss with the businesses regularly. As part of the dividend policy, I might say that any business that wants to argue it has a capital program or a need to not be at 90 per cent can make that case. As to Hydro and in light of where they have come from, I am pleased they are in a much stronger position earlier that we expected.

**CHAIR** - Regarding the impact of the price setting bill, can you clarify a couple of points; when the government sets the cap on wholesale power prices, as you have done, does this involve a shift of funds from the general government to Hydro Tasmania? Is this foregone revenue of Hydro?

**Mr GUTWEIN** - Yes, it is foregone revenue. Let me explain what has happened. If you go back 12 months when we made the decision to introduce and cap the wholesale electricity price, wholesale electricity prices where peaking at around $100 and $110. It is understood the reasons for that weren't driven by anything that local. These were impacts on the Victorian price in the boarder market as a result of changes such as Hazelwood or others. Our businesses stood to receive a significant windfall gain in the revenues they would have been receiving. That would have meant were significant double-digit increases to Tasmania's household power bills.

In setting the price, we said last year that revenue forgone was around $70 million into the future. Hydro also gave up around $15 million internally because they set the future curve. They brought it forward one year from where they expected to be. They allowed for $15 million in their wholesale price. We provided an additional $20 million-worth of direct support through the budget. Broadly speaking, prices were at a certain point. There was a reset and, as far as the corporate plans are concerned, the prices they used in the corporate plans across the businesses were in line with where we are with the WEP.

**CHAIR** - Effectively it is because it is revenue forgone - less money, so less profit, so less dividends overall, unless there are income tax equivalents to the government - so ultimately it does come back to less money to the general government.

**Mr GUTWEIN** - If we wanted to increase power prices by 15 per cent, as would have occurred, in fact it might have been slightly higher than that; across the board our businesses would have received significant and in-full gains.

We did not think that was appropriate, so we moved to do the price setting mechanism as we did with the wholesale energy price.

Our businesses are profitable and as the forecasts in the Budget indicate, across the board our businesses remain profitable. Stephen Davy has spoken at length about the fact that Hydro remains sustainable in an ongoing sense. Coming back to your original question about whether any money is transferred from the state government sector to our businesses as a result: no.

**CHAIR** - Does less money come across?

**Mr GUTWEIN** - Less money comes across but I think the important point is that it is less money than would otherwise have come out of pockets of Tasmanians.

**CHAIR** - Yes, I understand that,

**Mr GUTWEIN** - I don't know if Mr Voss has anything he wants to add.

**Mr VOSS -** Pretty much spot on, Treasurer.

**CHAIR** - You must have read the good briefing note from Mr Voss.

**Mr GUTWEIN** - I must have read the briefing note from Mr Voss.

**CHAIR** - With TT-Line, the dividends are still $40 million per annum. To date, $40 million has been received in 2016­17 and 2017-18. On page 120 of budget paper 1, it is suggested that this will be repaid to TT-Line in 2018-19, this coming year. Is this to fund dividends due from TT‑Line in 2018-19 and 2019-20 as per budget paper on page 90?

**Mr GUTWEIN** - This is in terms of the change in net asset position?

**CHAIR** - Yes, there is a dividend; they are getting some money back in this coming year that they have already put in, but they are not buying the ferries yet.

**Mr GUTWEIN** - This is for the deposit on the ferries.

**CHAIR** - So they are not going to give it back to you in another dividend?

**Mr GUTWEIN** - The four-year savings program runs for another two years, but we have provided some money back out of the funds to enable a deposit to be paid on the ferries.

**CHAIR** - How much is the deposit?

**Mr GUTWEIN** - We will have to check that.

**CHAIR** - With regard to the Mersey Hospital money, which we know sits in Tascorp now and then it is drawn down as a dividend each year - again, if you can't answer this you may need to get it on notice for us - what was the special Tascorp account for this Mersey money earned in interest in this last year, 2017‑18? Do you know what interest has been earned on that account?

**Mr GUTWEIN** -Off the top of my head I don't, but we can get take that on notice.

**CHAIR** - Again, you will probably need to take this on notice, Treasurer. What is the estimated balance of the account as at 30 June 2018 and will the current rate of earnings allow the account to last the 10 years? It appears to be a fairly big ask. I did speak to Tascorp's Chair about this. I would like to know where he is going to get it because I would like to put my money there, too - not that I have anywhere near as much as this.

**Mr FERRALL** - It gets into the tenth year; I can confirm that.

**CHAIR** - It would be good to have Tascorp at the GBE scrutiny committee at a later time. I am interested in where we are now, at this point in the year.

**Mr GUTWEIN** - We can provide some advice on that. We are in a very low‑interest rate environment at the moment. I think most commentators would expect that we are going to see, over time, some movement upward, which would then, I expect, be reflected in their overall earnings over time.

**CHAIR** - I imagine they are banking on that, no pun intended, to make it last.

**Mr GUTWEIN** - As the secretary of Treasury said, it gets us into the tenth year, which has been our aim. Ideally, we would like to see it last a little longer than that. It will depend on the returns that we can get from the market.

**CHAIR** - You have a question on 1.3?

**Mr VALENTINE** - You might have already answered it. I am interested in the process that you use when you deal with government businesses and you are setting your dividends. The regulator is saying you can't go above X in terms of the pricing of services delivered from the MAIB or Transend or Aurora. There is an expectation that every dividend you get back from those organisations puts an upward pressure on the prices of their services. In turn, this puts pressure on the vulnerable, on people who have less. It is like a dog chasing its tail. You end up spending the dividends you are getting from those businesses to help those who can't cope. How do you resolve that? How do you approach that particular issue?

**Mr GUTWEIN** - In terms of the regulator's role, if I use Aurora as an example, Aurora sells power but there is a bundle to that. There is a generation cost, a transmission cost and there is a margin that's included for retail.

If you look back at the last four years, there was the step-down in 2014‑15 as a result of the carbon tax coming off. Most people had quite a significant reduction in their energy bill. With the increases that were applied over the four-year period, my understanding is that with the last increase to energy bills in July last year, there was a 0.2% decrease between the 2013-14 power bill and the 2017-18 power bill. Tasmania had actually not increased in price at all over that time. In fact, there had been a significant decrease in the first year.

Our businesses have a range of costs associated with them: staffing and other operational costs. The price needs to reflect what it costs to run the business. The wholesale electricity price should reflect the cost of energy in Tasmania, not the price that people would pay in the broader national market. We protect and insulate Tasmanians from price shocks.

The returns we receive was a construct of previous governments in establishing electricity businesses as either state-owned corporations or government business enterprises on the basis that they would operate in the market and would be efficient. It's difficult to argue that Aurora has real price pressure brought to bear on it because of the services it provides to our regulated customer base where the price is set. We work with the businesses in terms of their corporate plan and in terms of the revenue streams, dividends and tax that they provide as part of the planning process. A key component is taking into account the whole solar energy price across the board. For the judgements I need to make, I am informed by Treasury, what is an appropriate dividend share or percentage we take as a dividend.

**Mr VALENTINE** - This is where the regulator comes in?

**Mr FERRALL -** The regulator does not determine a regular price based on the dividends.

**Mr VALENTINE** - It must guide you in setting the dividend.

**Mr FERRALL -** The dividend is struck as being a percentage of after tax profit. The level of taxable profit the entity makes is a function of their efficiency of their cost structure. For a regulated business, it is the allowable revenue.

**Mr VALENTINE** - You are saying it is arms length.

**Mr FERRALL -** Absolutely, it is arm's length to the dividend and the regulator strikes the revenue allowable on an efficient basis. If the entity is not efficient, they will not be given higher revenues.

**Mr GUTWEIN** - It means we get lower returns.

**Mr VALENTINE** - Thank you, I wanted to understand.

**CHAIR** - We will move on to the next output group.

**1.4 Government Property and Accommodation Services**

**Mr FINCH** - I am trying to get an understanding of line item 1.4, Financial and Resource Management Services. Do you have FTEs assigned specifically to this line item or do they come under a general Treasury person who might work across a lot of different areas?

**Mr FERRALL -** Our branch structure does not align directly with every single output. Our Property and Procurement Branch, where most of the people who deal with property are, does not have a direct correlation to those output groups. There are lots of reasons for that. Overheads applied like my and Tom's time et cetera could be applied in the property and procurement area. There would be a percentage of us that goes towards those individual output groups. They are quite close in an alignment to the branch structure but are not identical.

**Mr FINCH** - You would need to have corporate knowledge or expertise in the field to be retained and function in that area. Is that correct or is it something Treasury people can pick up on quickly?

**Mr FERRALL -** It is a mixture of both. We have individuals who have come from outside the State Service, with particular procurement or property knowledge, but we have also people who develop within government who move into those areas, so it is a bit of both.

**Mr FINCH** - Do you draw on people as it is needed or do you have specific FTEs assigned to the area?

**Mr FERRALL -** We have specific FTEs assigned to the area into that branch.

**Mr FINCH** - The Treasury managed property vacancy rate has dropped from 5.5 per cent in 2015- 16 to 2.6 per cent in 2016- 17. Does that mean the number of Treasury staff has increased? It does not reflect that.

**Mr FERRALL -** Are you looking at the performance indicators on the Treasury-managed property? We manage leased property across the state, particularly the Hobart CBD, so that performance measure would relate to the vacancy rate against some of that property.

**Mr FINCH** - Not only Treasury operations, right.

**Mr GUTWEIN** - We have had the centralisation program in Hobart. This building is a prime example; we have a number of leases across the city that have been brought together and we have brought agencies back into the central hub. That is one way of explaining it. It limits the number of individual properties and space we have to manage. At the same time it enables us to obtain better outcomes and be more efficient, which is why the vacancy rate is showing a decline in how much vacant space we have. If it is part of a lease portfolio, if it is vacant, we are paying for it even with no-one in it.

**Mr FINCH** - The operation here and the CH Smith building are more contemporary, more attuned to the modern way of doing things and having people in a more collected area.

**Mr GUTWEIN** - That is right. It is easier to manage from a building management point of view. Agencies are located in a building, such that cross-agency matters can be better dealt with. What you want to have is the highest occupancy rate you can in the amount of space you have leased because you are paying for it anyway, and as small a footprint as you can with fewer tenancies because that limits the amount of management.

**CHAIR** - We might have a break. Have you other areas that you want to go into?

**Mr FINCH** - Yes. I am happy to come back.

**CHAIR** - Thank you, Treasurer. We will have 15-minute break.

**The committee suspended from 11 a.m. to 11.15 a.m.**

**Mr FINCH** - We were talking about the Treasury building in Hobart, the CH Smith building in Launceston and the difference that makes to the properties being utilised or, in the case of the Treasury building, being sold. Treasurer, I want confirmation is it still on the agenda for the Government to sell the Treasury building?

**Mr GUTWEIN** - Yes.

**Mr FINCH -** How is it being utilised at the moment? Is Treasury in there?

**Mr GUTWEIN** - Yes, Treasury is in there. Mr Ferrall is in the best place to explain the internal challenges but it is a fantastic heritage asset; with its facade and the view from outside, it stands alone.

**Mr FINCH** - Internally, too.

**Mr GUTWEIN** - Internally, there are areas of opportunity in their significance that, unfortunately, the public never has an opportunity to see. Inside the Treasury building is a courtroom; the former premier's suite of offices are there as well. If new life could be breathed into it, it needs to be done sensitively. That is the key thing. In terms of the EOI, as we develop it and when we take it out, there will be parts of this building the public should have access to. In any consideration of future use, we would ensure we would frame it such that it provides better public access and an opportunity for more contemporary use of the building.

I can now find my way around the building when I meet with Treasury, but it has been described as a rabbit warren, and that is a little unkind. It is a busy space that has developed over time. I do not think it is the best contemporary use for it, nor does it provide contemporary office accommodation.

**Mr FINCH** - A rabbit warren is what places become when you start to adapt them over many years, like the building here and others I can think of. How many Treasury staff are actually in those buildings or in that area?

**Mr GUTWEIN** - There are about 200 in the building.

**Mr FINCH** - And their relocation in the fullness of time?

**Mr GUTWEIN** - We will have to relocate them.

**Mr FINCH** - What is on the drawing board? What is planned?

**CHAIR** - Is there room in this building, is that what you are asking?

**Mr GUTWEIN** - We will look at it. The Government owns or has space in a range of buildings. Some are more strategically located than others. We haven't made a final decision. Certainly, there is nothing I have signed off on in regards to where Treasury will be.

My view is that there are some options. I know the secretary has been exercising his mind. We should work through the process, frame up the EOI, have the debate - and I think there will be debate about what the EOI looks like - and then we can start to outline what the potential next steps are.

**Mr FINCH** - It is interesting that you don't have something on the radar already as to where you might go.

**Mr GUTWEIN** - I am not saying that; I am saying there are some options and we are considering them. I do not want to put the cart in front of the horse. At the moment, we have said we will begin an EOI process, look at the alternative uses for the building and frame that up. I don't think this will be the case, but later this coming financial year, we will have a sense of what the appetite is for development of that site and whether that development would be acceptable. I think we need to work through that process first, but we have been giving a lot of thought to the relocation of Treasury.

**Mr FINCH** - I suppose it is the same answer to the question of what you might get in return for selling the building.

**Mr GUTWEIN** - I think I said on budget day I would expect a lot. The thing that has to be understood with an asset like this is that, for whatever use, an investment will be required to change it to an alternative use, and then there is the ongoing expense of maintaining the heritage buildings and features. I expect there will be strong interest in the reuse of this building, but until we frame up the EOI and have a formal process underway, at this stage, while I can say there has been ongoing interest now for a number of years, I am not going to put a figure on it.

**Mr FINCH** - It is a work in progress.

**Mr WILLIE** - Treasurer, as you know, I am new to this committee so I took the time to read through the *Hansard* of last year's hearing.

**Mr GUTWEIN** - Thank you very much.

**Mr WILLIE** - You said a number of things that were very interesting and I will probably refer to them as the day unfolds. One of them was that, in your view, there were two significant buildings in the government property; one is the Treasury building in Hobart, which I believe that should stay owned by the government.

Mr Valentine asked -

So the Treasury building here is not up for grabs for a hotel and you said it was completely off the table.

What has changed? Have you received advice from Treasury during that time that has changed your mind?

**Mr GUTWEIN** - I suggest it is an evolution. I said on budget day that the Premier had been of the view for a couple of years - and he has made that point publicly - that he would like to see it repurposed and used.

With my own evolution through this, when I first had the opportunity to look at what is now fantastic twenty-first century office accommodation in this building and the working environment we have now created for the agencies here, if you contrast that with the working environment that Treasury staff are in, they are at either end of the spectrum.

That is not to say the Treasury staff's comforts and the contemporary working environment isn't taken into account in the spaces that they have. Having a look at the outcomes we were able to achieve in the Parliament Square development, the contrast between its contemporary office accommodation and what we have Treasury staff in became very evident. It has taken a while to get to this point, but there is a better opportunity for that building to be used for a different purpose.

**Mr WILLIE** - I would imagine that Treasury has given you advice in the past on any potential sale of the Treasury building. Has that advice changed?

**Mr GUTWEIN** - The Treasury secretary has always had an open mind and a pragmatic view on the future use of that building, which was made public, I think, in the last heritage study and the range of information we looked at. The current economic circumstances and the appetite for investment in Hobart lends us to getting a good return on this building. We will need to test it through an EOI process because there will be costs associated with the acquisition of a building like this.

The heritage features of the building are something any potential developer will need to take into account. My journey is that I thought it was best placed to be kept as office accommodation; I was also mindful of the significant costs a developer would need to meet should they take it on. I held a view for a time that I didn't think we would get a reasonable return on the building.

Move forward to the last 12 months. Anybody who has been through the office accommodation upstairs would recognise that we provided excellent contemporary twenty-first century working conditions for our staff. It would be hard to make the argument that, while there has been investment in the Treasury space, that Treasury staff are being given that same opportunity. We came to the view - and the secretary and I discussed this on many occasions - that it was appropriate to test the market.

**Mr WILLIE** - Can you indicate what that expression of interest might look like? You have talked about a reasonable return. I imagine that open to the public would be something of interest, along with cost to government of moving staff and office spaces.

**Mr GUTWEIN** - I am happy for the secretary to talk to you. He is in the process of giving that detailed consideration at the moment. We would want to see a return to the state. Certain areas of the Treasury building have significant heritage value. For anybody taking on that building, opportunities for public access and use would need to be very much considered.

**Mr FERRALL -** We are still designing the process and will advise the Treasurer on how we think it should run. We are looking at a process similar to Parliament Square. It would be a public open process, potentially or likely to be, a two-stage process. You would go through an initial expressions of interest stage, then shortlist from that to a small number of potential developers that you would ask to provide a fully detailed brief or tender of what they might do.

We have to do a number of steps before that. There is a due diligence phase similar to the process we took with Parliament Square. If you want good and binding offers, you need to fully inform the parties about the features and issues associated with the site. We will need to advance engineering studies and heritage studies, making very clear in the EOI those heritage components of the building that must be preserved or need to be preserved. As the Treasurer said, there are eight buildings, not a single building. In a heritage sense it ranges from parts that are very significant to other parts, if you read the Heritage Conservation Management Study, that basically says have no value. It runs from the top of the tree down to absolutely no value. We need to put all of that detail together so parties interested in the building can understand what they may be able to do with it. The process will take some time. You cannot do the due diligence overnight. If you do not do it properly, you will not receive appropriate, binding bids toward the end of the process.

As some members might be aware, the process associated with this site had two failed attempts before this development. That was in part because the due diligence had not been done on the site and potential parties could not make a valid bid because too many issues were associated with the site. We need to do all that work, put it together appropriately, put it out for a public EOI, and ensure those parts of the building that must be preserved for heritage and other reasons are clearly identified. Many of those features will require protection in the form of a legislative or other framework to ensure, with a private developer, those heritage values are still available for the community.

**CHAIR** - Including ongoing maintenance and that sort of thing?

**Mr FERRALL -** Yes.

**Mr WILLIE** - A last question. Will the sale include the car park backing onto Franklin Square?

**Mr FERRALL -** The sale will be for the site and the site will include the car park. It may not be a car park in future.

**Mr GAFFNEY** - The Treasurer mentioned the importance of staff having access to more suitable work spaces. I imagine the Treasury building does not lend itself to that because of the age of it. Is there an indication Treasury would seek space in this complex? Is that the idea or is it too far down the track?

**Mr GUTWEIN** - This complex is fully leased. We are working through a number of strategic options. The most important thing is to have the discussion about the building and make certain we can land the EOI in a way acceptable to the broader public. I believe it was the National Trust entered into the debate and made some comments, which I was pleased about. This is one way this asset can receive the investment it requires but can also provide the access the public should have to some of the areas of heritage value that exist within the building as well.

**Mr GAFFNEY** - With the development of the Theatre Royal precinct and the importance the arts now has in Tasmania, particularly in Hobart and the heritage value, I am well aware of the artefacts and paintings that are not exhibited because there is no space for them. Has the Minister for the Arts and the Government considered this building would be better placed within the Tasmanian community and still owned by government as an arts precinct, because of the structural heritage of the building and what it has to offer, or are you mainly looking for a private sale?

**Mr GUTWEIN** - We need to frame this up. My view would be we are looking for a private sale but there would be no reason, should there be parts of this precinct that are a hotel or it is being run as, for example, an upmarket accommodation and hotel facility. The building would very much lend itself to displaying some of the artworks we have in storage. There are large areas of public open space in hotels and we could have the best of both worlds occurring in that precinct. We need to work through and frame that as part of the expression of interest.

**Mr GAFFNEY** - Do you think in 15 or 20 years' time we run the risk of saying we should never have sold the building to private interests? There are a lot of outer areas where hotels can go, more so than right in the Hobart CBD. The tourism industry can still have a heritage building open to the public, open for artwork, better than upmarket 25- or 40-room accommodation? I am not against it being for private use, but are we giving up part of our heritage? We do not have many buildings of that ilk we can retain and offer a better tourism heritage experience.

**Mr GUTWEIN** - I hope that in 15 years when we look back we can say we got this right and we have a fantastic heritage asset being invested into, one that is being maintained and is providing better public access than it did for the first 100-odd years of its life. My view is that if we get the balance right, we can tick a lot of boxes.

**Mr VALENTINE** - A number of people have said it was not mentioned during the election period that this building going to come on the market, and 'Here they go, the turkeys are selling it off.'

**Mr Gutwein** - You would not be describing me as a turkey, would you?

**Mr VALENTINE** - No, the turkeys are selling it off. I am saying that this is the thinking in the community.

**Mr GUTWEIN** - Oh, right.

**CHAIR** - Someone else has taken over that role.

**Mr VALENTINE** - The one thing missing in the process is finding out exactly what the passion is in the community to actually want to see this turned into a hotel. I could not agree with you more on repurposing the building. Quite often, the only way to save heritage is to repurpose and put it to a different use, albeit it does cost a bit of money. The Government will actually be selling off an iconic building. That whole block is iconic - the entire intersection has a Georgian sandstone building on each corner and is an iconic location. You would be hard pressed to find a more iconic location than the buildings on those corners.

How do you intend to actually engage with the public about this, because you did not during the election campaign? How are you going to engage with the public to find out what their feelings are about this leaving the government hands?

**Mr GUTWEIN** - Nobody is taking this building away. In a 100 years' time, this building will still be in the same spot. I need to be clear about that. Tasmania's heritage is not being taken away.

**Mr VALENTINE** - No, but they might be closed out.

**Mr GUTWEIN** - What access do they have at the moment?

**Mr VALENTINE** - They do not have a lot, but there is an opportunity to put that right.

**Mr GUTWEIN** - They do not have access at the moment. What I am suggesting is with the repurposing of this building, the asset will remain. We would like to see investment in the asset to ensure the heritage values are maintained and potentially improved. We will be able to provide significant access for the public to a building they have not had access to in the past.

We are commencing a conversation with the public. I started the conversation with the public about this about two weeks ago. Already, there is public discourse about this building. We will go through the process of the EOI and I am certain community consultation will be part of that process.

**Mr VALENTINE** - The public isn't in a position to buy it themselves; you are a developer or you are not, and if you are not, you don't get a say. How are you going to get the real passion of the community involved in this when they might see it as selling off the farm?

**Mr GUTWEIN** - I come back to this point. We have to be careful about this. Whether it's under state ownership or private ownership, the buildings won't be moved. In 100 years' time, the Treasury buildings will still be in the same spot.

**CHAIR** - And certain parts of them will be preserved.

**Mr WILLIE** - Number 10 Murray Street has moved.

**Mr GUTWEIN** - For those who had the opportunity to watch, they have worked their way through that in an unbelievably skilful way.

**CHAIR** - I would have liked to have seen an implosion.

**Mr GUTWEIN** - A lot of people thought it was going to be imploded.

There will be an engagement with the public throughout the process. We will ensure we understand the areas the public would like to have available and those areas it sees as important to preserve and have access to. In framing up the expression of interest, I hope we will be able to provide an outcome that preserves, conserves and perhaps enhances the heritage values of the site and, importantly, provides public with access to those areas that are important and the public wants to see.

**Mr VALENTINE** - Going to Mr Gaffney's point, it could well be that a building like that could be converted into an arts space - an iconic arts space that has thousands of people moving through it each year, just like Port Arthur, the Royal Tasmania Botanical Gardens or Mt Wellington, which have around 300 000 people moving through them, where you could charge a small entry to go into something like a specialist museum. That would take care of the maintenance. Would you contemplate that sort of an idea being floated as well?

**Mr GUTWEIN** - In terms of public ownership, no. We have made it clear that we will be going to an EOI with a view to divesting the state of the site but ensuring we can get the balance right in regards to the outcome and the use of the site. We have an open mind. Tony might have something else to add.

**Mr FERRALL** - One of the challenges with the Treasury building is that everybody seems to know much about it and yet most people haven't been through it.

**Mr VALENTINE** - I've been through it. I've even seen the tunnels that come up from the wharf, which not many people know about.

**Mr FERRALL** - I will engage you on that one later. Similar to the Parliament Square project, we will have a process whereby we will enable people to have a better informed debate around the building, what it might be used for in the future and how the objective of sale can be advanced and still preserve those things. One people saying it would make a fantastic art gallery: these people have generally been into about three or four of the well-preserved beautiful areas within the building, such as the courts, the executive council chambers and some of the rooms on the Franklin Square wing. If you go into most of the other areas in the building, these would be very challenging to utilise for art because of humidity - the water and temperature control would not be suitable for a modern art gallery. Even to contemplate something like 'Let's turn Treasury into an art gallery', you would have to look at millions of dollars of investment to ensure the art could be preserved appropriately rather than because it would be nice to do.

**Mr VALENTINE** - That was one suggestion; there could be other suggestions.

**Mr FERRALL -** Correct. There are numerous suggestions about what the building could be utilised for. It is quite important people have a very clear picture of what the building is like internally. The majority of internal physical structures date to the 1960s and 1970s, and the value of those in a heritage sense is virtually zero because they are offices constructed of plywood.

The building has some fantastic features. There are some well-preserved beautiful components of the building. The exterior fabric is largely well preserved but going through the building, probably less than 10 per cent of it is in that high-end, well-preserved component, with about 90 per cent of it dating from the 1960s to the early 1980s.

**CHAIR** - We are spending a lot of time on one particular aspect here in this line. Does anyone have a pressing question about the Treasury building? I know Josh had some questions about this line item, so we will go to him and then come back to others.

**Mr WILLIE** - In relation to public housing, what is the total asset value and how is it assessed each year in regards to maintenance, liability, property market?

**Mr GUTWEIN** - I do not have the details.

**Mr WILLIE** - They are government-owned buildings though?

**Mr GUTWEIN** - But they are managed by a different agency.

**Mr WILLIE** - Best ask the Housing minister those questions?

**Mr GUTWEIN** - He would have those figures.

**CHAIR** - Luckily we have him on Thursday.

**Mr WILLIE** - Will the Housing minister know how they are assessed by Treasury?

**Mr FERRALL** **-** Could you clarify what you mean by 'how they are assessed by Treasury'?

**Mr WILLIE** - Each year whether they are a depreciating asset - how that is evaluated?

**Mr FERRALL** - When Treasury is putting together the whole-of-government financial statements, which include all the assets held by the agencies, we effectively consolidate those. The individual decisions relating to the Housing portfolio and how those properties are valued are worked through with the Valuer-General by the Department of Communities Tasmania. They will appropriately value and consider this in their balance sheet. When we do the whole of state, we consolidate this, so we do not dictate or require agencies to act in a particular way in relation to their valuation. They follow accounting standards.

**Mr FINCH -** Treasurer, are there other buildings in Hobart or around Tasmania utilised by government that might be in a similar situation, where they are no longer fit for purpose or contemporary use and are under consideration for a relocation of the current agencies within?

**Mr GUTWEIN** - All agencies look at their property portfolio on an ongoing basis. For example, police: we are regularly sell police houses or turn over stock. In the last few years Education has sold a number of former school sites or houses used for teacher accommodation. We are always looking at the property portfolio.

A distinction needs to be made between the sale of a government business or property. Our property portfolio is always under review, for obvious reasons. Our agencies expand or have different focuses, so the property aspect of government is always continually being looked at. In recent weeks I have signed off on a couple of pieces of Education property. I note the agency has requested it might sell some houses formerly used as part of its stock for remote teachers. Police, over time, have had similar arrangements. It is something we are looking at. I could touch on the health precinct in Launceston, for example, with the conversation that is going on with Calvary at the moment. In that health precinct in Launceston, government owns significant property - the nurses' quarters behind the new hotel in the old LGH and properties in Franklin Street. As part of the process we are going through in the north, we are looking at those types of properties and whether they can be better utilised and are of a strategic advantage for government as well.

**Mr FINCH** - I want to touch on the CH Smith building and its development and the impact that is having on other properties that will be vacated while people move into the CH Smith building. I am asking about the agencies that are going in and how many properties need to be repurposed because of this bringing of different agencies together at the CH Smith building.

**CHAIR** - I should clarify that some of those tenants will be coming out of leased properties as opposed to government-owned properties.

**Mr FINCH** - That is what I am checking, whether it is leased or owned property.

**Mr GUTWEIN** - I don't have a note on that in front of me, but I can provide information as best I can from my recollection when we first looked at this. My understanding was, from memory, that across the Launceston CBD we had staff located in somewhere north of 17 individual locations. With the university's investment at Inveresk, the Department of Education has a footprint that is now going to be part of the university's footprint and so it will no longer be in that space. It will be moving into either CH Smith or Henty House, for example; these have been the two major centralised government properties.

On Wellington Street, State Growth has a property owned by somebody in the private sector. State Growth will be moving to the CH Smith building, as I understand it. Across the city we had parcels, and I am working off memory, where we had some tenancies as small as 200 square metres and other large tenancies. In the same way we looked at property in Hobart, there was a centralisation of government-owned property in Launceston, a project that we worked through. A number of those smaller tenancies are owned by private investors from the mainland and we will vacate them so they will need to find new tenants and new opportunities.

It is about ensuring that across the Government's property portfolio we have the most efficient and effective way of managing our property portfolio. The CH Smith building lends itself to that very well.

**CHAIR** - Following up from that, where government-owned properties will be vacated as a part of that or any other around the state, will any consideration be given to converting those to affordable housing? They are often conveniently located in the cities close to public transport and other things. Is any consideration being given to that as an option?

**Mr GUTWEIN** - Across the government portfolio, for example, in the health precinct we own a range of properties. Before the Government would divest itself of a property, we would look to see whether it would have an alternative use within government or whether an agency might want to take on that property if it was not one managed by it before. Those conversations do go on but I can't, on the move to CH Smith -

**CHAIR** - I am not only focusing on that; I am talking more broadly than that.

**Mr GUTWEIN** - If they are strategically located properties, we will have a good look at what the best opportunity would be or whether we should divest ourselves of the property.

**Mr FERRALL** - We check internally.

**CHAIR** - Sorry, what was that?

**Mr FERRALL** - Treasury sold last year - in the current year - about 18 properties, including, as the Treasurer said, small ex-police houses, ex-education houses and so on. We generally go to Housing Tasmania to check whether they have a use for the particular property. They are not sold if internally there is an alternative or a viable use.

**Mr VALENTINE** - Looking back to last year's *Hansard*, Mr Ferrall commented that the policy on leasing properties for public service activities was around 20 years old. He said there had not been a review of whether leasing was paying dividends, if I can put it that way, as opposed to purchasing properties for government. Is there an intention to properly review how that has travelled over the years so we know whether we are getting good value for money when housing public servants? Is this just putting money into property owners' pockets?

**Mr GUTWEIN** - I looked carefully at what I said last year, but I did not bother to check what Mr Ferrall had said.

*Laughter.*

**Mr FERRALL -** The divestment policy started about 20 years ago. The government moved from a position of owned office accommodation to largely one of leased office accommodation.

That came about because, to be frank, governments were poor owners of properties. The incentives for agencies as owners was not to maintain the properties appropriately and effectively, but to wait until some point in the future when the asset was seriously degraded and then look for capital funding to upgrade it.

In moving to a leased arrangement, we have turned what was a lumpy expenditure into a recurrent expenditure stream. Whether, with a 20-year analysis, the government is ahead or behind, we have not done that analysis. In terms of the evaluation or valuation of individual leases, we ensure the leases are market, or viable and sensible for the government.

**Mr VALENTINE** - I am sure you do that. I would not deny you look very carefully at individual leases. I think looking at how the policy of leasing versus ownership has travelled over 20 years would be very interesting.

**Mr FERRALL** - You would probably want to go back further than that if you are really serious. If you look at something like -

**Mr VALENTINE** - Do you think it is worth doing?

**Mr FERRALL** - No, I don't think it worth doing. If you look at St Mary's Hospital, which is part of this development, that is a prime example of a government-owned property that was derelict. It was a wreck.

**Mr VALENTINE** - It did have something of a problem with nuclear waste in its basement.

**Mr FERRALL -** That was a small problem. It was a small component of radioactive waste. Let us just bring it back down.

**Mr VALENTINE** - You know what I mean. It is not necessarily going to be attractive.

**Mr FERRALL -** That property would not have been redeveloped or developed in government ownership. It was rundown and falling apart. That is a good example of where I think government was not a good owner. Moving it to the private sector has created an opportunity for the private sector to develop and preserve the building's heritage values.

**Mr VALENTINE** - That is a one-off dollar amount that goes into your consolidated revenue. Wouldn't it be better to look at land value capture and lease that property to a hotel developer, where you would get a continual income stream over the years rather than giving the farm away? Not giving it away but selling the farm, as with the Treasury building we were talking about. Wouldn't there be a better option, to look at leasing it?

**Mr FERRALL -** Long-term leasing creates challenges and impediments in investors' funding. You have to balance that.

**Mr VALENTINE** - It does, but we are looking at the public receiving the benefit and not the developer, because it is our property.

**Mr FERRALL -**If you attempt to go forward with a lease period that is too short, an investor won't be able to generate funding to support the development. If you go to a long-term lease of 99 years, there is little difference between that and sale. What is the difference between a 99-year lease and sale?

**Mr VALENTINE** - The Government keeps the property.

**Mr FERRALL -** The property can't go anywhere.

**CHAIR** - We need to move on; we don't want to be bogged down. Treasurer, we haven't gone to Finance-General yet.

**Mr VALENTINE** - With respect to this particular building, how is it tracking, how is the tenancy situation? Are they all slotted away?

**Mr GUTWEIN** - I understand they are.

**Mr FERRALL** - The only part we have to complete for tenancies is the podium, which is where the big hole is at the moment, which was under 10 Murray. The podium will be developed and people from the Department of Justice will be going into the podium.

**CHAIR** - You can't go in there yet?

**Mr GUTWEIN -** No.

**Mr VALENTINE** - I have to declare an interest, but with the development of the car park underneath this building, are you still going to peruse electric charge points for electric cars?

**Mr GUTWEIN** - I am not sure -

**Mr VALENTINE** - That leads into our last question about government departments. It is being left up to government departments to decide whether they want to pursue electric hybrid vehicles as part of their fleet. With the way things are going, there is a high degree of interest in electric vehicles. Are you of a mind to put the pressure on government departments to become involved in electric vehicles and putting charge points in their buildings?

**Mr GUTWEIN** - The Government hasn't formalised a position. It is something we are aware of.

**Mr VALENTINE** - There is a benefit in pushing the envelope.

**Output Group 2**

**Economic and Fiscal Policy Advice**

**2.1 Economic Policy Advice**

**CHAIR** - I note with this, Treasurer, the appropriation declines over the next two years with no explanation.

**Mr GUTWEIN** - I will seek advice from Mr Ferrall.

**CHAIR** - The expenditure does, too.

**Mr FERRALL-** There is additional funding for water and sewerage, and that has been returned to the Consolidated Fund.

**CHAIR** - We have covered some of the risks associated with the Budget. I noticed that in broad terms, budget paper 1, chapter 2, some of the economic advice has been that the high cost paid for Tasmanian commodities are unlikely to be maintained.

The labour market has increased the participation of women, which is very good and we know the benefits that come with that. Is there any more information on what sector the population growth, particularly with women, has changed?

The budget papers also noted the risk with the National Health Reform funding under the National Health Reform Agreement which will expire in 30 June 2020, saying demand could increase. It is not a question; it is almost a certainty. What economic advice is Treasury providing on this and any other national economic policies being worked on within this department at the moment? There are a few there, but I am trying to get an overall sense of what we are likely to see.

**Mr GUTWEIN** - I will ask Mr Voss to touch on the participation of women. In terms of the Australian Bureau of Statistics and modelling, it is quite a small sample.

**CHAIR** - For example, someone just counted women in parliament.

**Mr GUTWEIN** - It is larger, but it's not a massive sample. Of the risks highlighted regarding the health agreement, it is on the basis of the 55:45 split of the efficient price. If we have greater throughput, increased costs are associated with that. I didn't jot down your first point.

**CHAIR** - There is a comment that the high cost of private Tasmanian commodities is unlikely to be maintained.

**Mr GUTWEIN** - There are two parts. Our businesses are running at maximum output capacity. They are actually producing what they can, so obviously they are not in a position where they can increase their volumes markedly.

**Mr VOSS** - The factor is major industrials, the smelters and so on, are at capacity. They can't produce any more. They are building new pipelines, for example, and are at capacity so they can't increase output. They did well last year with some assistance of the nominal export figures as the Australian dollar exchange rate has declined. Also there is probably a reduction in inventories last year, which also assisted in their export performance.

**CHAIR** - This relates more to mineral prices?

**Mr VOSS -** It is a combination of factors. It is volume and price. That's really what the comment's about. It's about the capacity with which major industrials make up most of our international exports, to continue to grow their exports at the rate they have been growing. They are at capacity. That is what the commentary is about in the budget chapter.

With regard to male and female employment, female employment has been growing considerably across the country, also in Tasmania. Last year total female employment was up by 2.8 per cent to 120 000 persons, compared to male employment at 128 000 persons. Female employment levels have almost caught up to male employment levels. There is a break-up as part of this with regard to full-time and part-time employment. They also vary, but part-time employment is increasing across both males and females. Female part-time employment moved through female full-time employment towards the end of 2009-10. There has been good growth in that part of the economy.

**CHAIR** - On the other excellent initiative that replaces the long-term infrastructure planning you have talked about, this needs to ensure infrastructure is seen in the broader sense - it provides for the public good, not just the tangible physical infrastructure and jobs for the construction sector. What commitment can you give when you look at this long-term infrastructure plan? It won't just be the roads, bridges and the tangible physical infrastructure which will be considered?

**Mr GUTWEIN** - To talk about the public good, I will start with where you finished in terms of roads and bridges.

**CHAIR** - I am not saying they are not for the public good; I am talking about the whole gamut of the public good.

**Mr GUTWEIN** - Making roads safer is immeasurable in the benefits it provides from a safety point of view. On the broader public good, you may need to narrow it down to an example.

**CHAIR** - I will give you a couple of examples. The systems that keep our children safe, for example, public infrastructure. The roads the children are driven on are relevant, but there are other non-tangible considerations. There is an article in *MacroBusiness* that Lucy Ellis from the Reserve Bank of Australia wrote recently and I encourage you to look at it. I mentioned in my speech and I'm surprised you haven't already. It talks about the broader sense of infrastructure investment. If we are looking at long-term planning, which I commend you and your Government for doing, we need to be careful not to narrow it to the physical assets the construction industry benefit from.

**Mr GUTWEIN** - If you look at the architecture for Child and Family Centres and the redesign occurring there. There is structural change that will stand the state in good stead in coming years and decades. Structural change is occurring in the way the health system is managed. It is being considered as one health system, which it has to with a population of this size. There is structural change occurring for years 11 and 12 and the Government's approach in those areas. You make the point very well. There is a significant investment into the hard assets but as a government we are also engaging in structural changes that change the architecture of the way we deal with a range of things.

**CHAIR** - It is having that long-term view for that as well. The member for Hobart mentioned it in some of his comments.

**Mr VALENTINE** - Has there has been any movement toward abandoning the exponential land tax policy that disadvantages Tasmanians wanting to invest in their own state? The more properties you own, the greater the land tax becomes. On a similar property, if someone from outside the state is buying that property and it is their first -

**CHAIR** - It is probably in the next line item of revenue policy but do it now, if you like.

**Mr VALENTINE** - I am happy. Have you revisited that at all?

**Mr GUTWEIN** - I haven't revisited it, no.

**Mr VALENTINE** - Would there be an appetite to revisit it, given the impact it has on Tasmanians wanting to invest in their own state?

**Mr GUTWEIN** - Are you talking about the grouping provisions in land tax, if you own multiple properties?

**Mr VALENTINE** - Yes, that's right. Multiple properties, the higher the land tax on the same property for someone who is buying it, if it's their first.

**Mr GUTWEIN** - I suppose the way the tax is formulated is that if you are wealthy and you own significant properties, you pay a fair rate of tax. We haven't considered disaggregating it or looking at other options.

**Mr VALENTINE** - Thank you.

**Mr WILLIE** - On 30 July, KPMG will release a report that details a change of disability funding in our schools to a needs-based model. Currently, the Nationally Consistent Collection of Data School Students with Disability suggests we support between 1500 and 2000 students and moving to the new model could cost three times as much. Has there been an allocation in the Budget for that impending change and, if not, how is that going to be funded?

**Mr GUTWEIN** - I do not have details of the KPMG report.

**Mr WILLIE** - It is named in the Budget that there will be a change of policy, that within the Education portfolio they will move to a needs-based funding model. We currently support between 1500 and 2000 students and moving to a needs-based funding model could cost up to three times as much, but there is no detail in the Budget as to how that would be funded.

**Mr GUTWEIN** - That would be a question you would more appropriately ask the Education minister.

**Mr WILLIE** - You're the Treasurer, you have to fund it.

**Mr GUTWEIN** - I do not have any detail on that at the moment.

**Mr WILLIE** - Will you take that on notice?

**Mr GUTWEIN** - We can supply a response if -

**CHAIR** - Is this children with disability?

**Mr WILLIE** - Yes.

**CHAIR** - We could also ask the Minister for Disability Services and Community Development.

**Mr WILLIE** - We will do that, too, but if the Treasurer can take on notice how that is going to be funded in the Budget -

**Mr GUTWEIN** - I will need to take some advice. What you are suggesting is that KPMG's report will come out on 1 July?

**Mr WILLIE** - It will be on 30 July.

**Mr GUTWEIN** - Okay, 30 July. We will consider that report, as we do. I have indicated on a number of occasions the Budget is in a strong financial position. We have significant net operating balances. If there is a need to augment or reconsider our funding support, we will do that through the normal process.

**2.2 Regulatory Policy**

**Mr VALENTINE** - Is this the same as output 1.1 and delivered by internal Treasury staff resources? Can you explain why the output shows a 20.9 per cent increase in the appropriation for 2018- 19 over 2017- 18?

**Mr GUTWEIN** - I will ask Mr Ferrall.

**Mr VALENTINE** - It is a significant amount.

**Mr FERRALL** - A part is corporate overheads, but part is an additional position in IGFP with some staff returning from reduced hours. It is overhead and additional staff and some staff increasing their hours.

**Mr VALENTINE** - There is 5.9 per cent, and then a 4.78 per cent increase in the out-years.

**Mr FERRALL** - I do not have the calculation but that sounds correct.

**Mr VALENTINE** - They are substantial increases. Are you saying there were a number of staff between last year and now who increased their hours?

**Mr FERRALL** - The allocations go from 2.4 to 2.9 to 3, and from 3.7 to 3.32. Are they the figures you are looking at?

**Mr VALENTINE** - No, I am looking at page 347, Appropriation by Output; I am not looking at expenses. It is 20.9 per cent between.

**Mr FERRALL** - I know, they are figures I just called out.

**Mr VALENTINE** - Then 1.9 per cent, 2018- 19 to 2019- 20, and then 5.9 per cent and then 4.78 per cent.

**Mr FERRALL** - It would be variations due to the way we have calculated overheads across all the outputs, but also some changes in the staffing, with one staffing increase and some people returning from reduced hours.

**Mr VALENTINE** - So it is a small number of staff, but explainable?

**Mr FERRALL** -It is a small number of staff, it is a small area.

**Mr VALENTINE** - Thank you.

**Mr GAFFNEY** - With the new deed able to progress in 2023, what parliamentary processes need to occur for this to happen with the new gaming relationship? I am mindful with the five‑year notification clause of the last deed, which starts on 1 July 2023. By 1 July 2018, there will need to be some conversation or notification to the stakeholders about the Government's intent. What has transpired or what is the process from hereon regarding the policy framework?

**Mr GUTWEIN** - The time frame under the deed is that as Treasurer, I need to provide notification by 30 June 2019 - so in the next financial year. The deed will not be rolled over for that period post-2023, so it is slightly more than the 12-month window in front of us to the end of the current -

**CHAIR** - That is only four years for 2019- 23.

**Mr GUTWEIN** - My advice is the five years start on 1 July this year, and then before the end of the first year, I notify that we will not be rolling it for another year, then it finishes at four years.

**CHAIR** - Technically, they only get four years of certainty.

**Mr GUTWEIN** - They get five years of certainty from 1 July 2018 and then in that financial year, the government will notify that there will not be a further rollover, so we have the next 12‑month period to deal with that notification.

In answer to your question, a package of legislation will need to be brought forward; we are in the process of working through that at the moment.

**Mr GAFFNEY** - I was under the impression you had to notify them five years before.

**Mr GUTWEIN** - It is a rolling five years, with notification within the first 12‑month period of that as to whether it will roll again.

**CHAIR** - I want to clarify that. If you give them notice on 30 June 2019, the five years -

**Mr GUTWEIN** - They have four years.

**CHAIR** - Only four years?

**Mr GUTWEIN** - The notification would be that it will not be rolled for another year, so in the coming financial year -

**CHAIR** - Why doesn't it give them five years from then?

**Mr GUTWEIN** - It gives them five years from now and within that first year of the five, you provide the notification.

**CHAIR** - That hasn't been well understood, from my perspective as much as anybody's.

**Mr GUTWEIN** - In fact many people thought I would need to provide the notification before the end of this financial year. It is in the next financial year.

**Mr GAFFNEY** - I notice that a lot of work is to be undertaken in that space. When will the dedicated project team be established? How many will be on that team? What community engagement processes will be undertaken by that team? I notice in the Budget there is $427 000 for the next year, $445 000, $465 000, and there is nothing for 2021‑22 in the projected figures.

**Mr GUTWEIN** - It is fair to say that Treasury has been considering this already. In the process from here there will need to be engagement with a range of stakeholders. People from Anglicare have already come to see me and have asked what their role might be. As I indicated to them, I don't think they have a role in determining tax rates, but we will consult with them on the changes being proposed regarding the proposed increase in the Community Support Levy. The process will be run by the State Revenue Office. I don't know if Mr Root wants to provide any further details on where they are at the moment. It is complex legislation and we need to get the landing right.

**Mr GAFFNEY** - We have already asked what role the parliament will play in this process regarding legislation et cetera - what comes back to this body from downstairs and then upstairs, in light of what happened in 2003 with the signing of the deed. Do you know that process already or is it part of the dedicated project team's role to feed back to the Government what needs to occur? There are some questions in that area.

**Mr GUTWEIN** - Our policy on where we want to get to is well understood. The parliament will have a role; the legislation will need to be agreed to by the parliament in terms of the positions we take. It is certainly not my intention, and I have given no thought to this of all, to land a separate deed that ultimately provides no options, as occurred in 2003. The parliament will be the ultimate arbiter of our policy on this. There will be a range of acts that will need to be considered. Jonathon Root might provide some further details.

**Mr ROOT** - Thank you, Treasurer. To go back to the earlier part of your question, Mr Gaffney, we have a core project team of four working on this and then we have an additional FTE-worth of resource to pull certain specialists in from other parts of the Liquor and Gaming Branch. Much fairly complicated work has to go into restructuring the regulatory framework. It will require different types of expertise so we will pull that in as required. As the Treasurer said, because of the fundamental nature of the Government's reform policy, there will be quite some change required to the Gaming Control Act 1993. The team is working through what those requirements will be for casino licensing, premises licensing, the monitoring operator and so on. There is a lot of work involved there.

**Mr GAFFNEY** - The proposal by the Federal Group came very late in the piece for the gaming committee - so late that we had to say we could not comment on it. It was not our role to investigate it because we would not have been able to get the report back to parliament by the required date. Who is responsible for investigating the Federal proposal? Would that be the dedicated project team? There was little consensus over what Federal proposed to us other than they could not comment because they did not have the time.

**Mr GUTWEIN** - The project team will work specifically to the policy we took to the election and to the structural framework we outlined as part of that election policy. Regarding the Federal Group, we have indicated a range of taxation matters will need to be consulted on but also benchmarked against other jurisdictions. That work will be conducted by the project team, working off the Liberal Party policy, and not other matters raised with the committee.

**Mr GAFFNEY** - I stand to be corrected, but during that process you said very clearly that the Government would be guided by the input it had from the community in the gaming inquiry. How has the Government addressed each of the 23 recommendations of the gaming inquiry? Is the policy you presented at the beginning of the process the same policy you have now, even though we have had the inquiry which had other recommendations. How much has the Government listened to the outcomes or the recommendations of that inquiry? Has it changed your initial thinking? If it hasn't, that concerns me.

**Mr GUTWEIN** - One of your key recommendations was a venue licensing model, and that is part of our framework. Without having the report in front of me, I cannot point to the other recommendations you made. If we didn't exactly land on some elements, they were captured in our current policy.

**Mr GAFFNEY** - I agree a number of recommendations reinforced your initial stance, but it would be helpful if you could provide a breakdown of those 23 recommendations and where the project team is at in response to each of those recommendations. We would then know what has been dismissed, which is fine because it is a philosophical difference or a difference in policy, and what is being further researched. It would be an appropriate time for that to come out so that people can say, 'The inquiry did this; this is what they recommended, these are the things the Government is taking on board, these are the ones it is not.'

**Mr GUTWEIN** - I am happy to give some consideration to that. For anybody with an interest in this, it would be easy to compare the policy we took to the election with the recommendations.

**Mr GAFFNEY** - The report is much more detailed than the policy you took to the election. I don't think that is a fair analysis of what I am trying to get at here. I want to know where we are on that and what the dedicated project team has been tasked with. Is it to analyse those recommendations? Or is it to bypass those recommendation and go straight down the track to where the Government policy is at the moment?

**Mr GUTWEIN** - The project team will be working to implement the Government's policy, as most people would expect given that we took the policy to an election.

**Mr WILLIE** - You originally said you were going to break the monopoly and put the licence to operate poker machines out to tender. Is that still going to occur?

**Mr GUTWEIN** - Our policy is clear. The network will be put out to tender and licences will be held by individual clubs and pubs, as opposed to the Federal Group, which held both.

**Mr WILLIE** - Isn't that a change from what you originally stated? Licensing is very different to the network.

**Mr GUTWEIN** - You don't need to talk over me on this. We said we would break the monopoly, and we are doing that.

**Mr WILLIE** - What about putting poker machine licences out to tender?

**Mr GUTWEIN** - This is part of the conversation that went on. I know you did your best to build a case around this. There are two ways you can go about the individual licensing model. First, you can charge up-front for it or, second, you can receive an income stream over time, which is the option we turned to. I have made the point on a number of occasions that a couple of commentators were suggesting it was a $200 million or thereabouts value to this and we should be capturing it up-front. We can capture more than that over time through the increased charges on the licence fees. The state is in a much stronger position.

**Mr WILLIE** - On that point, will there be any changes to casino tax rates? That could impact your total revenue over time.

**Mr GUTWEIN** - I refer you to the policy, which is where we said we would benchmark against other casino businesses across the country. I will receive advice and I will work with Mr Root and his team once they have done that.

**Mr WILLIE** - I have some more questions on this line item.

**CHAIR** - Yes, I have one, too. Treasurer, this area includes advice on state revenue policy, the tax bill we dealt with last week. It looks like policy on the run in many respects. The policy and parameter changes were not correctly calculated and we did not see the cost of the tax measures until Thursday last week as we were dealing with the bill. Were they calculated before the Budget? When I asked this at the briefing, the day the Budget was delivered, I was informed some measures, including the Foreign Investor Duty Surcharge, had not been costed. It was subsequently provided on Thursday.

**Mr GUTWEIN** - On the day of the Budget -

**CHAIR** - I had a briefing on the day the Budget was released. I asked whether costings had been done and they said, 'Not of all of them.'

**Mr GUTWEIN** - For Treasury to land the parameter changes, costings would have been done. That would be my view. Mr Ferrall might have different view on that. It is a judgment call by Treasury as to whether it is a parameter adjustment or a policy decision. They took the view they were parameter changes. I was surprised not to be asked on budget day for a breakdown similar to what I provided you last week. In the lower House, no such breakdown was requested. Questions were asked about two of the taxes, but we provided the total and are not inclined to provide the information. It is there and it is available.

**CHAIR** - I believe we did not have it until it was provided on Thursday last week. I had asked your team previously: How were the costs of the duty changes, particularly regarding the extra duty on foreign investors, calculated? What data did Treasury and the SRO use to calculate that?

**Mr GUTWEIN** - As to the foreign investor duty, the rules were changed. I am trying to think of the date; we now collect greater data on settlements.

**Mr ROOT** - 1 July last year.

**Mr GUTWEIN** - The data the SRO has is much more granular than it was in the past. They were able to look at - was it 10 months' worth of data?

**Mr ROOT** - We had data.

**Mr GUTWEIN** - We had actual data on the duties and they made judgments based on that.

**CHAIR** - Moving on to the tax bill, which goes to the policy of the Government. I believe it's policy; whether it has proven to be a change in the budget papers is a matter of opinion. Treasurer, I am sure you have read the letter from Mr Justo from the Law Society. How could the Government have proceeded with the new clause 4B(3), which essentially includes virtually all trusts as foreign unless the SRO was satisfied otherwise?

I understand it gives power to the trustee to allocate capital of trust very broadly and the fact that a foreigner may have an expectation is sufficient to deem the person to have a beneficial interest. The trust is a foreign trust and the new rules will apply. This matter has been raised as a real concern with me by a number of lawyers, not only Mr Justo, and also by accountants who work with trusts and understand the complexities of some of those provisions and how they relate to this bill.

How will trusts be considered? Is this what was intended, and how will it work in practice if this is the case? What evidence will the SRO need to satisfy itself that one way or another a trust is foreign? Where land is owned by foreign trust or company - in fact any trust or company - can land ever be classified as principal residence land or does a general classification apply in every case?

These are questions that, if we hadn't rushed through as we did and we'd had time to consult, we would have been able to identify there were some real challenges with this area of this bill.

During the briefing I said to your men that I really appreciated the opportunity to be briefed. This is 40 pages of complex provisions and I certainly didn't have the time to drill right down into it. I understand the Law Society and others that engage in this area weren't even consulted, so there are a few things I would like to comment on there.

**Mr GUTWEIN** - First, I haven't read the letter. I am aware of the issues in it and I have asked for advice on it. My understanding is that this broadly covers a discretionary trust where there may be some foreign involvement in it. The difficultly with a discretionary trust is that the income or distribution from that are completely discretionary. You could have a situation whereby property was owned by a discretionary trust that had 99 Tasmanians and one foreigner; the one foreigner has never received any distribution but at any time in the future that person of foreign background could receive all of the distribution. Therefore, a discretionary trust was included in this bill in such a way.

It is a challenge; the SRO needs to ensure it can capture foreign ownership and discretionary trusts are particularly difficult. Mr Root might have some further information.

**Mr ROOT** - In the administration of these clauses, these are anti-avoidance-type measures in capturing trusts the way they are. Anti-avoidance clauses in tax law are always able to be read quite broadly if you look at them just by themselves, but generally they are administered in a practical way. Within trusts, the residential questions you have or discretionary trusts don't allow for principal residence classification because it is difficult to meet the test that the person living in the property owns at least 50 per cent of the beneficial rights in the trust.

The answer to this question is probably going to be more visible once we see how things are administered. Ultimately it is up to the taxpayer to convince the commissioner that their circumstances are what they are putting forward - if they are saying there is no foreign ownership in a discretionary trust, these are the people who will have the evidence to provide and that -

**CHAIR** - It is going to be pretty onerous to some of these trusts that have quite a lot of beneficiaries. It could be great-uncle Spiros in Greece who may be part of that. Then the onus falls back onto the person to demonstrate they are not a beneficiary.

**Mr ROOT** - That is the case across the tax law.

**CHAIR** - Doesn't it then mean that all those people are potentially caught up in this?

**Mr GUTWEIN** - In terms of a tax structure and using a discretionary trust, and accounting for every taxpayer lawfully doing what they want to reduce the amount of revenue they pay, what we are looking for are properties that have -

**CHAIR** - We understand what you are looking. I'm talking about the challenges here.

**Mr GUTWEIN** - Using your example, if uncle Spiros has been involved in this trust and there is no flow of revenue or return dividend to uncle Spiros, the sensible thing to do would be to establish a unit trust and purchase the property under that basis. You are not locked into a corporate structure. We are looking to ensure we can capture -

**CHAIR** - I understand and do not disagree with the intent, I am talking about the operation. Maybe there is a time to do this further. It was rushed through and we agreed to take it on suspension. Be very wary of asking again. I understand that the Law Society wasn't consulted on this. These are people who manage these trusts all the time. Were they not consulted?

**Mr GUTWEIN** - Mr Root can discuss who was consulted. My understanding is that within the SRO, there is a significant body of experience and knowledge in how to frame these aspects. Regarding discretionary trusts, that is a sensible proposal by the SRO to ensure we don't have avoidance occurring, to capture them in this matter. Mr Root might have -

**CHAIR** - Consulting with, initially?

**Mr GUTWEIN** - It was dealt with in the SRO.

**CHAIR** - There was no time to consult or a decision was made not to consult?

**Mr GUTWEIN** - We had a time frame of 1 July. It is not unusual

**CHAIR** - The question is, whom did you consult with? There was no-one.

**Mr GUTWEIN** - I have said that the matter was dealt with in the SRO.

**CHAIR** - Because it was brought in at the end of the financial year, the question was raised that if a foreign investor signed a contract last week or last month and hadn't settled yet, are they caught by this if it is not settled before the end of this next week?

**Mr GUTWEIN** - Duty would apply at the date of settlement. There should be no surprise. This policy was announced some months ago.

**CHAIR** - Sometimes if you are looking at big purchases, they take a number of months to settle. When was it announced?

**Mr GUTWEIN** - Prior to the election. I will need to get you the date. It has been on the public record since 2 March that this was a policy we would be implementing. In terms of the process, we couldn't be more transparent. Anybody with an interest would have been well aware of the Government's policies and would know we were moving down this path.

**CHAIR** - I am sure Mr Justo looks forward to your response to his letter. There seems to be a lot of concern about the application of this legislation and that there wasn't broader consultation with the legal fraternity and accountants who deal with trusts. The real concern is on the foreign investor surcharge. There was some concern about backdating the land tax. Duty concession, I believe, is also backdated. This requires lawyers to look back at previous cases to see whether clients are eligible.

**Mr GUTWEIN** - We made it clear that the 50 per cent discount for first home purchasers and the 50 per cent discount in duty for pensioners downsizing would be applicable from the date we made the announcement. These measures have been on the Treasury website and were given significant coverage through the election period. Anybody going to the SRO website would be aware that these were to be introduced with the expectation that they would be delivered from the date of announcement.

**Mr WILLIE** - I was going to ask it in 3.1, but it is the same topic, with your indulgence, Chair. I refer to the *Hansard* from last year again, Treasurer. This seems to be another topic on which you have changed your tune. When this issue was raised, the deputy chair at the time said, 'Is there any consideration for that here then?' and you said, 'I haven't considered that, no'.

Then Treasury staff talked about data capture on stamp duty and other measures, and it became apparent there weren't statistics available and that statistics have been kept from this point onwards. In your second reading speech you said the demand was growing. Are you basing that on just one year of data?

**Mr GUTWEIN** - The previous data on the amount of residential and other property purchased were always provided through the Foreign Investment Review Board reports. Those data were available but from FIRB. From 1 July 2018 we will be in a position where those data are notified to the SRO. We now have a much better understanding of what those data are.

**Mr WILLIE** - Again in *Hansard* from last year, Mr Ferrall said -

It depends on the problem you are trying to resolve. The fundamental issue is to identify what is considered to be the problem in terms of political foreign ownership and then look at the right mechanism to resolve that. It may not be simplistic to change it in tax because it may not actually deal with it in the manner that you are attempting to. It is not easy. Some of those policies are more related, to be blunt, to politics than necessarily resolving a particular problem. Not that we have provided any advice to the Treasurer on this, but if we were, we would say okay, start at your problem definition point and then work through the appropriate policy, rather than just looking at a potential tax change that might give a political benefit but may not actually resolve the issue.

What advice did you base your policy announcement on?

**Mr GUTWEIN** - In terms of the policy that we took to the election, it is well understood that across the country most states have moved in this area. Most states are running surcharges significantly at a much higher level, up to 8 per cent in some states.

Treasury does not formulate election policies. I want to be clear about that.

**Mr WILLIE** - Clearly not.

**Mr GUTWEIN** - In this case you took the same policy and the same percentage surcharge rate to the election.

**Mr WILLIE** - Yes.

**Mr GUTWEIN** - What advice did you take on board?

**Mr WILLIE** - You would have to ask the shadow treasurer that.

**Mr GUTWEIN** - I might do that tomorrow. In the case of setting the surcharge, it seemed patently obvious to me, as a jurisdiction with significant interest in property purchases in this state, both at a local national and international level, that without bringing ourselves into line with the other states we are really sitting there as an opportunity for a foreign investor who wants to own a piece of Australian property at the lowest possible price. Tasmania was where the capital was going to land, so it seemed sensible to me to bring us into the same mix as the other states.

One other state jurisdiction has a 3 per cent surcharge, the same as we do; other states, for example, New South Wales, have moved to 8 per cent, from memory. Victoria is similar I think at 7 per cent. They have responded in the policy setting; we have responded in the policy setting. We will keep in under advisement. If we see significant inflows from foreign purchasers, as Treasurer, I will make a decision in future budgets on whether we increase the surcharge to bring it more in line with other jurisdictions.

**Mr WILLIE** - Some of the other measures in the bill the member for Murchison was talking about had review clauses after 12 months. Do you intend to review this after 12 months?

**Mr GUTWEIN** - With the foreign investor surcharge in place, I will take advice from Treasury, as I do each year with regard to whether the surcharge rate is appropriate. With other measures, specifically the First Home Owner Grant, 50 per cent duty will be reviewed at the end of 12 months. Likewise, with the duty holiday provided for pensioners, we will make a decision if we have seen an increase in activity in those areas on whether it is worth it.

**Mr VALENTINE** - Last year we spoke about the sharing economy at this junction. Can you provide the quantum of revenue gained through land tax payments as a result of the accommodation sharing economy legislation brought in last July?

**Mr GUTWEIN** - I don't believe we would have it at that level. A property would just appear to the State Revenue Office as either a principal residence or not.

**Mr VALENTINE** - There are properties with an apportioned land tax arrangement. Can we have figures for those who are paying an apportioned land tax for 2015- 16, 2016- 17 and 2017‑ 18, when it becomes available?

**Mr GUTWEIN** - I don't think that data would be useful on the basis that if there were an apportionment, it might be because somebody is running a business from their home, not necessarily being in the sharing economy space.

**Mr VALENTINE** - So we are not going to know whether the sharing economy is yielding dividends to the Government?

**Mr GUTWEIN** - With land tax, which is the basis of your question, we are looking at data capture for Airbnb, Stayz and other providers so we have a more complete picture in respect of properties which are either whole properties or properties where there is a sharing of rooms occurring. That process is underway.

The breakdown of a property that might be rented out over the medium to long term as opposed to one that is available for a short-term let or, conversely, a property standing vacant. That would just appear as a property we would be applying land tax to. Is there any other detail you can provide, Mr Root?

**Mr ROOT** - It's pretty right, Treasurer. It is very difficult to unpick the numbers because we don't know an apportioned property or the purpose of the apportion it is. It is also the case that in some properties where you might be using one or two rooms from time to time, that you may not be required to apportion the property at all if between that purpose, it reverts to the owner's use.

The other thing in picking out the relativities from previous years is section 26, the apportionment section of the Land Tax Act, as amended last year, which was largely beneficial to taxpayers and would take a chunk of money out of that. It would be very difficult to unpick it for a whole range of reasons.

**Mr VALENTINE** - But wouldn't it be sensible, even from now on, to know whether the apportionment is related to sharing economy, if it is one of your policies? I would have thought that in terms of measuring the effect of the policy, you would know the number of sharing economy properties and how many of them are registered. If they are not registered, are they travelling under the radar and not being charged? Or, if they are registered, surely you must have an interest in that?

**Mr GUTWEIN** - We have a data-sharing arrangement we are working through with Airbnb, Stayz and other providers. Rob, you are from local government: some of the questions being asked about properties that have applied for and received permits surprise me. There seems to be a view among some of the southern councils that it is not broadly reflective of the number of properties being utilised in that way.

**Mr VALENTINE** - That's right.

**Mr GUTWEIN** - I know that Clarence - I am not sure about Hobart - looked at the Airbnb website and was able to provide some clear statistics on the number of properties they thought were in their municipality. This is going back 12 months. Local government has those tools to use in ascertaining compliance. They are available right now.

**Mr VALENTINE** - Wouldn't it be sensible for the State Revenue Office to simply ask what it is for when someone applies for an apportioned land tax arrangement? That would be so easy. You would capture all of them.

**Mr GUTWEIN** - Again, in terms of those properties currently in the database, it would provide no further detail. If we can understand the mix of listings from the provider platforms, we can work with local government on whether there are any glaring compliance gaps. It appears to me that Hobart is suggesting there might be, but I am not sure what effort they are putting into understanding it themselves. We need to work through that process.

**Mr VALENTINE** - What is the total outstanding amount of debt incurred under the previous Commonwealth-state housing agreements? Mr Jaensch might be able to answer.

**CHAIR** - It is under 1.3, Debt Management. We will come to it there, if that is alright.

**Mr WILLIE -** When youmade the decision to change the regulations for short-stay accommodation, why didn't you put in place an agreement with Airbnb and Stayz so you could capture the appropriate data and monitor the impact on the private rental market? Isn't it a responsibility of government that if you change a policy setting, you monitor its impact and put the right data capture in place?

**Mr GUTWEIN** - That data capture exists if people are abiding by the law. We put a permit in place with a process for any whole property to be engaged in the marketplace. There seems to be some concern within local government that data capture is not occurring as it should, that some people are not taking steps to abide by the law. If people are prepared to do that, any other form of data capture becomes almost meaningless.

**Mr WILLIE** - On compliance, as the state Government, you control the settings, you can help ensure compliance and clearly that has been a failure.

**Mr GUTWEIN** - I might use the Hobart City Council as an example. I do not have any current numbers, but when we had the Housing Summit earlier this year the Hobart City Council told the Government there had only been 61 whole properties that had received a permit. If the Hobart City Council is of the view it has a range of its property owners breaking the law, local government has a role and a responsibility to follow those matters up. The data capture was in place through the permit arrangements.

**Mr WILLIE** - Last year when you announced this, you said -

What we are trying to do is to make certain aware we coming at this from the principle that the most important thing that we would have to ensure is that if somebody is going to stay in a property in Tasmania that it meets a basic level of health and safety.'

That responsibility of government is to some degree taken care of. With a lack of compliance, how are you going against that measure?

**Mr GUTWEIN** - I hope you will ask some of the local government bodies in your area whether they are actually meeting their responsibilities.

**CHAIR** - Perhaps we can ask this under Minister for Local Government.

**Mr WILLIE** - We can come back to it.

**Mr GUTWEIN** - I am happy to because we put in place a range of clauses of framework across, not just this particular area, but other areas. If Tasmanians or people want to break the law, there is a compliance role for local government.

**CHAIR** - I am conscious of the time. We want to get to the end of Treasury and Finance before lunch and we are going to have to come back for Finance-General.

**2.3 Intergovernmental Financial Matters**

**Ms LOVELL -** We spoke about the GST redistribution in the overview. Did you or your department seek a briefing from either the federal Treasurer or the department's federal counterparts, since the federal government received the Productivity Commission report into the future redistribution of GST?

**Mr GUTWEIN** - I have spoken to the federal Treasurer about this and we will receive a briefing. My understanding is Cabinet will consider it first and when that is concluded, the states will be briefed at that stage. I do not believe any other state has been briefed at this stage in terms of what is in the report.

**Ms LOVELL** - You said you have had a conversation with the federal Treasurer and formed a view as a result of the conversation that our revenue is secure. Earlier, you referred to comments made by the Prime Minister in terms of a guarantee he has given verbally. Have you sought anything in writing to confirm either of those guarantees?

**Mr GUTWEIN** - I have not sought anything in writing, but our position is perfectly clear and we will hold the Government to that guarantee.

**Output Group 3**

**Revenue, Superannuation and Regulatory Management Services**

**3.1 Tax Administration and Revenue Collection**

**Mr WILLIE** - A right to information routine disclosure question. In February 2018, you spent $389.55 on air fares. Where did you travel to and what event or appointment did you have during that time frame?

**Mr GUTWEIN** - All I could imagine is that it would have been Bash Trade Travel, which is an entitlement as a member of parliament. I will need to check and see.

**Mr WILLIE** - Was it during the caretaker period?

**Mr GUTWEIN** - I do not know. If it were a flight to an island, I do not think that would make any difference. As a member of parliament, we have an entitlement to fly to the islands in our electorate.

**Mr WILLIE** - I do not know if you did, but if you flew to the mainland to a Liberal fundraiser during caretaker -

**Mr GUTWEIN** - I can assure you that I would not have billed the state for any matter like that.

**Mr WILLIE** - Will you be able to take that on notice?

**Mr GUTWEIN** - Yes, I will have a look and find out what that was for.

**CHAIR -** We will stop now. I apologise for bringing this team back again. We will try to work quickly through Finance-General.

**The committee suspended from 1.04 p.m. until 2 p.m.**

**3.4 Office of the Superannuation Commission**

**Mr FINCH** - Treasurer, I would like an explanation on a couple of things, please.

Ms Kerry Adby, the chair of the commission, made a couple of points in the annual report, and one is -

… preparing for a change in our outsourced superannuation administration service provider, which is scheduled for early 2018.

Is this from Mercer to Link?

**Mr GUTWEIN** - Yes.

**Mr FINCH** - What are the reasons behind the move, and how is it going?

**Mr GUTWEIN** - I will pass this to the Treasury secretary, but my understanding is we went to the market and received a very competitive bid from Link and we went through that process.

In response to how it is going, with these things there are always challenges with a changeover and the times members cannot get the information they want. The commission communicated very clearly what the process would be. If I have one, maybe two pieces of correspondence on this as a result of the change, that would be it. It has gone very well.

**Mr FINCH** - Minister, what drove the outsourcing and the investigation that drew in Link? What was wrong with Mercer?

**Mr GUTWEIN** - There was nothing wrong with Mercer, we tested the market and their contract was coming to an end. We tested the market and found what we think was a good outcome.

**Mr FINCH** - So nothing untoward there? Had Mercer been competitive in its submission, I am assuming it was given the opportunity to submit?

**Mr FERRALL** - Mercer had been doing it for over five years. It was a five-year contract and it would have been extended slightly. Then we went to market; a number of players participated, including Mercer, and Link was successful.

**Mr FINCH** - Thank you. Another point made is the commission is working to resolve unresolved issues transferred to the commission on 1 April 2017, including correction of breaches by outsourced providers. Can I get some explanation behind the statement by the chair?

**Mr FERRALL** - There are a number of transition or residual issues the commission is still working through.

**Mr FINCH** - Such as?

**Mr FERRALL** - Things related to whether the correct amount of tax was paid in some cases. This is on behalf of members, with the Australian Taxation Office requirements, whether the correct amount had been paid, and so they are working through some of those issues.

It is not unusual to have in any arrangement, outsourced or otherwise, a set of residual issues that continue to be worked through when you change a provider. There are things Mercer was working on that were picked up by Link, which continued to work forward on them.

**Mr FINCH** - Where do you shift the blame for those discrepancies in taxation to - the staff of the Superannuation Commission or to Mercer?

**Mr FERRALL -** It depends on the nature of it.

**Mr FINCH** - What was it?

**Mr FERRALL -** There is no putting the blame on the staff. They were administering an outsourced arrangement. It is a complicated arrangement. If the liability were due to Mercer incorrectly administering the scheme, we would sheet the liability back to Mercer. If it were a matter of a combination, a number of factors could have led to a particular issue, and we would work through it and work out who the appropriate party was to meet the loss, if there was one, or to take the gain. These are not always one-way.

**Mr FINCH** - You are suggesting nothing untoward, nothing to see, here?

**Mr FERRALL -** There is nothing untoward at all. Superannuation, particularly on tax arrangements, is exceedingly complicated. When you have a party administering it, in-house or outsourced, there are always elements for which judgements and decisions are made that prove to be incorrect and need to be adjusted. These are not big issues, but they take a lot of effort to work through.

**Mr FINCH** - Are new governance frameworks going into place, from the commission or Link's point of view? Will those governance arrangements be picked up by Link?

**Mr FERRALL -** The commission has put in governance arrangements. The Office of the Superannuation Commission came out of the RBF. Governance and other arrangements in place were picked up. Under the new model, with Treasury providing support to the commission, there have been some changes in those governance arrangements. We have some arrangements that relate to the internal governance within Treasury. That might have to do with delegations or financial management within Treasury, but you also have an overlay of the Superannuation Commission's governance relating to appropriately administering the scheme on behalf of members.

**Mr FINCH** - Are you aware of any complaints that have come through to the Superannuation Commission about their operations?

**Mr FARRELL -** No, I am not.

**Mr GUTWEIN** - No. As to the change of provider from Mercer to Link, I might have had one or two pieces of correspondence where concerns were raised about periods where full service was not provided, but they were only short periods. The commission has broadly communicated the process well. In many cases it is set and forget for many of these customers. Broadly speaking, it has been reasonably positive.

**Mr FINCH** - You have nothing more to add on those complaints? I read in the report there were five complaints.

**Mr FERRALL -** The Office of the Superannuation Commission deals with 10 000 members. I have no doubt there will be occasions when individuals raise issues or complain. No complaints have been raised with me and no significant issues have been raised with the Treasurer. There will inevitably be transactions that occur which a member may raise with the branch and which needs to be resolved. That is a normal part of administering a scheme such as this.

**Mr GUTWEIN** - People elevate them if there is an issue. One I can think of was in the timing of a benefit payment. Outside of that, I cannot think of too many others we have had. Matters are raised with the commission about residual rights members might have. There is a process the commission goes through, but it seems to be running pretty well.

**Mr FINCH** - No alarm bells, minister?

**Mr GUTWEIN** - No. I am very pleased with the whole reform.

**Mr FINCH** - Chair, will I just keeping going?

**CHAIR** - We need to move on. We have already used 10 minutes. We have a lot of areas to get through.

**Mr FINCH** - I have many questions. I can probably leave them until next year.

**CHAIR** - If there is anything urgent, you could ask it, but we need to move on.

**Mr GUTWEIN** - If there are matters you would like to put on notice, I am happy to provide responses. Whatever works.

**Mr FINCH** - Yes, I may do that, Chair.

**CHAIR** - Okay. We can always put them on the Notice Paper. That is another option.

**Mr FINCH** - Sure.

**Output Group 4**

**Community Assistance**

**4.2 Public Trustee Community Service Obligation**

**Mr VALENTINE** - Why does there not appear to be an increase in the Budget for the provision of services from the Public Trustee to low wealth Tasmanians, given the rapidly aging population of the state and our higher welfare dependency ratio? One would think, given we have many people coming into this space, that you might an increase in public education programs, with more pamphlets and education evenings, those sorts of things. That is part of the community service obligation, I imagine?

**Mr FERRALL** - Any activities that the Public Trust - this is just the CSO?

**Mr VALENTINE** - Yes, it is the CSO. That is what I am saying. Because of the baby boomer hump, if I can put it that way, surely you would see an increase in its community service obligation to educate the public on their rights are or how they are to handle their lives going forward?

**Mr GUTWEIN** - The CSO is an agreed contractual relationship with the Government. The Public Trustee also has other commercial activities so its revenue stream is growing. It obviously has an opportunity to determine within its own corporate planning processes how it spends and delivers services.

**Mr VALENTINE** - If it is a community service obligation, presumably it is delivering education to the public on behalf of the Treasury? There is no increase in its appropriation for the community service obligation component.

**Mr FERRALL -** The community service obligation is part of its corporate plan. I have some figures here. Over the forecast period the CSO shows an increase in the number of represented persons. It shows a slight decline in the number of trusts and is relatively flat in terms of the state's forecast. The CSO is based around a level of increased activity in those areas. For greater detail, you would need to talk to the Trust office.

**Mr VALENTINE** - We will get the opportunity to do that during discussions on some other activities.

**CHAIR** - We will move on to Finance-General.

**DIVISION 3**

(Finance-General)

**Output Group 1**

**Debt Servicing and Management**

**1.1 Debt Servicing**

**Mr WILLIE** - Obviously a large part of debt servicing is servicing the legacy housing debt. Has there ever been consideration given to spreading that burden across government to put Housing Tasmania on a more sustainable footing rather than Communities Tasmania making those repayments each year?

**CHAIR** - It falls under 1.3. There is no appropriation for 1.3.

**Mr WILLIE** - Sorry, I'm talking about debt management.

**CHAIR** - There is an appropriation, but we should leave it until then. It is a significant issue.

This is the interest on end of year borrowings. Could you give me the level of overnight or borrowings to the end of this year, and then the estimated borrowings for the end of the next four years? I am sure the secretary has them right at his fingertips.

**Mr FERRALL** - For this year - 2017-18 - temporary overnight borrowings were $344.6 million; for 2018‑19, they are $507.1 million; for 2019‑20, 762.3 million; for 2020‑21, $813.8 million; and for 2021‑22, $819 million.

**CHAIR** - It is increasing each year still. It would be good to put those in the budget papers to save me asking for them every year. The new budget management system may facilitate that.

**1.3 Debt management**

**CHAIR** - This is on housing debt and debt management, and goes to Mr Willie's question in regard to particularly the principal repayments.

**Mr WILLIE** - Interest and principal.

**CHAIR** - The principal is picked up by Communities Tasmania. The interest is funded through Finance-General, is it? Just to clarify.

**Mr WILLIE** - Principal repayments by Housing Tasmania are $7.9 million so $7.4 million represents the interest payment.

**Mr GUTWEIN** - It is all part of the appropriation to Housing Tasmania or Communities Tasmania and then it is represented here in Finance-General. The package of their appropriation includes the fact that they have these debt servicing costs.

**Mr WILLIE** - That is a consideration for their appropriation?

**Mr FERRALL** - It is a consideration for their total budget. Housing Tasmania has a number of revenues, including direct Commonwealth revenue and also revenue from individuals who reside in their properties. This is all part of their total budget and the interest is a component of their operating costs.

**Mr WILLIE** - The basic understanding is that we receive partnership money from the federal government and we pay back half in that debt repayment. That is how it has been framed in commentary.

**Mr FERRALL** - There is a debt repayment that goes back to the Commonwealth and we receive funding directly from the Commonwealth.

**Mr WILLIE** - Has there ever been any consideration - I know that it is part of their appropriation - to take that debt out of that area and use the Consolidated Fund to repay that debt?

**Mr FERRALL** - The Consolidated Fund is not a magic pudding so it needs to be funded.

**CHAIR** - You did take FT's unfunded superannuation liability to make it more sustainable, which put $100 million off FT's balance sheet on to yours, so the question is: will you consider a similar thing for Housing?

**Mr GUTWEIN** - As an example, the principle behind what occurred with FT was that it was a much larger business at the time and was servicing employees who were no longer with it as a result of it now being a smaller business; therefore, it was meeting a legacy claim. In the case of this particular line item, the federal government provides its housing support. That is appropriated to Communities Tasmania and as one of the offsetting costs there is a debt that supports some properties in its portfolio. I think it is quite different to the circumstance with FT.

**CHAIR** - I am not saying the same circumstance, but it has been done.

**Mr WILLIE** - There is an argument that people accessing that service are footing the bill for a past legacy, a bit like Sustainable Timbers Tasmania footing the bill for previous employees.

**Mr GUTWEIN** - The asset is still there, with Communities Tasmania. It is exactly the same process employed by your government for a long period. In terms of your question, I could ask rhetorically whether it was raised under the previous government but it is something we have not considered.

**Mr WILLIE** - We are here to ask you questions, Treasurer.

**Mr GUTWEIN** - That's okay. You need to be fair. Your side of politics was in government for a long period.

**Mr WILLIE** - I know there were attempts made at a federal level to try to have the debt wiped. My next question is -

**Mr GUTWEIN** - Likewise, we have been engaged with our federal colleagues. We would like to see the housing debt waived as well.

**Mr WILLIE** - Have you spoken to the federal Treasurer directly about this housing debt?

**Mr GUTWEIN** - I believe I have. I have raised it, yes.

**CHAIR -** The member for Elwick seems to have read this in last year's *Hansard.* Last year, you said you spoke to the federal government about engaging with the states over the National Affordable Housing Agreement - NAHA - and noted it was a good time to raise the issue of the housing debt. You have had some discussions. What was the outcome of those discussions? Can you confirm the outstanding amount of the debt incurred under the previous housing agreements?

**Mr GUTWEIN** - The outcome has been that the federal government has not changed its position. The outstanding debt is $165.5 million.

**Mr FERRALL -** At 30 June 2018.

**CHAIR** - What is the current interest rate and how is that calculated?

**Mr FERRALL** - The average is 4.54 per cent, but there are a number of lines of debt, so it is between 4 and 6 per cent.

**CHAIR** - When to you expect the debt to be fully repaid?

**Mr GUTWEIN** - I will take advice on that - repaid or forgiven?

**CHAIR** - Forgiven would be a bit early, but there is no chance of forgiveness by the federal government at the moment by the sound of it?

**Mr GUTWEIN** - 2042.

**CHAIR** - Forgiven sounds like a better option. Any other questions on housing debt?

**Mr VALENTINE** - I have had mine answered, which is $165.5 million. This is not debt servicing. We are on interest and sundry deposits?

**CHAIR** - We have moved past there.

**Mr VALENTINE** - It was a question in respect of borrowings and government input into the TasWater partnership.

**CHAIR** - Let's deal with that under 3.4, Government Businesses.

**Mr VALENTINE** - It is not a government business, but I will.

**CHAIR** - Is that all right with you, Treasurer?

**Mr GUTWEIN** - Yes.

**Output Group 2**

**Employee Related Costs**

**2.1 Superannuation and Pensions**

**Mr FINCH -** In respect of superannuation and pensions, revenue from appropriation by output, this year goes from $441 000 down to $350 000 and is held constantly at $350 000. Can I have some explanation as to that drop, which is then held steady for the forward Estimates?

**Mr FERRALL** - That figure relates to the actuarial costs, the university costs, and previously we had a cost for the RBF review, going back. That is why it has dropped down. You're talking about the $350 000?

**Mr FINCH** - Yes, and that is held constantly? That $350 000 remains?

**Mr FERRALL** - Yes.

**Mr FINCH** - The public sector superannuation liability will cost $284.5 million next financial year. That's unfunded, correct?

**Mr GUTWEIN** - In terms of gross net by law contribution, yes, it is unfunded. The total superannuation liability is high. There is an asset that's applied, but the net liability is unfunded.

**Mr FINCH** - So it's in place? What you need to do about what is in place?

**Mr GUTWEIN** - Again, without taking the committee's time, in the early 1990s there was a view funding should be started to establish a superannuation provision account to put money aside to meet the unfunded liability, and successive governments of both colours worked to build a fund. It was the premier, Mr Bartlett, who made the 'get the hay out of the barn' comment. Any cash we had set aside from other purposes was spent in the period he was premier. There is no funding set aside now for the superannuation liability, apart from what's held in members' funds and that is a little less than about $2 billion towards the overall liability. There is a significant unfunded component.

**Mr FINCH** - That's up at $6 billion - almost $875 million. That's a frightening figure, Treasurer.

**Mr GUTWEIN** - That will rise and fall depending on the actuarial calculations. If there was a 1 per cent fall in the discount rate, the value of the unfunded liability rises. If there was a 1 per cent increase in the discount rate, the superannuation liability falls. There is a table on page 128 of budget paper 1 that covers it quite well. We now meet the general government sector's unfunded liability out of the Consolidated Fund. It's an ongoing expense to government. We set a target in the fiscal strategy, where we would limit the amount of debt or interest costs, plus the payment towards meeting our superannuation requirements at less than 6 per cent of our total cash receipts. If you compare this Budget with last year's budget, the total amount of cash receipts we are spending to fund superannuation is lower. We have an increased level of revenue in the Budget. This year it is about 4.9 per cent of the total cash receipts. It's not ideal but it's manageable.

**Mr FINCH** - It seems like the Sword of Damocles with $6 billion and almost $875 million. It is a cause for concern, but it doesn't impact on the way you need to assess things in this space?

**Mr GUTWEIN** - On the basis that we set metrics for managing the total cost within the 6 percent envelope of total cash receipts, it has a significant cost, but it is manageable in the overall cash receipts of the Budget. It peaks. Looking at page 124, chart 7.2, General Government Superannuation Liability Projection: by the end of the next decade, 2030 or thereabouts, the liability starts to come down, because people have retired or are no longer with us and so the total drawdown of pensions reduces. It's an ongoing liability we have to manage.

**Output group 3**

**Government businesses**

**3.1 Sustainable Timber Tasmania -**

**CHAIR** - I note in this output group a payment for Sustainable Timber Tasmania of $2 million for firefighting. Was that enough to cover its costs for firefighting in 2017-18 and if not how much extra was required?

**Mr FERRALL** - I don't have this. We can take it on notice and get you this detail.

**CHAIR** - There is $12 million per annum for Sustainable Timber Tasmania in State Growth that includes firefighting. I assume that is $2 million of that? It includes firefighting in the description so I assume it's $2 million, unless there is more money for that? It also covers community, tourism, access management, public recreation, site, forest education, special management and research.

**Mr FERRALL**- That doesn't include the $2 million in Finance-General.

**CHAIR** - It doesn't?

**Mr FERRALL** - No. The $2 million in Finance-General is for excess firefighting costs. There is an estimated figure that is the average, which is in State Growth. If during a high fire period it is above that average or that estimate, you have a component in Finance-General of $2 million. If it is above that, we put through a request for additional funds - RAF.

**CHAIR** - I need to reframe my first question. Was that $2 million needed?

**Mr FERRALL** - In 2017-18 it was used. I will check to see if there was a RAF.

**CHAIR** - Can you clarify that in terms of the CSO in Finance-General? Are there any other payments to Sustainable Timber Tasmania planned over the next four years? No equity contributions being hidden away somewhere?

**Mr GUTWEIN** - No. In fact this year there is a special dividend from Sustainable Timber coming back.

**CHAIR** - That relates to the sale of the plantations, doesn't it? Why is that being delayed? Didn't the sale occur last year?

**Mr GUTWEIN** - The sale occurred last year, but then we needed to have a disallowable instrument that will come before parliament this year. We announced we would bring that dividend into the budget to provide additional resources for Health. We have had a stronger 2017-18 period for revenue so we are able to meet the Health obligations we outlined in the Revised Estimates Report - RER. We can take the dividend in the coming year.

**3.2 State Fire Commission** -

**Mr FINCH** - The constant you were talking about, Secretary, might have been the figure I am looking at in respect of the allocation for this area of $2.836 million until 2021-22. Is that the figure?

**Mr FERRALL -** It works on both 3.1 and 3.2. The State Fire Commission accesses funding under 3.2, before excess firefighting costs. Sustainable Timber accesses output 3.1.

**3.4 Government Businesses -**

**Mr WILLIE** - Treasurer, in budget paper 1 a statement says the Government's election commitments that impact on the government business sector may also impact on the Budget through increased costs or reduced returns from government businesses. This includes the proposed new Hobart ferry services and energy-related commitments such as the delinking of Tasmanian wholesale electricity contract prices from mainland pricing and the reviews of irrigation tariffs and the solar feed-in tariff.

The detailed outcomes of these initiatives will not be known until the associated processes have been completed and therefore it has not been possible to quantify the potential impact at this time.

Does Treasury have assurances that Hydro Tasmanian can provide the dividends contained in the Budget, given it is identified as a risk in the budget papers?

**Mr GUTWEIN** - The dividends in the budget paper are broadly based on the businesses corporate plan, and so provide a four-year corporate plan. The setting of the wholesale energy price effectively drives Hydro's revenues. As I indicated this morning, last year when then the wholesale price was quite high and across the businesses, there was around a $70 million opportunity cost to the revenues foregone. However, the businesses are sustainable and the setting of the wholesale electricity prices aligns broadly with what they were expecting in their corporate plans.

**Mr WILLIE** - To clarify, given it is named as a budget risk, does Treasury have a guarantee Hydro can deliver those dividends?

**Mr GUTWEIN** - In part, this will relate to opportunity cost; certainly, anything to do with the wholesale price. I can only point back to where we were 12 months ago. There was an opportunity cost across businesses of around $70 million. Now, are the businesses sustainable and profitable even with that? Yes they are, the feed-in-tariff is as an example. This is going through a review. The end of this year is the end of the period the solar feed-in tariff-rated 28 cents comes off, and customers will drop back to the wholesale rate. That is a sharp fall and so obviously we looking at what that means. For other customers with the solar feed-in tariff, we want to understand the best way to ensure people have an incentive to step into this place and the feed-in tariff will consider that.

Should there be a significant increase in the solar feed-in tariff for customers not currently part of the arrangements, obviously that would impact on the businesses' returns and we would need to take into account. I do not want to pre-empt anything that may or may not come out of the review, but it is opportune to look at it on the basis that at the end of this year there will be circumstances where one class of customers will change dramatically.

**Mr WILLIE** - My next question is on Metro Tasmania. There is a commitment of $500 000 to establish the capital component of the Derwent River ferry service and there is also $7.5 million to move towards a single ticketing system. When is that service expected to be delivered? Does the indication from the single ticketing system, mean the ferry service is four years away? Can it operate without that?

**Mr GUTWEIN** - It could operate without a single ticketing service. With the ferry there are issues making certain there is appropriate infrastructure to support a ferry service. You need to be able to manage parking, the delivery to the river where a service might begin from or finish and we will work through the process. Timing and other matters to do with the single ticketing system would be questions more appropriate for the minister.

**Mr WILLIE** - Are you saying they are not related? The single ticketing system, the ferry operation and the timeframe allocated to the single ticketing?

**Mr GUTWEIN** - It certainly has never been in my thinking they are. The single ticketing system across the different modes of public transport makes a significant amount of sense in Tasmania.

**Mr WILLIE** - Of course. It was in our policy.

**CHAIR -** You should ask him about that one.

**Mr GUTWEIN** - With the ferry, we put the money into the Budget to explore and to provide assistance to Metro. For details you would need to ask the minister.

**Mr WILLIE** - My last question is about $1.4 million was provided to Tasracing for its borrowing costs. What were the borrowings for?

**Mr GUTWEIN -** Track-related capital upgrades.

**CHAIR** - On that point, how much principal was paid? It says that there was principal where necessary. Have you done the principal payments for Tasracing debt? The borrowings? You seem to be looking after Tasracing very nicely.

**Mr VALENTINE** - In regard to the partnership you are intending to go in with TasWater, have you made any provision in this Budget for any of that activity?

**Mr GUTWEIN** - The $20 million equity transfer is included in the Budget.

**Mr VALENTINE** - In the moneys going in from the Government, is the government guarantee fee involved? Is it seen as a loan to TasWater or is it simply seen as your Government's contribution to TasWater?

**Mr GUTWEIN** - There is $20 million-worth of equity. That is what the Budget forecast.

**Mr VALENTINE** - There are no fees associated that TasWater have to pay back to the Government in relation to that?

**Mr GUTWEIN** - Not linked to the equity, no, but we have laid out a memorandum of understanding with the Government's, TasWater's and local governments' expectations, and we are working through a process now to land that.

**Mr VALENTINE** - Have you had any conversations or consultation with the councils themselves? I know you may have with spoken with TasWater and the representatives, but have you actually had a broader conversation with the councils about what their attitude might be?

**Mr GUTWEIN** - As Minister for Local Government, I speak to councils regularly. Those that I have spoken to are broadly supportive. The position taken has been put forward by the owner representatives on behalf of all the councils.

**Mr VALENTINE** - Yes, I understand that.

**Mr GUTWEIN** - What consultation the owners represent is a matter for them. My understanding is that it is progressing well. During August and September a series of information sessions will be conducted and we will move things forward, subject to local government's agreement.

**Mr VALENTINE** - With respect to the ferries, did you consider there might be an opportunity and a major benefit in going, say, to Kingborough as opposed to just across the river?

**Mr GUTWEIN** - That is a matter to ask the Minister for Infrastructure.

**Mr VALENTINE** - The relevant minister. That is fair enough. I just wondered whether, in modelling it from the Treasury's perspective, that was taken into consideration.

**Mr GUTWEIN** - Again, locations and routes are a matter for the Minister for Infrastructure.

**Mr VALENTINE** - I will ask him that. It maybe these figures are in the budget papers somewhere, and I have been informed that they might be, but what is the total income from conveyancing for the financial year 2017-18 to date and the anticipated financial year 2018-19?

**Mr GUTWEIN** - If you are talking about duties generally, they appear in the chapter on the Policy and Parameter Statement, page 57, which indicates what the budget to budget increase will be, while page 82, State Taxation, has all the state taxes, including conveyance duty.

**Mr VALENTINE** - Are those tables going to answer how much higher the conveyancing income was than the expected budget amount?

**Mr GUTWEIN** - Absolutely.

**CHAIR** - The estimated outcome this year - well done, Treasurer.

**Mr VALENTINE** - How much of this windfall income went to housing programs - you have already answered that. You said that it is not hypothecated. What is the total value of conveyancing concessions?

**Mr GUTWEIN** - They were listed on page 86.

**Mr VALENTINE** - Thank you.

**Output Group 4**

**Miscellaneous**

**4.3 Miscellaneous -**

**Mr GAFFNEY** - A footnote for members, the decrease in this line allowance was for the health funding provision of $3 million for the Department of Health. It is a significant amount of money. There are three sections to this - the mobile radio network, government business structural reviews and the siting strategy. With the mobile radio network, I notice the member for Hobart touched on that some years ago and told it was 'commercial-in-confidence'. For the mobile radio network upgrade, the budget paper suggests that $23 million has been directed to this project to date. That was in $8 million in 2017-18 and $15 million in 2018-19. I have three questions -

(1) What is the likely total cost of this upgrade?

(2) Over the forward Estimates, what portion of miscellaneous funding is attributable to this project?

(3) The estimated completion time was by the end of 2020. Is this still accurate, will more time be required and, if so, what necessitates that change?

**Mr GUTWEIN** - It adds a significant cost to the budget and is embedded in the budget. The secretary can give you the numbers.

**Mr FERRALL** -We have a provision for the mobile radio network, which goes up by $10 million in 2019-20 from 2018-19. It is $15 million, up to $25 million, and then holds out at $25 million across the forward Estimates.

**Mr WILLIE** - Did you say $25 million?

**Mr FERRALL** - Yes, $25 million.

**Mr GAFFNEY** - The government business structure reviews are a $1.1 million pool and it looks at irrigation and electricity. What are the reviews focusing on? When are irrigation and electricity supposed to be finalised?

**Mr GUTWEIN** - I will ask Mr Voss to provide some detail. In terms of TI, that business is evolving. It is still going to be a developing business, but it has an ongoing management role that needs to be considered. In terms of the energy reviews, Mr Voss will answer that.

**Mr VOSS** - There are a range of things happening in energy but the biggest one is de-linking from the National Electricity Market - NEM - commitment with the Government. As you are aware, the Government has introduced legislation with regard to hidden costs fixed at CPI for this year coming and the next two. Over that period we will be looking at different ways of implementing the Government's policy. That is funding to help assist with that in consultancies and other things we might need. It is not something that will be done this year, it will take some time to work through and we are doing that now.

**Mr GAFFNEY** - Are all the reviews finished?

**Mr VOSS** - No, that is the start of the review. We have done part of the review and we are continuing that review to implement the Government's policy.

**Mr GAFFNEY** - What if the review shows that decoupling from the NEM is not in the best interests of Tasmania? Does the Government then drop its policy? I find it interesting you are still doing the reviews and going ahead with the policy regardless of the results of the reviews.

**Mr GUTWEIN** - We can be certain the national market will be impacted by national changes, more so than the Tasmanian market will. It is going to have an impact on price every time a coal-fired power station closes. It is going to impact on national price when South Australia has challenges because its energy mix is not working for it. These are factors outside of Tasmania. As to price over the long term, we will be in a strong position to de-link from the national price. We need to set a price based on the cost of production in Tasmania as opposed to the cost of production and the impact of market factors occurring on the mainland.

**Mr GAFFNEY** - I hear what you are saying; I appreciate that. There is a school of thought that says it may not be in our best interest but we will have to wait for the review process to come out. If we decouple from the national energy market, will that have any affect on potential infrastructure funding from pumped hydro and a second Basslink? Are there any indirect consequences for those other two quite significant projects?

**Mr GUTWEIN** - I don't believe so.

**Mr GAFFNEY** - Is that part of the review or have you had information already from a review telling you that?

**Mr GUTWEIN** - In the context of the national energy market we are a very small component. The appetite is for our energy as an export and primarily our hydro electricity on the basis that it can have a system-wide balancing effect, plus it can also provide more energy into the national grid. This is all outward-facing. The country sees the benefit from this. I hope we get the opportunity for significant investment into augmenting our existing hydro facilities, increasing the amount of capacity we have to generate and obviously the opportunity for greater wind energy as well. It is the national market that we will be supporting, not the other way around.

**Mr GAFFNEY** - Thank you. My only concern is that we have a government policy that wants reviews. I am not sure which is leading - whether you develop your policy, once you had the reviews, into a certain situation or it is a policy and then you push the review.

**Mr GUTWEIN** - What we are looking at here is the best way we can deliver government policy - that is what the focus of the reviews are. Our Government's policy is we will ensure that Tasmanian households and businesses are not impacted by the vagaries of the national market.

**Mr GAFFNEY** - Does anybody else have questions on that before I go to the cycling strategy?

**CHAIR** - Let us move on because we are running out of time.

**Mr GAFFNEY** - We spent a long time on the overview.

In $3.1 million is available in 2018-19 under the T21 strategy, the Tasmanian Visitor Economy Strategy. Is this money paid to Tourism Tasmania? Is it being added to the Cycle Tourism Fund, being spent on marketing or is it merely available on an as-needed request basis? Who administers the money?

**Mr GUTWEIN** - It is driven largely by the Minister for Sport and Recreation and the Premier. Our role is to make sure the money is available and they run the strategies to spend. I am trying to think of the initial two investments the Cycle Tourism Fund is being used for - one was Blue Tier and Break O'Day. I think Maydena received some support earlier in the piece. I am happy to get you a breakdown.

**Mr GAFFNEY** - It says here that items expended under this output include the mobile radio network, government business reviews and the Tasmanian Cycle Tourism Strategy. Is there one there I have not picked that you would like to tell me about, just in case?

**Mr GUTWEIN** - Ruth said to be short - no.

**4.4 Payment to Australian Tax Office: GST Administration**

**Mr VALENTINE** - Can you explain the downward trend in the appropriation for the administration of GST over the forward Estimates? How can it cost less than last year? It is down 5.5 per cent and then dropped by nearly 22 per cent per capita. Our population has gone up, not down, unless we are expecting a drop in share and you are forecasting it.

**Mr GUTWEIN** - It reflects the end of the GST voluntary compliance program from 1 July 2018.

**Mr VALENTINE** - Sorry, page 91 of budget paper 2, volume 1.

**Mr VOSS** - That is the cost from the ATO to collect the GST and these numbers come from the Commonwealth budget, on a per capita basis. As the Treasurer said, the reason of the drop in overall costs across the country is the ATO cancelling the Voluntary Compliance Program, hence our costs also fall because it is done on a per capita basis.

**4.7 Property Management Services**

**Mr VALENTINE** - The inclusion of the purchase of the Kirksway Building in the appropriation figures rather than the capital investment program seems a little odd. It accounts for the 163 per cent increase - $11.4 million in 2017- 18 to around about $30 million in 2018- 19. Can you explain why it is represented in this way and not in the Capital Investment Program?

**Mr FERRALL** - It is in the revenue for appropriation, because you need an appropriation to do the purchase.

**Mr GUTWEIN** - It was part of the division of assets in terms of the RBF reform.

**Mr VALENTINE** - Sorry. I thought you would represent it in the Capital Investment Program, not in this particular line item. Are there two ways of doing it? Is that how you normally do it?

**Mr FERRALL** - That is how we normally do it, but effectively what is going to happen is there will be a transfer of the property from within the Superannuation Commission to the general government. We effectively buy it from the Superannuation Commission.

**Mr VALENTINE** - So it is a paper transfer?

**Mr FERRALL** - The transaction in on the balance sheet, but to undertake the transaction, we need to have an appropriation and that is why it is reflected in the revenue from appropriation by output.

**Mr VALENTINE** - It is interesting we are purchasing that property. We are selling the Treasury building and we are purchasing another. It seems to be disjointed. We either have a lease policy -

**Mr FERRALL** - This was always part of the reform, so with the split-up of RBF assets, a range of assets went to TasPlan and a range of assets effectively stayed with the government. One of the assets that stayed within the government is the Kirksway Place building. It is the only asset of its nature managed by the Superannuation Commission. All the rest are effectively the cash held in the superannuation fund. As part of the reform, it was always intended the building be transferred across to the general government sector to continue its management.

**Mr VALENTINE** - Is it part of the process of divesting yourself of the superannuation aspect?

**Mr FERRALL** - It is making the administration of the superannuation assets easier. The Superannuation Commission outsourced all its assets to a fund manager and you do not want a single building to have an outsourced arrangement. It would be expensive to do in that arrangement, which is why we have brought it on to the general government sector balance sheet.

**Mr VALENTINE** - Can you explain why the appropriation for the output falls from $11.39 million to $8.73 million in 2019- 20 and then continues at roughly that level over the forward estimates?

**Mr FERRALL** - There are a number of other changes, so some of our property lease and rental payments have changed. In 2017- 18, Parliament Square rent was slightly higher. We were paying for Parliament Square and had other properties at the same time. That comes down. There is a fall because there was a reduction in power expenses and a range of other tenancy rent and other expenses changed across the forward Estimates.

**Mr VALENTINE** - Thank you.

**4.8 Infrastructure Investment Project Planning**

**Ms LOVELL** - Budget paper 2, volume 1, page 94 talks about funding provided for Infrastructure Investment Project Planning as part of the structured infrastructure investment review process. Are all the infrastructure projects within this Budget covered by that review process?

**Mr GUTWEIN** - No. A number of them have either been through it or are under construction. As to the process an agency would work through in the main, this would be to inform the Budget as opposed to delivering through the Budget. Any new infrastructure projects would go through the SIIRP process.

**Mr VALENTINE** - You mentioned pursuing a long-term planning approach with industry around the table. Can you explain how that works without those industry members having a conflict of interest? It must be difficult.

**Mr GUTWEIN** - The reason we're doing it -

**Mr VALENTINE** - I understand the benefit of it.

**Mr GUTWEIN** - Regarding delivery across all sectors, there is a significant infrastructure task in front of us, both through the general government sector, through our government businesses, local government and in the private sector. By delivery, I am talking about the planners, architects, designers, engineers and those swinging a hammer or working in the broader trades. Our conversation across the different sectors is as to how we take a team Tasmania approach to ensure we don't have industry sectors taking the view that they should seek to transfer skills from another industry sector because they are in a position to provide a higher rate of pay. How do we look at this and work through it together so we see the maximum possible benefit from the infrastructure program across all sectors, and how do we ensure the capacity is there? Investing $2.6 billion across the general government sector will lead to further investment over and above what the private and local government sectors are considering at the moment.

The other issue, and I can't mention this without raising it, is the prospect of what might occur in in energy, with $2.5 billion to $5 billion-worth of potential investment on the horizon. We need work with industry and local government across all sectors to ensure we have the capacity and the capability to deliver these projects.

**Mr VALENTINE** - Years ago, the various departments could bring their expertise into the mix in planning, but a lot of that has been divested and has gone out to private enterprise. The amount of information embodied within the agency itself depends on the expertise and experience in private enterprise. I am concerned we might find ourselves at their behest. I understand it is a good thing to plan long term and help industry and so on, but it's the issue of protecting the government from overt private enterprise interest.

**Mr GUTWEIN** - I am not sure I entirely agree with that. I make the point that Education is very good at building schools or upgrading schools. They have been doing it for a long time. They are now doing it in an environment - if I use Launceston as an example - in which they will be competing for labour via the private sector, with a potential $100 million private hospital build and, conversely, a $250 million university build. It is important we have this conversation because the circumstances we are facing now are relatively foreign to this state. Almost every industry sector is going through a period of growth. Almost every industry sector is investing at the moment so it is important we sit down with the industry sectors and have the conversation to ensure we obtain the best value from this.

**Mr VALENTINE** - Try to flatten out demand so it's more sustainable.

**CHAIR** - We need to wrap this up. Treasurer, we have run out of time and have already kept some people waiting. I have a number of questions on the grant subsidy and I am sure other members do, too. Are you happy to take those if we send you those questions around grants and subsidies?

**Mr GUTWEIN** - Absolutely.

**CHAIR** - I also had a few questions on the Tasmanian Risk Management Fund, which doesn't have an appropriation, but I have broad questions, if you are happy to take those on notice?

**Mr GUTWEIN** - I can and I will endeavour to answer what I can.

**CHAIR** - Only the grants and subsidies and capital investment program remain. If other members are happy to provide those on notice to the Treasurer, we appreciate he will give us some responses. We will send those through to you.

**Mr GUTWEIN** - Yes.

**CHAIR** - Do you have anything to table before we finish up with Treasury, Treasurer, perhaps some answers to questions asked earlier?

**Mr GUTWEIN** - No. Do we have an answer on that travel matter? Okay, we will chase it up. Was it $389.55?

**CHAIR** - While you are looking for that, do we have the borrowings from the GBEs? No ‑ will you provide that later?

**Mr GUTWEIN** - We will provide it later.

**Ms LOVELL** - It was $389.55.

**Mr GUTWEIN** - The amount of $389.55 was for flights on 26 October relating to a meeting of the Council on Federal Financial Relations, the treasurers' meeting. That is when the account hit our office, in February.

**CHAIR** - Thanks, Treasurer. Thanks to the rest of your team, Treasurer. We will do a quick swap to the TIC. We have the Industrial Commission, followed by the Auditor-General.

**DIVISION 5**

Department of Justice

**Output Group 1**

**Administration of Justice**

**1.9 Tasmanian Industrial Commission -**

**Ms LOVELL** - Treasurer, what staffing profile has been funded?

**Ms BEAUMONT** - There is currently no backlog of work in the commission because all positions are permanently filled at present. We have a permanent president and deputy president who came on board on 9 October. In terms of staffing, three FTEs.

**Ms LOVELL** - What positions are they?

**Ms BEAUMONT** - We have two associates and Alison, as registrar, and two statutory officers, which are the president and deputy president.

**Ms LOVELL** - Thank you.

**DIVISION 8**

(Tasmanian Audit Office)

**Output Group 1**

**Public Sector Management and Accountability**

**1.1 Public Sector Management and Accountability -**

**CHAIR** - Mr Whitehead, do you want to make any opening comment regarding your role and various challenges?

**Mr WHITEHEAD** - Thank you, Chair. I will make a very brief statement to begin with.

The Tasmanian Audit Office assists me as the Auditor-General to provide an independent view of the financial and operational performance of state entities. The office's mandate is explicit in identifying its primary client as the parliament. The office continues to satisfy parliament's requirements by engaging with the Public Accounts Committee and individual members by producing relevant reports and by providing independent assurance to the parliament and to the community on the performance and accountability of the Tasmanian public sector.

The Audit Act 2008 sets out my functions, mandate and powers. These are primarily satisfied through the performance of financial audits, performance audits, and other investigations and examinations.

The results of all audits conducted by me are reported to the parliament, to the Public Accounts Committee or to the joint committee for their consideration.

**Ms LOVELL** - I have a question relating to a statement the Treasurer made this morning about the net underlying balance.

The Treasurer argued this morning that the net operating balance is not an accurate measure. He said it could be misleading and is not a standardised accounting measure. Do you agree with that statement and why that is used as a measure to measure the sustainability of local councils?

**Mr WHITEHEAD** - In regard to the underlying result, it is really designed to take into account items of a non-recurring nature or, potentially, the capital nature, to get a better understanding as to what the true operational result of an entity is.

The interesting thing to bear in mind is that the accounting standards dictate the way in which the financial results are prepared. That is primarily reflected in the income statement and the statement of financial performance, plus the cashflow statement, and also the accompanying notes. There is a ministerial direction to also include in the disclosures the underlying result - again, that provides a better degree of comparison between councils, taking into account the things I mentioned before, such as the non-recurring items and items of a capital nature.

**Ms LOVELL** - Thank you. I agree with you on that.

**CHAIR** - In regard to that, does the Treasurer's Instruction relate to the reporting of local government, not to themselves?

**Mr WHITEHEAD** - There is a ministerial direction. It is encompassed within the Local Government Act in terms of the disclosure required. There is also guidance material that has been produced by my office in conjunction with the Local Government Division to help provide guidance to councils as to how to calculate that underlying result.

**CHAIR** - A question I have for you is in regard to your ongoing budget. We know that you work very hard in the Audit Office and seem to have an extraordinary workload at times.

I assume what we are seeing here is a CPI increase over the forward Estimates. Does that give you the capacity to take on extra work, or does something have to give when something more urgent comes up that requires your attention?

**Mr WHITEHEAD** - That is a very good question. The best way I can answer the question is to say that within the appropriation we receive, we try to complete the projects we articulate in our annual plan of work, which we table by 30 June each year for the forthcoming financial year. In addition to that, I have the capacity under my act to undertake audits at the request of various parties, including the Public Accounts Committee, and also at the request of the Treasurer. We also invite referrals from various members of the public that might relate to any matter relating to the use of public property or money. From time to time, we undertake other investigations or examinations in respect of some of those referrals.

Depending on our available resources, in some cases that results in a deferral of planned projects on the annual plan of work. Again, we only have limited resources within the appropriation available and have to manage our ability to do those special investigations within the resource.

**CHAIR** - Something you must do, like financial audits you are required to do on the entities. How many do you need to outsource? Hydro Tasmania for one example because of the nature of the business. I have trouble with their financial reports, but that is not surprising. So how many do you actually outsource?

**Mr WHITEHEAD -** In reference to another point you made at the beginning of your question as well around the cost of those particular audits, we actually charge for the services of those financial audits, so it is the entities themselves who pay.

We outsource around 20 per cent of our fee base for audits. There are number of reasons for this - one is because of the capacity of our office to get the work done within the legislated time frames to complete those financial audits. By using outsource contractors, it enables us some visibility around the audit approach external providers are using. It enables us to understand some of the developments in audit methodology, the differences of approach and, again, the differences in interpretation of auditing and accounting standards.

**CHAIR -** You only outsource financial audits?

**Mr WHIREHEAD** - At this time, it is only financial, together with the employer audit. We have always tended to outsource the employer audit. This is looking at the exercise, function and powers of the employer under the State Service Act 2000. We are contemplating whether we outsource some performance audits when they deal with more technical subject matter.

**CHAIR** - Generally, if you had to push something out to allow a project on your annual plan of work to enable an inclusion of a more urgent audit, it would be predominately be a performance rather than a financial audit?

**Mr WHITEHEAD** - Correct

**CHAIR** - Have you had to do that in the last 12 months?

**Mr WHITEHEAD** - We had some slippage in our planned completion of our audits articulated in our annual plan for last year. There are probably a number of reasons. One reason was the special investigation undertaken during the last 12 months in regard to some procurement at Glenorchy City Council. We also undertook an audit assessment following a request from the Public Accounts Committee in regard to children in out-of-home care - more specifically, the special care packages provided to third party providers.

**CHAIR** - I am sure you are running a lean operation. Your office, electricity, phone and all the IT are overheads you can't get away from. Does the budget you have enable you to do your work as effectively and efficiently as you believe you need to meet your obligations, or do you need more money?

**Mr WHITEHEAD** - Do we need more money? Everyone would say they need more money. In our particular case with the appropriations we receive, eliminating the reserve by law component which covers my salary and travelling allowance, we have about $2 million. This is to provide our reports to parliament, performance audits and other special investigations and examinations we undertake.

We endeavour to do as best we can within the $2 million available to us for those particular services. In respect of the financial fees, we have tried to contain the increases over the last few years in regard to the amount passed onto clients. This year we have had to increase the fees in reflection of the increases in our employee costs, which represent around about 66 per cent of our total revenue.

In respect of the other costs representing, 34 per cent is predominately supply and consumables, property occupancy-type expenses, communications and IT-related expenditure. It is fair to say we try to run a very tight ship in regard to our expenditure. I note the efforts of the corporate support team - in particular, Patty Johnson - in managing those other costs on behalf of the office.

**CHAIR** - What has driven the employee costs? Is that extra staff or just CPI increases in wages?

**Mr WHITEHEAD -** It is predominantly the CPI increases in wages. But we also have band creep, as our people progress through particular bands. Our employee cost increases are growing at a greater rate than are our appropriation revenue increases.

**CHAIR -** Because you hang on to your staff.

**Mr WHITEHEAD -** Correct.

**CHAIR -** Any other questions from members?

**Mr VALENTINE** - Departments chopping and changing all the time must be a nightmare. How does the new department being created impact on you when trying to trace a government business?

**CHAIR -** An agency rather than a government business.

**Mr VALENTINE** - Sorry, government agency.

**Mr WHITEHEAD -** In most cases administrative orders are put in place. That provides some clarity to the assets and the business for agency activities that are being transferred between entities. Most of the changes occur on 1 July, which makes it easier because balances are usually determined on the preceding 30 June. Where some activities are transferred other than at the end of the financial year, that adds a degree of complexity.

New entities that are established may be seen as fortuitous. It is like increasing our client base, therefore increasing our revenue for those financial audits. That assists in the sustainability of the office. If there was some traction in the number of entities, that could lead to a reduction in our workload. That could lead to decisions being made as to how to better manage the office in recognition of that decreased workload.

**Mr VALENTINE -** Although, if you are auditing business components, it does not necessarily mean you should get a reduction in staff, surely?

**Mr WHITEHEAD -** It depends whether new entities are being established as a result of the changes. Where there are no new entities being established, it is a matter of understanding what assets or resources are being transferred from one agency to another, and making sure that both respective agencies recognise the value of the net assets transferred and the assumption of those net assets within the new entity.

**CHAIR -** Thank you. Thanks for waiting and coming back a couple of times. We have had a hardworking committee with lots of questions for the Treasurer.

**Sitting suspended from 3.23p.m. to 3.35 p.m.**

**DIVISION 10**

Department of State Growth

**Output Group 1**

**Industry, Skills Development and Business Growth**

**1.1 Coordinator-General**

**CHAIR** - Welcome, Minister for State Growth. Would you like to make an opening statement?

**Mr GUTWEIN** - I would like to introduce Bob Rutherford, Deputy Secretary Industry and Business Services, and John Perry, the Coordinator-General. James Craigie, my Chief of Staff, is at the table as well. In the room is a range of other people from different areas of the department.

First, I take the opportunity to thank the State Growth staff for their work and the excellent job they have done in supporting me as Minister for State Growth since last year. It is a pleasure to have the opportunity to talk about the State Growth portfolio for the first time. These are exciting times in the state's economy and Tasmania is now a much stronger, prouder and more confident place.

I want to touch on some of the key economic indicators that demonstrate that strength. State final demand grew 4 per cent for the year to March at 2018, second only to Victoria. In the March quarter we had the fastest growing economy in the country.

Population is growing at the fastest rate in eight years. A key segment, net interstate migration, is consistently growing at its fastest rate in over 10 years. Confidence levels for Tasmanian businesses are leading the nation. The Sensis Business Index survey showed that Tasmanian small- and medium-sized business confidence was 12 points above the national average and equal strongest in the nation. The NAB Monthly Business Survey reinforced that sentiment, demonstrating for the third month in a row Tasmanian businesses had the highest confidence levels in the country.

The 2018‑19 state Budget delivers on our commitments as part of our plan to build Tasmania's future. The Budget has a strong focus on further strengthening the local economy, delivering better services as well as creating more jobs.

While it is easy to focus on the amount of activity occurring in Hobart, it is apparent that all regions of Tasmania are now starting to enjoy the benefits of a robust economy. For example, the number of very significant projects underway or in the very late stages of their planning will further boost regional economies. They include proposed BioMar and Ridley feed production facilities, worth a combined total of $100 million, in the north of the state; Hermal's plantation‑based hardwood facility, worth $190 million, in the north-west; and Dutch Mill. The Northern Cities Major Development Initiative is providing economic stimulation to the cities of Launceston, Devonport and Burnie. Launceston was the first city in this state to land a City Deal. We are also focusing on payroll tax incentives to attract businesses to the state outside of the greater Hobart area so we can see further investment and growth in regional areas.

Touching on Hobart briefly, Mac Point is moving into the investment and development stage now the site has largely been remediated and the reset vision finalised. The opportunity presents now to ensure that Mac Point becomes a significant world-leading Antarctic hub while providing opportunities for private investment for community and cultural activities.

Last night walking along the quay I could not believe the number of people pouring out of that space. Men, women and children.

**CHAIR** - The only frustration was from the people trying to come off the bridge into the city, which was my daughter. I got the other side of the argument when she was funnelled into one little lane in Liverpool Street.

**Mr GUTWEIN** - I watched with interest for a couple of minutes last night as I was on the quay where you turn into Mures. For 15 minutes people were just back and forth, cars were banked up right down the street. It was incredible to watch. Frustrating if you were in one of the vehicles. People everywhere.

**Mr VALENTINE** - That was the Ogoh-ogoh making its way towards Macquarie Point.

**Mr GUTWEIN** - A City Deal is also under construction in the south that will provide a more integrated and strategic approach to planning, infrastructure, transport and investment into education and community facilities. Work is well advanced on the key aspects of the deal. With the federal government in consultation with local government, this year's Budget has been framed to lay the foundations for a long-term future. As I said this morning, the centrepiece was a $2.6 billion spend on infrastructure which, while not in my portfolio, is specifically one with a significant outcomes in terms of job creation and the attraction of further investment.

On many indicators Tasmania is now leading the country in terms of its economy visitation investment. I look forward to members' questions.

**Ms LOVELL** - I am looking at table 11.3 on page 304 of budget paper 2. There is a line item there 'Investment facilitated by the Office of the Coordinator-General'. In 2016‑17 $306 million has been attributed. Can you outline what investments are included in that $306 million?

**Mr GUTWEIN** - Ridley, which was $50 million; Chambroad, $45 million - the DA has approved; the Hyatt, $40 million, which was project assistance provided to the developer and the introduction of the Hyatt Group; Australian Travel and Culture Group, facilitation support; and the Fragrance Group has a range of projects on the table - IBIS, Davey Street, Collins Street, Elizabeth Street, Sandy Bay Road and the Clarion. Around $70 million-worth of investment the Coordinator-General has been involved in. We have provided support towards a feasibility study of the New Forests black pellet mill. The EOI into National Parks based on a combination of round 1 and 2, is just below $70 million-worth of investment. The CH Smith building is listed at $9 million, but the total bill would be closer to the lower end of between $20 million and $30 million, as far as the investment is concerned, in facilitation and support. As to the Silo Hotel, the Government provided support in development and finance, and worked with Mr Stewart to put that project up. The total of that, excluding that we have underdone ourselves on the CH Smith development, was over $300 million. Around $325 million, I would think.

**Ms LOVELL** - Those projects you have outlined, are they in the $306 million for 2016-17?

**Mr GUTWEIN** - Yes.

**Ms LOVELL** - The $320 million target for 2017-18, is the Coordinator-General on track to achieve that?

**Mr FERRALL** **-** We believe so.

**Ms LOVELL** - Thank you.

**CHAIR** - How do you measure what is facilitated by the Office of the Coordinator-General if it is something that is going to happen anyway? An investor might look at Tassie and if they make one phone call to the Coordinator-General's office, does that count as a tick? How do you measure it?

**Mr GUTWEIN** - It is where the Coordinator-General has a direct involvement and is working closely with the proponents, whether that has been an investment we have sought out and captured ourselves or as a result of the development presenting itself. For example, in these numbers the work the Coordinator-General has done with the City Deal in Launceston is of significant importance. He has been involved in the development of that deal every step of the way in the negotiations regarding the additional investment the federal government has made in the Tamar River and the work that went on with the Burnie and Launceston UTAS facilities. John has been the point man on those.

**Mr FINCH** - I was going to say, apportioning of blame but apportioning of the good news stories -

**Mr GUTWEIN** - The minister receives all of them. John takes the others.

**Mr FINCH** - It is an interesting question: how are these figures arrived regarding what is developing through Treasury and other means the Coordinator-General might take credit for. Is that watched carefully, to see where credit goes and to give these figures?

**Mr GUTWEIN** - Absolutely. I think within government everybody wants to defend their patch. It is reasonable to say so in John's involvement with the developments we have outlined. He has played point and State Growth has provided a support role in some cases more than others. For example, the $100 million proposed by Calvary for its proposal in Launceston has been largely carried by the Coordinator-General from start to its current state of play. As we move into the next phase, Treasury and State Growth will play a greater role when we start to look at the footprint and valuations of land et cetera in the final negotiations. In the main, John has been the front person.

**CHAIR** - You might want to put him onto the Hobart Private Hospital.

**Mr GUTWEIN** - That is working itself through the system.

**Mr FINCH** - If I might ask about the Office of the Coordinator-General's FTEs, the numbers and the location. Do you have people based around the state or is it only in the one location, in Launceston? How is it working?

**Mr GUTWEIN** - My understanding is, 10 in Launceston, five in Hobart, one on the north-west coast and one in Shanghai.

**Mr FINCH** - The naughty boys go to Shanghai.

**Mr GUTWEIN** - For obvious reasons, it makes sense to have a resource there. There is certainly a lot of interest from that quarter in Tasmania. We have established the office in northern Tasmania and it has been well supported. I am pleased we have support across the political divide for the office. At the moment there is a lot of interest in Tasmania. Sitting behind me is Mark Bowles, and certainly through business and trade lot of opportunities are opening up. The resources of the department across all levels work very hard and diligently to achieve better outcomes in terms of the economy for the state.

**Mr FINCH** - In respect of the work the Coordinator-General's office does, is it a situation where the offers come into the Coordinator-General or does the department need to be out and about in Australia or overseas looking for initiatives that might come to Tasmania? How does that work?

**Mr GUTWEIN** - There is a keen interest in the amount of travel public servants undertake, and John, at the end of the day, is a public servant. We can never spend enough time in other markets talking to prospective investors that have an eye to Tasmania. We had the very successful visit by the Chinese president a few years ago. A significant amount of interest was generated.

Can I tell the Twiggy Forrest story or not? When the Chinese president was here and they were on the top of a very cold mountain. Twiggy Forrest jumped out with his shirt sleeves rolled up, no jumper or jacket on, and he said to the Premier, 'Take your jacket off, this is going to be viewed by billions of people around the world. If you are not wearing your jacket, it will look warmer.'

**CHAIR** - The Premier's teeth were chattering.

**Mr GUTWEIN** - Tasmania was on the international stage in a way it has never been before and I have to give credit to a 30-year engagement that began with Doug Lark.

**CHAIR** - Ms Giddings, the former premier, had a lot to do with the president coming over.

**Mr GUTWEIN** - Yes. We are the beneficiary of the world now viewing Tasmania as one of the hottest places on the planet.

**Mr GAFFNEY** - The 2015- 16 annual China engagement report had an outline about what was happening about the Cambria development in Swansea. I would like an update, because some different things were proposed. How has that developed and where is it up to now?

**Mr GUTWEIN** - Stop me if I step into an area I shouldn't. My understanding was we had an initial involvement with the Coordinator-General's office back in 2015- 16. Is that right? There has been no contact since 2016. They have progressed that proposal with the local council and are going through a planning process, apart from the initial contact, I do not believe -

**Mr GAFFNEY** - The company purchased 400 million megalitres of water for the development. That is quite a significant amount of irrigation water for the property and development. Where is that now? Have they purchased anymore and are they using that? That crosses a whole gambit. It has already come out and said these are the proposals in the annual plan. The last dot point was the possibility of other potential tourism developments when the initial lot looks like it was to do with soil, heritage, planting crops and whatever, and the 400 megalitres of water rights.

**Mr GUTWEIN** - I don't have any details on that. That would be a question better placed with DPIPWE or Tasmanian Irrigation.

**Mr GAFFNEY** - That is what I want to understand - who was responsible for making this deal with this company, and who is responsible for following it up?

**Mr GUTWEIN** - There was very little engagement with the Coordinator-General. It was brief at that time, as I understand it. The matter of purchasing water allocations would need to be directed to Tasmanian Irrigation.

**Mr GAFFNEY** - I am not getting this because the message was from the Minister for State Growth on this primary engagement report. Therefore I would have thought the Minister for State Growth was reporting on this because he has some responsibility. Being the Minister for State Growth, don't you have a responsibility to follow this up? Do I go now to Tasmanian Irrigation and ask what is happening with this development?

**Mr GUTWEIN** - My responsibility for that report you are talking about was obviously nil, on the basis that it was a previous minister for State Growth. The engagement the Department of State Growth has had was in 2016. If you want to characterise what that engagement was, that might provide some clarity. They then went through the processes of purchasing water, as you have indicated, and putting forward a development application for the property they own.

**Mr GAFFNEY** - If I wanted to find an update on this development and what has occurred, what minister do I need to ask and in what portfolio does it reside?

**Mr GUTWEIN** - My understanding is that they purchased - how many?

**Mr PERRY** - They purchased the land and we gave a presentation to Cambria Green in 2016, I believe it was, and this was a general presentation about Tasmania and investment opportunities. They negotiated their water rights with Tasmanian Irrigation directly. We have had no further engagement with the organisation.

**Mr GAFFNEY** - Have you had any other groups from China that have negotiated water rights as part of an economic development and State Growth package?

**Mr PERRY** - None I am aware of. The only other one that would have had water associated with the development, but we were not involved in the negotiations of water with, was Woolnorth and VDL.

**Mr GAFFNEY** - To answer that, would I need to go through Tasmanian Irrigation?

**Mr GUTWEIN** - We provided no financial assistance to Cambria Green. They have purchased a property in Tasmania and whether they are foreign or domestic, they are going through the normal processes that any property owner is allowed to, including the planning system.

**Mr GAFFNEY** - I have no issue with that. I have an issue with them having five or six points saying they are looking at revitalising the soil, looking at providing agricultural experience et cetera, but the last dot point is other potential tourism opportunity. I want to know the first four dot points about any negotiating discussions that have occurred. There has to be somebody checking that.

**Mr GUTWEIN** - If it were a foreign purchaser or a domestic purchaser, what role does the Government have in the types of inspection of the project that you are suggesting? To the best of my knowledge, we have not provided any financial assistance. They are a property owner in Tasmania and they are going through a range of processes that will be confined, to a degree, in what they are allowed to do by the current planning laws and any environmental laws they need to abide by. I am not sure what you are thinking; I am not sure what we should be doing.

**Mr GAFFNEY** - You just sat here and said how great the relationship is between us and the foreign investors. I don't care whether it is China. That is not my concern. My concern is when you put out a good news story about what is happening, and I ask two years later what is happening, and you answer, 'No, that is up to the local council now.' Who does the follow‑up with these investments so that they are sticking by how they became involved in the game in the first place? They didn't just come here.

**Mr GUTWEIN** - We provided no support to them. If we had provided a significant grant or other support that was then linked to certain outcomes, we would have an interest in ensuring they had achieved those significant outcomes. They are a property owner and they are going through the planning process. As long as they abide by our laws, they are the ideal type of investor, whether foreign or domestic, because they have not put their hand up for any support.

**CHAIR** - To follow on from that, Treasurer. I understand where Mr Gaffney is coming from. There is a performance indicator here - provision of information and advisory service to SMEs. You have the number of those. It is an output; it is not an outcome. I think Mr Gaffney was asking about outcomes. My biggest bugbear of budget papers generally is no outcomes‑based performance information. It is worse in some other portfolios, but that is not yours. We will get to that later in the week.

**Mr GUTWEIN** - Anyone I can give a hint to?

**CHAIR** - Tell them to think about it before they come in, won't you? I think about Wednesday. Give them a heads up if you like. Someone gets a prize each year; it is not you this year. With this one, how do you measure outcomes from the provision of information and advice? I appreciate the work done by the Coordinator-General and the other people engaged in this, but how do you know there are outcomes? There must be some that don't go anywhere, for whatever reason. Maybe they think now is not the right time, or circumstances change, or they have asked for a payroll tax holiday or something. The Treasurer, in his wisdom, says no - not that he often says no, I do not think.

**Mr GUTWEIN** - You might be surprised.

**CHAIR** - That is what I am saying. How do we know?

**Mr GUTWEIN** - How would you characterise the information provided to small and medium enterprises, and their entry point with the department?

**Mr RUTHERFORD** - We have two vehicles for it. We have Business Tasmania and the enterprise centres. I accept the criticism that we are measuring activity rather than outcomes. In essence, it gives us a track of how we are building ongoing relationships with small and medium business. What we can point to in outcomes, though probably cannot take full credit for, is the life expectancy of small business, which, as you would be aware, is better in Tasmania than in other jurisdictions. We believe that is because of the activity we contribute in providing those advisory services, not simply in this department.

**CHAIR** - How can you say that unless you can measure it somehow?

**Mr RUTHERFORD -** It is very difficult to get metrics that relate cause to effect. In all of government, you get the provision of information because it is a public good - if it is produced for one, it is valuable to all. It is not something you can allow the market to do. That provision of information is a fundamental service to those communities. In tracing how effective it is, in the end you have to point generally to 'Can you say you are more effective than other jurisdictions?' We would say yes, on performance of our small and medium enterprises, but there is not a simple causal mechanism in that. We could debate all sorts of social reasons, in particular continuity in families and the value of good name in the Tasmanian market, that have nothing to do with what we are doing. If you put it together, you probably would see that the compounding effect of what we are doing in this information provision area correlates with a better outcome. I know of no provision of information service by any government that can reasonably demonstrate an outcome in a simple causal chain.

**Mr GUTWEIN** - There are some broad indicators. The confidence surveys conducted quarterly provide -

**CHAIR** - They are more for people already in business here or do you survey more broadly?

**Mr GUTWEIN** - The provision of information to small to medium enterprises is whoever wants to enter the door through an enterprise setting. In many cases, they will be existing businesses. If we have on one measure that they are reasonable businesses and businesses as a whole are very confident, we have the other measure that Sensis predominantly runs, and that is where they express satisfaction with the government of the day's policies. That's one measure that -

**CHAIR** - It's broad when you say that because policies go across a gamut of areas whereas a small business - a turkey farm, for example - might find a heap of policies that could be detrimental to them and some could be ok. Are you saying it is overall?

**Mr GUTWEIN** - It is a matter of balance. Small business, as any constituency, will raise it if they have a particular concern about a policy setting. They will be noisy about it and they have mechanisms to do so through the advocacy provided by the Tasmanian Small Business Council, the Tasmanian Chamber of Commerce and Industry or other chambers of commerce. They will quickly raise issues they feel are not supporting their aims. Broadly speaking, when surveyed and where independent surveys are conducted, businesses are confident and are supportive of what the Government is doing.

**CHAIR** - That feeds into your red tape reduction. That's one of the interesting criticisms of a lot of people in business or even the farming community - complaining about all this red and green tape, and blue tape as well now. They often find it very hard to say when they are asked what would make a difference for their business. In terms of your red tape reduction, which still sits in the Coordinator-General's office, we are continuing to reduce it by progressing the resolution of the priority red tape issues identified in the report. We have removed eight but they were completely superfluous. Is there a link between those two aspects?

**Mr GUTWEIN** - In the annual red tape reduction report, there are hundreds of examples, from the duplication of what was occurring in bushfire planning to changes made to the building regulations which have made it much easier for people to do small, less risky developments. Within other examples I am aware of there has been direct contact between business and the Red Tape Reduction Coordinator. In one case, an irrigator had major issues with a transformer and the Red Tape Reduction Coordinator was able to work with the business and the government business responsible to negotiate an outcome to help business.

**CHAIR** - I might send all my complaints to the Office of the Coordinator-General.

**Mr GUTWEIN** - In terms of the Red Tape Reduction Coordinator, one of the additional roles we will be adding to the Coordinator-General's office will be the Small Business Advocate. In many cases, small to medium businesses need somebody who understands the system and can assist them to work through what might appear to be quite complex circumstances, but with somebody who understands government and government businesses, you can achieve an outcome much quicker now. It doesn't always work but that is our aim.

**Mr FINCH** - You might have explained the reasons for some of these figures in this output group in your overview, as to the variation that occurs here and in industry and business developments, which we are going to cover next. The variation runs from last year at $18.573 million, then in the forward Estimates it jumps to $54.343 million, and the drop-away in 2021-22; these are in the figures for the Minister for State Growth. Can you clarify that scenario for me in respect of those numbers? I realise initiatives are dropping away. Can you tell us about those and the impact it has had on those figures?

**Mr GUTWEIN** - That output will include the Northern Cities investment, which was close enough to $90 million, will underpin the university relocation. There was also the funding of the library - I am thinking of Devonport, the library and LINC.

**Mr VALENTINE** - LINC statewide? Are you talking about changing its -

**Mr GUTWEIN** - No, this was the Devonport Living City, where we took an ownership position in part of the strata title of that first build of around $13.5 million. The cashflow across the forward Estimates indicates where we gained significant grant funds expected to be expended in those years. The best example would be the UTAS relocation project in the north.

**Mr FINCH** - That comes into the Coordinator-General's figures?

**Mr GUTWEIN** - That is the output group the grant will be made from.

**Mr FINCH** - Are the drops in 2020-21 and 2021-22 yet to be worked on?

**Mr GUTWEIN** - That will be as other projects emerge and other support is required. That would populate the outer years and beyond as we work through other projects.

**Mr VALENTINE** - I was not sure whether it was 1.1 or 1.2, but an allocation was made for Carlton United Breweries. Did that go through the Coordinator-General? If it didn't, I will be asking down to 1.2. Can we have some information about that, what it was for and so on?

**Mr GUTWEIN** - Carlton United approached the Government in August last year or thereabouts. It was looking for a significant investment from the Government, well in excess of $10 million. It was closer to $18 million. It had a proposal about an investment it wanted to make. Negotiations occurred and we provided a $1 million-grant to support a more than $10 million-investment into ensuring its craft beer production for export was based in Tasmania. It underpinned the existing the workforce and the longevity of the production line of craft beer here in Tassie.

**Mr VALENTINE** - That application was made, when did you say - August last year?

**Mr GUTWEIN** - August, I think.

**Mr PERRY** - That was when we first met with them. It might have been a little earlier than that because we had ongoing discussions.

**Mr FINCH** - Carlton United came to the state Government, Treasury, to ask about this and you then put that into the hand of the Coordinator-General, is that right?

**Mr GUTWEIN** - There are a number of entry points to government. In terms of Carlton United, my recollection is that was direct engagement with the Coordinator-General. I would need to check. As Treasurer, negotiation is not my role or responsibility. That is a matter for State Growth. With investments like this, the Tasmanian Development Board may also make recommendations.

**Mr VALENTINE** - If they were coming to you for $10 million, what was the overall cost of the project?

**Mr GUTWEIN** - Correct me if I am wrong, John, but I think they were looking for about $18 million-worth of support for a $40 million project, which had a much wider remit than where the final investment landed. The final investment, as I say, was more than a $10 million-investment, supported by $1 million-worth of assistance from the state Government in terms of its craft brewing.

**Mr GAFFNEY** - I have three isolated questions. It is difficult to know whether they go in 1.1 or 1.2, so my apologies if I am jumping all over the place. I would like to understand the Coordinator-General's or Government's role with Moon Lake Investments. Did the state Government ask the federal government and the Federal Investment Review Board whether the approval of the Moon Lake Investments purchase came with any conditions? I understand there have been some issues with the process but I want to understand the Coordinator-General's, State Growth's or the Government's role in getting assurances from the federal government about the responsibility for Tasmanians to get jobs.

**Mr GUTWEIN** - John just indicated that the FIRB is the decision-maker at a national level. We get asked for a view, but we do not condition any outcomes. It is a matter for FIRB to make any decisions and add conditions.

**Mr GAFFNEY** - If a company comes into Tasmania to set up or take over a business, the state government has no responsibility to suggest in writing to FIRB what its expectations of some of those conditions might be?

**Mr PERRY** - When a transaction triggers the FIRB Act, the federal government writes to the state government and requests its feedback, particularly on the impact it might have on competition within the state. We talk about the local market. We provide input and feedback to their initial thinking and that may influence their conditioning, but it is the federal government that makes the decisions. We do not get to see those conditions when they finalise. We have requested it in the past, but it is not provided to the state as a matter of course.

**Mr GAFFNEY** - Is there anything we can learn as a state from Moon Lake Investments and put into that process? What do we do as a state or what do you do as a government to make it known that there were some concerns?

**Mr GUTWEIN** - What sort of concerns do you have?

**Mr GAFFNEY** - I have concerns over some of the people involved in that investment walking away from their responsibility.

**Mr GUTWEIN** - You are talking about the board?

**Mr GAFFNEY** - Yes. They were people who had credibility within this community. They decided, for whatever reason - I do not know as much about it as you probably do - to walk away and not back up that entity.

**Mr GUTWEIN** - In terms of Moon Lake specifically, the starting point needs to be that it was foreign-owned to begin with. In terms of the business they might want to restructure or the direction is not where the board wants to go, I understand they are looking to have a more vertically integrated model. There were some very good people on the board, a number of them who have been involved with government or government businesses. Ultimately it is a matter for the owner of the business in terms of the board they have in place.

My understanding is that the proposed investment is not expected to impact on the jobs in the local area. I asked Kim Evans, who is not with us today; I put a call in to David Crean. Kim also called David and had a discussion with him to get some background. I was not available for the meeting, but I understand that Kim and the Premier - I think John might have been involved as well - also met with the company to ensure that what they had originally proposed in their future direction, in terms of the impact on our local economy and on staff, was still the direction they were going to take.

**Mr VALENTINE** - With respect to state Government funding, do we have any skin in the game in that organisation, apart from the benefit that comes to Tasmania from employment? Do we actually have any dollars there?

**Mr GUTWEIN** - I don't believe we have. I can check that, but I do not believe we have.

**Mr VALENTINE** - I would be interested to know.

**CHAIR** - There are no payroll tax concessions and no stamp duty relief when they bought it? That is what you are asking?

**Mr VALENTINE** - Yes.

**Mr GUTWEIN** - I will check, but I do not believe we provided support.

**Mr VALENTINE** - If you could give us a well-rounded understanding of whether we are giving any concessions, or whether we have any other dollars involved in any way.

**Mr GUTWEIN** - We are not providing any payroll tax concessions. I think there was a request for a stamp duty concession, but I have to check. I do not believe we provided it.

**Mr VALENTINE** - If you could come back to us with a full explanation, thanks.

**CHAIR** - One of the issues that some of the bigger companies, like Hermal Group, potentially faces is skills shortages and access to a suitably qualified workforce. How will the Coordinator-General work to assist with that.

**Mr GUTWEIN** - My understanding is that $1 million was set aside to assist with training and development of the workforce as part of the overall package to Hermal.

**Mr PERRY -** That we identified from the forest works.

**Mr GUTWEIN** - As part of our discussions, these businesses are keen to understand whether there is going to be a workforce. The north-west coast, from the point of view of manufacturing, is a location that would have the skills. As part of the overall package provided to Hermal, some assistance has been offered to ensure that additional training can be provided. It is obviously a matter for the -

**CHAIR** - Would that be to their employees or just in broad terms?

**Mr GUTWEIN** - This package would have been related to their employees, skilling up employees who currently are not in that business.

**CHAIR** - It has not started yet. That is just one example. Is that done broadly across industry development? Is that something that is part of the role of the Coordinator-General? Does that fall more to other areas?

**Mr GUTWEIN** - Obviously the minister responsible for skills has a direct involvement in that area. The Minister for Education and Training broadly has a far-ranging responsibility in that area.

**CHAIR** - There is collaboration between the Office of Coordinator-General and Minister for Education and Training.

**Mr PERRY** - It typically comes up with any large project. The company is interested in understanding what the labour force looks like and what the potential is for skills development.

We engage with Skills Tasmania and TasTAFE, the University or whoever is relevant in the specific example.

**CHAIR** - Is there any particular focus on long-term unemployed? We have a challenge on the north-west coast trying to get them into employment.

**Mr GUTWEIN** - There was the partnership announced in last year's budget. I would need to seek from my chief of staff what the investment was - around $5 million shared by the TCCI and TasCOSS, specifically targeting looking at either long-term unemployed or young people with particular disadvantage in terms of transport or access. The program was funded in last year's budget.

**CHAIR** - Through State Growth or Education?

**Mr GUTWEIN** - Some was funded through Premier and Cabinet, which would now be Department of Communities Tasmania and would imbedded in the Budget. I don't have last year's budget papers here but, I can point you to it.

**CHAIR** - I was wondering what the connection is? It is no good operating in silos when clearly you have a specific possible investment or employment opportunity if we don't actually engage with some of those who most need it.

**Mr GUTWEIN** - It was the intent of the program last year, which had significant funding and it was a collaboration between Government, industry through the chamber of commerce and TasCOSS.

**CHAIR** - Who is the minister to ask about outcomes from that last year?

**Mr GUTWEIN** - Communities Tasmania possibly or the Department of Premier and Cabinet. I can get some further information.

**CHAIR** - What is it called?

**Mr GUTWEIN** - My chief of staff will be looking for the program in last year's budget.

**CHAIR** - I have a copy of last year's budget under the table if you want it.

**Mr GUTWEIN** - No scribble in it about me? I'll see if I can find it.

**Mr RUTHERFORD** - We are aware of a number of programs in the skill portfolio, the jobs action page.

**Mr GUTWEIN** - $4.1 million over four years.

**CHAIR** - Under skills.

**Mr GUTWEIN** - The partnership with TasCOSS, TCCI and industry increased labour market participation and productivity in regional level.

**Mr VALENTINE** - The $12 million community service obligation from sustainable tenders.

**CHAIR** - We asked about that earlier

**Mr VALENTINE** - You did? Okay, I will be slapped on the wrist.

**CHAIR** - You must have phased-out at that point.

**Mr VALENTINE** - I was too busy looking up other things.

**Mr FINCH** - No, I am looking to industry and business development.

**Mr GAFFNEY** - Did the Coordinator-General have any role in the recent discussion about the pilot school coming to Tasmania? Even though Launceston got the guernsey - good, as long as we can get it to Tasmania. Did you play a role, do you know the time line or have you been given any indication of when they will make a decision?

**Mr GUTWEIN** - John was very involved. He and his team with Department of State Growth, worked extraordinarily hard to pull it together. The time frames were very tight and it would fair to say the bid we put forward was a team Tasmania bid, but highlighting the opportunities for both of the airports. I can understand some disappointment that Devonport was not selected. We had made it clear to Qantas that in the bid we were putting forward two options we thought would work and that we were happy to negotiate with them about one or the other, or a combination of both. They made a decision to come back with Launceston. As to the time lines?

**Mr PERRY -** They will be sending their assessment team to each of the nine locations over the coming weeks, and they said they expect to make an announcement in the third quarter of this year.

**Mr GAFFNEY** - Congratulations. I hope it comes to Tasmania. That would be the best case scenario and something else will come up for the Mersey region, but hopefully it will get here. Well done on that. That would be a big one for Tasmania, especially for Launceston.

**Mr GUTWEIN** - The opportunity is there if we can land it in Launceston - no pun intended. There is the opportunity to spread our wings and perhaps look at opportunities in Devonport in the future. It has been furiously fought for by other states and other locations as well, so to be in the group of nine is a great opportunity for the state.

**Mr GAFFNEY** - The one thing lacking in the Devonport area is some educational excellence, some centre that can grow and expand - UTAS is in Burnie, Launceston and Hobart. As a population base, we are very strong. The Wesley Vale mill has a lot of potential but we need something else to add to be attracted to Devonport. All of that aside, I hope Launceston gets the gig.

**Mr FINCH** - At one stage 13 Qantas pilots lived at Ross - many people don't realise that. Minister, it is about this variation we have in the Budget and the forward Estimates: a decrease from 2017-18 of $13 million; the next year it's $12 million; the next year it's $7 million; and the next, $2 million - down and down it goes. In the references here I see cashflows of prior year initiatives and other key deliverables. They are heading south. I am wondering: are those programs finishing off progressively as time goes by? Is that what that diminution of dollars is?

**Mr GUTWEIN** - In that first year, there would be the immediate election commitments responsible for State Growth and then other programs that have been committed to. Similar to the Coordinator‑General's output, as each budget year rolls around, we will consider what the forward Estimates' years look like depending on what projects or assistance are required.

**Mr FINCH** - You might be able to tell us now what has happened to the ones listed here, like the Community Infrastructure Fund, the Employment Partnership, the Jobs Action Package, Population Growth Strategy, Growing the Visitor Economy and The Hedberg. Which ones of those are still being funded into the future, and which ones have finished up?

**Mr GUTWEIN** - The Hedberg would be financed by the Minister for Arts. I don't think that is included in here. Do we have a breakdown of that allocation?

**Mr FINCH** - It is in the State Growth area of the budget report.

**Mr GUTWEIN** - Do we have a breakdown of allocation?

**Mr FINCH** - Are you saying you will take that on notice, Treasurer?

**CHAIR** - I think he has it.

**Mr GUTWEIN** - I can provide details on those specific matters you have raised.

**Mr FINCH** - They are in point 8 on page 321.

**Mr GUTWEIN** - The Hedberg is transferred to arts in their budget. In that first year, for example, $3.5 million is included for mobile coverage along the Great Eastern Drive. That does not exist the following year. We will provide some detail back to the Committee on the questions you have asked.

**Mr VALENTINE** - The Hedberg is to do with the Theatre Royal's component, not any other component? Is any other state funding associated with that?

**Mr GUTWEIN** - I would have to look at the breakdown, but our investment was primarily to the Theatre Royal to support The Hedberg but I will check that.

**Mr FINCH** - Thank you. Is there some clarification on the dollars around the figures we are given here and as to programs completed or to be completed, and some timeline on those things?

**Mr GUTWEIN** - No problem at all. We will use note 8 as the basis to provide that.

**CHAIR** - Is this footnote 8 or 9?

**Mr FINCH** - Eight in particular. The other, 9, is funding into other ministers' areas.

**Mr GUTWEIN** - I will have a breakdown sent, as you have asked.

**Mr FINCH** - Thank you. A next question is similar to a question I asked about the Coordinator-General: How does this link you develop with industry and business work? Do you distribute offers or a suggestion about what a new initiative might be to the marketplace and then wait for people to come to the government in tendering or making proposals for those initiatives?

**Mr GUTWEIN** - A range of programs have been run; the Jobs and Investment Fund. A program for community infrastructure was framed in a previous budget. They are done by application from businesses. As to where we are heading, for example, the payroll tax exemption for three years for businesses prepared to relocate from interstate - John will be tasked with ensuring the appropriate markets in Victoria, New South Wales and possibly even South Australia understand we have this opportunity now available in Tasmania. If they have a business and an interest in Tasmania, we will look to land them into a regional community outside of the Greater Hobart area. It is something that we can build on that can help their business in the strengths and opportunities they see and it will also strengthen our local economy.

**Mr FINCH** - With respect, Treasurer, that deduction in payroll tax is small beer in the scheme of things if you are asking businesses to relocate from the mainland to a regional area in Tasmania and all those implications you are imposing on that. I think the Coordinator‑General is going to need more tools in his kitbag to encourage business.

**CHAIR** - The State Revenue Office.

**Mr GUTWEIN** - Interestingly, at lunchtime I met with a business, Thomas Cook Money, that is now establishing its centre in Hobart. There is no reason why it couldn't. It looked at other parts of the state, but it is relocating to Hobart. The support we are providing to get a major multinational to establish its Australian base here to service Southeast Asia is around $300 000. I think it is 50 per cent of its payroll tax relief over four or five years. There is real interest in Tasmania at the moment, and what we have suggested as regional Tasmania is outside the four major Hobart councils.

The north-west coast is becoming a major advanced manufacturing hub. When I look at Penguin Composites, for example, that is such a fantastic story, but we also have opportunities in Launceston. Regional councils outside the major population centres already are providing very attractive landing spots for capital in what they will provide in rates relief and reduced fees for building and planning.

What we are trying to put together here at a time when the eyes of the nation and the world are on Tasmania with our payroll tax opportunities for interstate businesses, not international, is to provide the most attractive landing spot for capital, both human and investment-wise that we can.

John will be working with local government. I am hoping that later this year we will be able to go out more broadly to the rest of the country with a view that says in Tasmania we not only have a great environment, some of the best built heritage in the world and a university that services three major population centres, but we also have the most attractive landing spot for capital in the country because we have established partnerships with local government and at a state government level we are prepared to provide offsets as well.

At the moment, what happens and has happened under previous governments is that in large part businesses have turned up on our doorstep and we have then worked with them because they found us. We want to start opening up the opportunity more widely to see what we can attract.

**CHAIR** - We will come to you and we will hear about them with our begging bowl? Some of us have done it in the past.

**Mr GUTWEIN** - It's not a begging bowl. For example, if we land a business in Tasmania that is currently not paying payroll tax, provide them with a period where they do not pay, once they move out of that, they grow our base. While they are not paying payroll tax, their employees will be spending in our economy and growing our broader economy, so everybody wins.

**CHAIR** - Why don't you get rid of payroll tax and have a discussion with the feds about picking up some of the income in other ways?

**Mr GUTWEIN** - It is a solid revenue stream, Ruth, as you are well aware. It is not negatively impacting on the market. We are seeing growth in our payroll tax receipts and we are seeing growth in employment numbers -

**CHAIR** - But it is a narrowest to narrow base. You keep narrowing it, so it is the big guys that pay.

**Mr GUTWEIN** - We provide as much opportunity as we can for those businesses we have most of, and that is the small to medium enterprises.

**Ms LOVELL** - Treasurer, what will the process be for bringing the Momentum Energy jobs back to Tasmania?

**Mr GUTWEIN** - I know the Minister for Energy is engaged with Hydro on that. I don't have a brief in front of me but I know the process has begun. The call centre work of Momentum Energy can be more than adequately conducted in Tasmania, as opposed to having a subsidiary of a Tasmanian government business paying Victorians to provide that service. We have begun that process but you will need to ask the Minister for Energy for more detail.

**Mr WILLIE** - Mine is more of a query of the performance information. I am on page 305, looking at skills. There is a statistic for a number of apprentice and trainee commencements. There is also a statistic for apprentice trainees in training. Why do the performance indicators not show apprentice and trainee completions?

**CHAIR** - That would be an outcome. That was tongue-in-cheek.

**Mr WILLIE** - If you are going at it holistically, you would think there would be completions there, too.

**CHAIR** - I'm being facetious.

**Mr GUTWEIN** - The first time I have appeared before this Estimates - it is a very good question. I will seek some advice and I will take it on notice.

**Mr WILLIE** - There was a drop from 2015-16 to 2016-17 in the number of apprentices and trainees in training. We are pretty close to the end of the financial year. Is that target of 8400 on track?

**Mr GUTWEIN** - I would need to seek advice on that.

**Mr WILLIE** - Are we aiming for another 1000 apprentices and trainees in training?

**Mr GUTWEIN** - I will seek advice.

**CHAIR** - It is a different portfolio area, but if you can provide it, that would be a help.

**Mr GUTWEIN** - I will take that on notice.

**Mr WILLIE** - I have one other question on that line of questioning, which perhaps you could take on notice. What measures does the Government have in place to increase the number of commencements from 2016-17 to 2017-18? What are the targets?

**Mr GUTWEIN** - In the 2017-18 year we rolled out the payroll tax relief for apprentices, trainees and young people. In the last budget there was also assistance, $4000, for small businesses not in the payroll tax net to encourage them to take on a trainee or apprentice.

**Mr WILLIE** - Were those measures solely reflected in that target?

**Mr GUTWEIN** - They would not be reflected in that target.

**Mr WILLIE** - While we are on the payroll tax incentive, I do not think it was answered properly last week in the debate. You narrowed that to construction, tourism and hospitality, and advanced manufacturing. What about some of the service industries, such as aged care and disability? You have the rollout of the NDIS and an expected additional 2000 in the workforce. They are growth industries: why have they not been included?

**Mr GUTWEIN** - The current payroll tax relief program runs until the end of this year, 2018‑19, and then the extension starts for the next financial year. We have highlighted those three areas, but the industries provided with support will be set through regulations. We will take advice on that in the lead-up to start of the new measure. If there are other areas with skill shortages then, we can target those by regulations as well.

**Mr WILLIE** - Was that information made available in the debate? I cannot remember.

**Mr GUTWEIN** - It was made available in the lower House. That question was asked and I know I dealt with that. I am not sure about the upper House.

**Mr RUTHERFORD** - I can answer the question to a degree. Unfortunately, our apprentice training commencements decreased slightly from over the 12 months to 31 December by 0.3 per cent. Nationally they decreased by 1.7 per cent so actually we have held up much better than any other jurisdiction. There are some interesting features in what's happening. The biggest decline has been in traineeships. Trade commencements have increased strongly - national trade commencements are up by 0.4 per cent and ours are up by 9.2 per cent. It is a bit of a mixed picture, but against the national trend, we are doing better.

**CHAIR** - You mentioned Macquarie Point earlier - what is happening there from the state Government's perspective?

**Mr GUTWEIN** - That has been in the remediation phase and will move to the investment and development stage. The Government is looking at the Mona reset vision. This was for a much wider footprint, taking into account the port area. We will need to look at some changes to the planning scheme regarding the Macquarie Point site. The conversations and interest from the federal government to become the major gateway to Antarctica and the relocation of a range of federal government-funded bodies are well advanced.

**CHAIR -** Mike, did you have another question before we finish this line item?

**Mr GAFFNEY** - In budget paper 1, page 62, under State Growth - the ICC World Twenty20, $2.3 million is allocated in 2019- 20. The explanation is that the Government was successful in its bid to be a host of the ICC World Twenty20. Where it says 'a host' - are we the only host or is it to be hosted between Tasmania, Victoria and other places? That is one question.

**Mr GUTWEIN** - First, I understand all the other states are hosting some games and when provided with the opportunity, we decided to because Tasmania would have been the only state not playing a part in the ICC World Twenty20.

**Mr GAFFNEY** - Thank you. It says funding would be directed to police, security, transport and traffic management, marketing, venue hire and ancillary events along with media and business engagement. How much of the $2.3 million was to attract the bid to the organisers? Of the $2.3 million, you may have to say $600 000 or such goes to the coordinating body. I am interested in what it cost us to get into the game?

**Mr GUTWEIN** - I will need to take advice. Off the top of my head, I can't tell you whether a fee was involved or whether it's all in terms of providing those services named. I do recall, in discussions I was involved in, and again this was a matter conducted by offices other than mine, the security arrangements of the ICC World Twenty20 are at a level we would not normally comprehend for a major sporting event.

**Mr GAFFNEY** - My only other question concerns the AFLW. Who is responsible for both AFLW Tasmania and the ICC World Twenty20? When you go to the Department of State Growth, the agencies you support, there is no mention of sport and recreation in the agency outline. I am interested to know which agency has responsibility for the AFLW and the ICC World Twenty20 and what's the predicted return on our investment in the state Twenty20, because $2.3 million is a reasonable amount? There must be some projected investment returns. It is probably questions on notice.

**Mr GUTWEIN** - In terms of that last question, DPAC will have some project management responsibilities for the funding. The programs were negotiated by VINS Tas.

**Mr GAFFNEY** - They will be the coordinating bodies for that?

**Mr GUTWEIN** - DPAC will also have a role.

**Mr GAFFNEY** - The only question that needs to be answered is: how much did it cost to buy in?

**CHAIR** - The return on investment?

**Mr GAFFNEY** - How much did it cost to buy in and the projected return on investment from the business plan?

**Mr GUTWEIN** - Did we pay a fee to the ICC?

**Mr GAFFNEY** - What is the potential business projections of that?

**CHAIR** - Thank you, Treasurer, we have ranged across a few areas outside your portfolio in this last session but we appreciate you taking those questions. For some of them, we will write to you. Thank you. We have local government now.

**Mr GUTWEIN** - I thank Mr Rutherford and Mr Perry.

**The committee suspended from 4.53 p.m. until 5.03 p.m.**

**DIVISION 8**

(Department of Premier and Cabinet)

**Output group 6**

**Local Government**

**Overview**

**Mr GUTWEIN** - I start by acknowledging the work undertaken by the Division of Local Government. It has been a busy time and they have had a lot of matters to deal with.

The last 12 months in the local government sector has had some challenges with one council being dismissed by the parliament, but overall the relationship has been a positive and collaborative one with the ongoing work with the Local Government Association of Tasmania ‑ LGAT - and individual councils.

It is evident by the significant legislative and review agenda that there has been progress, including changes to the Local Government Act arising from the targeted review done in consultation with the sector; the Rates Amendment Bill to clarify the applications for specific rates exemptions under the Local Government Act amendments; the Dog Control Act to modernise and clarify the operations of the act; and the Glenorchy City Council Dismissal Act - and there was a range of work the division was involved in there.

We reviewed the Council Code of Conduct in consultation with the sector. We made amendments, to come into being later this year, to the general regulations and terms of councillor gifts and donations, and the register, and also streamlining some of the electoral advertising provisions.

During the period there were different views in the local government sector and the Government on TasWater. The results achieved over the last 12 months are a testament to the strong professional relationship that exists between local government and the state Government.

I am encouraged by the prospect of what can be achieved over the next six months on the back of the very significant amount of work already undertaken on shared services and voluntary amalgamation studies. I take this point to reiterate what I have said to local government on a number of occasions: we have done the work; they now have the data and the evidence, and it is now a matter of them taking steps to implement some of the changes and opportunities, specifically in the resource sharing sector, which could lead to significant savings and, by that, either additional services being provided by councils or improving their financial standing. We will continue to work with local government in that regard.

We are working with LGAT and we have begun a conversation about what local government looks like in the twenty-first century. Obviously its role has changed a great deal since the 1993 act was struck, so we have begun a conversation with local government in that area.

I look forward to your questions.

**6.1 Local Government**

**Mr GAFFNEY** - My question is not going to focus the amalgamation. You have made it very clear. I am not going to talk about dysfunctional councils, although I might come in at the end about the cost. I notice the budget allocation has varied but not overly much along those for the forward Estimates. My first question is to do with waste management, an issue that is raising its head especially at the moment. LGAT has lobbied for a number of years for collaboration with the state government in relation to investments in waste management, infrastructure and how to fund that investment, China's waste ban, television shows such as *War on Waste* and Woolworth's recent decisions. Has the Government begun to develop a statewide waste strategy and, if so, when will this be completed? What is the Government doing in conjunction with local councils to address the looming issue of waste and its management?

**Mr GUTWEIN** - At the last Premier's Local Government Council, which was only a matter of weeks ago, we had significant discussion on this.

The Minister for Environment/Attorney-General will be sitting down at a roundtable with local government to discuss the issue of waste management more broadly. The sector has a range of suggestions. In some cases it is running profitable businesses in managing waste. The impact of China's decision will not necessarily be felt this year, but it is going to be an issue in coming years and we need to have a strategy. The Minister for Environment/Attorney‑General will be sitting down with local government and having that conversation.

**Mr GAFFNEY** - I have six different areas, if you want to have any questions regarding waste - or if there is not, I'll continue.

My next question is on economic development. I suppose local councils have noticed that in recent years the state Government has significantly reduced the level of regionally based support for economic development. Because it is a new area for councils in many ways, they were hoping that perhaps there should be an investment in building the capability of councils through Skills Tasmania to provide access to appropriate training.

Councils are saying that there tends to be a focus and they are taking some of the economic development challenges on board. I have taken that straight out of the LGAT budget submission and what they were feeling.

Do you have any comments on how the state Government is going to assist local councils with those issues they are facing?

**Mr GUTWEIN** - First, from the point of view of regional economic development, we rolled out the Northern Economic Stimulus Package, which most councils took the opportunity of, certainly across the north. From memory, around $50 million-worth of investment was brought forward. We've broadened that out to a statewide level.

On economic development more broadly, we have just had a conversation with the Coordinator-General. He has been tasked as part of the policy of working with local governments to develop a landing pad for capital investment in their regions, working with them directly to develop prospectuses that can be matched with the state Government's commitment to payroll tax exemptions to build that capacity.

The Coordinator-General has also worked closely with councils to develop the four prospectuses available for Bell Bay, the airports and the Westbury - and there is one that has slipped my mind - ensuring that we have a document we can talk to both interstate and markets nationally about the opportunities to invest in certain regions of the state.

I want to come to this point where I have said this to local government about additional support from the Government for employing new or additional skills in areas. We have spent a lot of money in concert with councils to look at the opportunities that present themselves for resource sharing and/or amalgamation. We are not going to force anyone to amalgamate. But coming back to the resource sharing - for example, on the north-west coast, across the member councils there, the study which they were involved in and had a major role in selecting the consultant, indicated that across the north-west coast there was around $9.5 million-worth of savings available if they were able to resource share in a more strategic fashion.

They haven't taken many steps forward but they are starting to work on it. We would be pointing to the sort of example of savings that could be generated likewise in the northern region and certainly here in Hobart. I will give you one example which I found quite extraordinary. This was raised in the northern example. The consultant looked at the legal services being purchased by individual councils in the north. They concluded, that on the basis that in many circumstances - not local council versus local council and therefore you need to have separate lawyers - the issues they are engaged in are planning and other matters where they might need support from lawyers in the north just by pooling and procuring as a group, $1.5 million was proposed to be saved from purchasing legal services.

I don't know about the rest of you, but my preference would be to pay lawyers as little as we possibly can. Local governments now have the tools in front of them to be able to arrive at savings in their expenditures each year on certain services by being more strategic. That in itself provides them with the capacity to either put downward pressure on their rates or, conversely, to bring in additional skills should they need them. I have made this point to them about planners, for example, which are at a premium in Tasmania. We have more development occurring at the moment than we have ever had before.

Within the capacity of local government is to look at what they are doing across a range of areas, how they procure, how they share services and, importantly, to find the necessary savings within their current business units to be able employ those additional skills. It is something I think local government really needs to step up to over the next 12 months.

**Mr GAFFNEY** - I will come back to planning a little bit later. I will go on to the next one. Historically, the state Government has relied on funding from the national partnership agreement regarding emergency services and disaster mitigation, that sort of thing. They had to qualify. I have often heard you say in the last three budget presentations, something about needing a buffer for when there are fires, floods or famines. What is the intention of the state Government in regard to emergencies that might happen statewide, whether it be the flooding in Hobart or the tragedy in Latrobe two years ago. What do you see as the best outcome for local and state government to have some sort of mechanism? When a community is imposed with a tragic circumstance, how do you help out financially? What can you see is going to happen?

**Mr GUTWEIN** - We hope that natural disasters do not occur, but they do. Wildfire and flood are the two main ones we tend to face. The immediate response in terms of a disaster is for local and state governments to invest what they need to in dealing with the immediate challenge. The way the Natural Disaster Relief and Recovery Arrangements - NDRRA - work is that claims can be made as to what sort of infrastructure it is and where it fits. There is a well-understood national framework.

Individual councils will have greater risks than others. If I use Launceston, for example, it was understood many years ago that there was a need for the flood levy. There is a conversation now in Latrobe as to further investment. What can be done as a direct investment in mitigation is something we all need to have an eye to, to ensure we follow through with the mechanisms available to deal with claims. They have worked well in the time I have been Treasurer.

I do not think any of us at this table should shy away from reminding people at every opportunity to make certain they have the appropriate insurances in place. Most people only find out what their cover is after an event. It would be sensible for people to understand very clearly what is available. I know the insurance council is stepping up and providing whatever information it can.

**Mr GAFFNEY** - The elephants in the room are the storm surges and local coastal policy in some of our low-lying areas around the coastline, especially in the southern beaches - the issues they are going to face in the next five, 10 and 20 years is significant.

**Mr GUTWEIN** - We are an island and we are always going to be under assault from the sea; that is a given. Some councils have far greater lengths of coastline than others. I can provide some information about the breakdown of financial assistance to councils affected since June 2016.

**Mr GAFFNEY** - It would be great if you could table that.

**Mr GUTWEIN** - I am happy to table that.

**Mr GAFFNEY** - The next one goes to the iplan 2.0 forms, with the planning schemes. We know how important that is for everybody; it is quicker, cheaper, simpler, faster and fairer.

**Mr GUTWEIN** - Faster, fairer, cheaper and simpler.

**Mr GAFFNEY** - I knew you would know it. There is no additional funding to support further improvements to the Tasmanian Planning Commission or the Planning Policy Unit. This is a concern. How do you expect to continue to see improvements in planning without any further policy or budgetary investments beyond iplan 2.0, or is my information not correct?

**Mr GUTWEIN** - As it is planning, it would be a question more appropriately provided to the Minister for Planning. I do not have responsibility any more.

**CHAIR** - You can ask on Thursday.

**Mr GAFFNEY** - This one might go to the director. I noticed in the papers the new performance measures introduced for 2017-18 as a result of the department's review of performance measures. I am interested in the metric effectiveness of complaints resolution; 'no decisions overturned by external review bodies'. What is considered to be a complaint?

**Mr GUTWEIN** - Which table are you looking at?

**Mr GAFFNEY** - Table 9.8, Output group 6, Local Government.

**Mr GUTWEIN** - I will allow Mr Tay to comment on that.

**Mr TAY** - We consider a complaint a formal complaint made under the Local Government Act. It will generally be where there has been alleged noncompliance around a requirement for a council to do something under the Local Government Act, and it could also be an offence provision under the act. Under that particular performance indicator, they would generally be around noncompliance. It might be something such as a council not providing its annual report on time.

**Mr GAFFNEY** - It is not to do with planning decisions as such. In relation to the Glenorchy City Council, I notice Sue Smith is quoted on the ABC website as saying -]

I do hope that we will see Glenorchy City Council make the front page of newspapers in future with positive stories in going forward.

On 27 June 2018, the ABC reported on dissatisfaction of residents when presented with a 12.5 per cent rate rise. That is not so positive. What cost did the state Government absorb in relation to completing the board of inquiry process and what was the total cost of the Glenorchy City Council board of inquiry? The reason I put it in that order is that it is quite easy to say it is Glenorchy City Council's responsibility but I know there would have been some assistance from state Government in helping them manage that process.

**Mr GUTWEIN** - Alex, do you want to make comment on that? There is a range of costs we have applied to that and it unbilled Glenorchy, as the act expects us to. Mr Tay can provide some detail on that.

**Mr TAY** - The most significant cost that was not billed to Glenorchy would have been the internal legal advice the Government would have sought through the various stages of that review, including when the board was challenged in various legal proceedings. The costs incurred through the Solicitor-General's office, for example, in obtaining advice and managing that process were not included. The costs levied for Glenorchy out of the board of inquiry were the direct costs associated with the board itself; the remuneration for the board of inquiry members and the secretariat support. Those two components made up the majority of the costs.

**Mr GAFFNEY** - Thank you.

**Mr WILLIE** - I am a long-suffering Glenorchy ratepayer, so I will be up-front about that. Treasurer, are you happy with the performance of the administrator during that time on the Glenorchy City Council?

**Mr GUTWEIN** - Yes, I was and I believe, in the role Sue Smith played at what was a very difficult time for that community, that she did a more than satisfactory job. In a range of matters now coming to light, there was no indication in last year's annual report that a rate increase of this size would be required. I am hopeful the council could look at a different pathway to what is proposed. Even with the 12.5 per cent rate increase now being proposed, there was a view - I think the mayor made this point on the ABC - that next year's rate increases would return to normal. I think a figure of around 2.5 per cent was used. I did not hear that comment but I have been advised that is the case. If that is the case, I would have thought a much smoother pathway in rate increases could be considered.

**Mr WILKINSON** - Do you think it was appropriate that the administrator you appointed delivered a $1.8 million deficit and a 2.5 per cent rate increase?

**Mr GUTWEIN** - My understanding of the operating statement was that the administrator took the opportunity to book the bulk of the board of inquiry costs in that year. From memory, that was about $680 000 or $690 000. It was booked in the operating statement for that year to provide an opportunity for the council not to need to book into their operating statement the higher costs moving forward. The deficit you are talking about included the bulk of the board of inquiry's costs. The idea being that the administrator acts as a council. We don't control the administrator but the view was, as I understand it, that it was -

**Mr WILKINSON** - You appointed the administrator so you are accountable.

**Mr GUTWEIN** - I am not suggesting that I am not. I made that appointment but the bulk of the costs of the board of inquiry were booked in that year so there was a much smoother impact over the forward Estimates. It surprises me that a rate increase of that level is being required at the moment.

**Mr WILKINSON** - If you take the board of inquiry costs out, there is still a significant deficit and only a small rate increase. Do you still stand by the position that it was appropriate for the administrator to pass that budget?

**Mr GUTWEIN** - The administrator made judgements based on the information provided to her. She was a very experienced member of local government and of this Council over a long period of time. She exercised her judgement, which is her right.

**Mr WILKINSON** - If I could move to the appointment of the general manager just before the election, do you think it was appropriate that the administrator appointed a general manager shortly before an election? This is no reflection on the general manager.

**Mr GUTWEIN** - Again, the administrator needed to make judgements as she saw fit for that council. It had been through a period of significant turmoil. She exercised her judgement, which is exactly what we provided her with the opportunity under the act to do.

**Mr WILKINSON** - So you support that decision?

**Mr GUTWEIN** - It is not my role to second-guess the role of an administrator. They are provided with the powers of the council. All of us, with the benefit of hindsight, can say we would have done a range of different things. She was the administrator; she was there at the time; she exercised her judgement. I am comfortable that somebody like Sue Smith would have thought long and hard about those decisions.

**Mr WILKINSON** - What would you have done differently in hindsight?

**Mr GUTWEIN** - I am not going to second-guess the administrator. The point I was making is that people can look at a range of decisions that were made, not just within the Glenorchy Council, but other councils as well, and say, 'We would have done it differently'. You would need to be informed by the circumstances you have faced at the time. The administrator, Sue, made the decision to appoint a general manager because she believed the council needed some stability.

**Mr WILKINSON** - Can you inform the committee whether there was a handover between the administrator and the current mayor?

**Mr GUTWEIN** - We would have to check that.

**Mr WILKINSON** - What support have you offered Glenorchy City Council in its time of need? How has that been received by the council?

**Mr GUTWEIN** - We have had a number of discussions. I have a letter here from the mayor, which I received last week. With the board of inquiry costs, the bulk was booked in the operating statement, but in a cash sense - in fact, in the numbers here, 691 000 was booked of the total 887 - there was very little to expense across the forward Estimates through the operating statement. In a cash sense, the council has made an initial repayment of $217 000 in the previous year. We have provided them with a period for the current year where no payment is required. Then we smoothed the remainder of the payments over a five-year period. The advice from the mayor is that this provides a cash saving of $200 000 in 2018- 19 and a cash outflow of $134 000 over the remaining four years.

We offered them the opportunity to restructure its Tascorp loan portfolio and to reduce payments that are currently about $1.1 million per annum, capital and interest, by around $450 000. This was a matter of taking a range of loans, some of which had an expiry date in 2022- 23 and others out to 2027, to bundle them up into a single 10-year package and provide the prevailing interest rate of the day. That would provide savings on a cash basis of over $400 000 a year. The council chose not to do this because it took the view in a similar way that if you have current loans for a car or credit card, and put those into a home equity loan, over a longer period of time it can improve your cashflow, but at the end of the day you can pay a little bit more. Over the 10-years it would have been about a $30 000 cost on average per year, around $300 000 more, but it was a significant cash saving.

We provided it with the opportunity for a $4 million interest-free loan to improve its cash position linked to the sale of property. The council indicated publicly it is looking at both Wilkinson's Point and the Derwent Entertainment Centre. Wilkinson's Point has been discussed. My understanding is council has previously tried to sell the property. It went through the process leading up to the GFC. Post-GFC there was very little interest. We have offered to provide it with a $4 million loan interest-free, repayable over five years or on the sale of property.

We have provided an opportunity for the council to improve its cash position markedly in the short term. There is no another grant they took on board, under the previous administration, from federal government regarding the wastewater scheme, which has not worked out as it hoped. The council is in the process of seeking support from the federal government to provide it with an opportunity to move out of the program without having to repay the grant. We have offered support for that.

**Mr WILLIE** - A lot of these figures just roll off the tongue, but we are talking about some of the most vulnerable people in the community, being footed with this bill. They are angry at the previous council, the state Government and the minister, being yourself. That is what I am hearing in the community. If we could go back to the handover between the administrator and the current mayor, the director of Local Government is here: is he able to answer that question?

**Mr GUTWEIN** - With the handover, I am presuming one of the considerations in the administrator's mind of the appointment of a general manager was to provide continuity of the operations of the council. Whatever the handover period was, or whatever interaction, there was a continuity of the senior leadership role within the council transferred between the administrator and the mayor.

**Mr TAY -** My recollection was the commissioner's intent was not so much to provide a handover but to at least brief the four councillors as part of an early induction. I would need to confirm whether that actually took place because I do not have the details in front of me. My office certainly attended the initial induction with councillors after they were elected. That was a four-day program that involved a range of bodies, including LGAT and us, through an induction process. At that stage, as the minister mentioned, with the general manager in place having worked with the previous commissioner, a lot of the framework that was in place for the new council to come into place was clearly witnessed when we came in and gave our induction because a lot of the processes were in place at that time.

**CHAIR** - Does that answer your question?

**Mr WILLIE** - No, I would like him to check whether that opportunity was taken up by the current mayor.

**Mr GUTWEIN** - We will come back to you on that.

**Mr WILLIE** - When were you first contacted by the mayor of the previous council with her concerns that the council wasn't operating in a functional manner?

**Mr GUTWEIN** - Do you mean years ago?

**Mr GAFFNEY** - Yes, we are talking early 2016.

**Mr GUTWEIN** - I would have to check correspondence on that but I'm happy to provide advice.

**Mr GAFFNEY** - You said in hindsight that we would all do things differently. Were you implying you would have done things differently with the board of inquiry?

**Mr GUTWEIN** - No, I am not implying that at all. I was suggesting that you can become an armchair expert on this and look at the circumstances and suggest, as you obviously are, that things should have been done differently. We went through a process; I was advised every step of the way in terms of my responsibilities as minister under the Local Government Act. I took that advice. Removing a council, placing it under a commissioner and having a board of inquiry inquire into that council, are very serious matters. I took advice and I acted on that advice throughout the process.

**Mr VALENTINE** - It is on this - the fact that you as minister took that decision to have an inquiry and yet the council pays. I can't understand why that needs to be that way. Why should the council bear the cost for an inquiry instigated by the minister?

**Mr GUTWEIN** - The inquiry is instigated by the minister and as a result of concerns in community and from within the council - that was the circumstance with Glenorchy. Under the act, it is quite clear that if you have a council that misbehaves and is dysfunctional, the principle is: why should the ratepayers of Clarence or the ratepayers of Dorset or Flinders Island be responsible for paying for the sins of others?

**Mr VALENTINE** - They ultimately elected the minister to do his job.

**Mr GUTWEIN** - His job under the act is to do what? Under the act, very clearly, if a council is placed under administration or a board of inquiry, it bears the cost of that.

**Mr VALENTINE** - That is what the act says? I appreciate that.

**Mr GUTWEIN** - I have done my job every step of the way in this regard.

**Mr VALENTINE** - Do you think it is fair?

**Mr GUTWEIN** - I don't believe that ratepayers in Devonport, Launceston or Flinders Island should pay for the dysfunction that exists in the Glenorchy council.

**Mr VALENTINE** - Many councils that pay for their sewerage and water infrastructure don't believe it is fair they should foot the bill.

**Mr GUTWEIN** - That is not the question you are asking me. You are asking me a question whether it is fair that a dysfunctional council bears the costs of their dysfunction. In terms of a board of inquiry, I believe that, yes, it should. I think the act was framed that way with a view to providing a deterrent.

**Mr VALENTINE** - It is covered by the act and I appreciate that.

**Mr GUTWEIN** - I think the act was framed that way with the view that it would provide a deterrent.

**Mr VALENTINE** - If it is covered by the act, I appreciate that. Another question is regarding container deposit legislation. Have you undertaken any modelling to see whether this would be viable for Tasmania? It existed in the 1960s. I am sure it was used to fund all sorts of scout groups.

**Mr GUTWEIN** - I have not. That is more properly the role of the Minister for Environment. A joint House committee a number of years ago looked at this. The committee found that a container deposit scheme would add costs for the consumer and that we had a problem with scale. We are looking at it and looking at the models interstate. There is no free lunch on this one.

**Mr VALENTINE** - My own experience is that the people providing the recycling services, taking glass out and plastic out, would make it unviable for the other components. Has there been any significant modelling done of late?

**Mr GUTWEIN** - I think the former minister for Environment, Matthew Groom, funded a study to look at what was occurring in other jurisdictions. I would need to check that.

**Mr GAFFNEY** - LGAT did a huge piece of work on waste management and container deposit legislation and found it was wanting. It is not cost effective because of our small size. It could be detrimental because some of the services we had in place with Veolia would mean it was unsustainable.

**Mr VALENTINE** - That is what I was just saying, way back that was the case.

**CHAIR** - It is really a matter for the Minister for Environment.

**Mr VALENTINE** - I thought Treasury might get involved and that they might have done some work on it. That is fine.

**Mr GUTWEIN** - I think Greg Hall chaired that committee, and that was quite a reasonable piece of work.

**CHAIR** - He had a passion for it while he was here. He had a couple of motions regarding that in his time.

**Mr WILLIE** - With your indulgence, Chair, can we go back to the short-stay question?

**CHAIR** - With local government?

**Mr WILLIE** - Yes.

**CHAIR** - As long as it is related to the local government portfolio area, yes.

**Mr WILLIE** - It is a regulation. Treasurer, before lunch we were talking about compliance and the lack of compliance when it comes to short-stay accommodation. Last year you said it was a responsibility of government to ensure customer safety. Are you abrogating your responsibility by not giving local government the tools they need to enforce compliance? Specifically, what will happen in a case where somebody has illegally listed short-stay accommodation and an accident happens? That has happened in other jurisdictions. Tragic things have happened. Not upholding compliance is a risk to local government and also to a state government.

**Mr GUTWEIN** - The permitting process for visitor accommodation we introduced last year was an appropriate response what there was before that, a significant amount of noncompliance. There is no doubt around the state that people were, in the absence of the permit pathway we provided last year, offering their properties with very little thought or regard for the consequences of putting their property onto a short-stay platform.

We have introduced a permit pathway. Local government is the responsible planning authority. Local government has the role and responsibility of policing that. We will get further data and information from the sharing arrangements we are entering into and working through with the short-stay providers. If there is a glaring hole we can look at what steps we might need to take. The responsibility under the act for issuing and policing those permits is the responsibility of local government.

**Mr WILKINSON** - It is not discretionary though, is it? They have to issue the permit if the application meets the requirements.

**Mr GUTWEIN** - Under the planning rules, local government provides a range of permits. The number of permits issued by the Hobart City Council surprised me when we had the Housing Summit. It was a little over 60, yet there seems to be a lot of anecdotal evidence that more properties had been placed on. If that is occurring in a local government area and you have people flouting the planning rules, it is a matter for local government to follow those matters through as part of its role as a planning authority. Whether they are is a matter -

**Mr WILKINSON** - They might not have the resources to do it, Treasurer.

**Mr GUTWEIN** - I will come back to this issue of what we were talking about earlier in respect to resource sharing. Across the state, there have been demonstrated to be significant savings sitting there, available for local government to grasp to improve their efficiency of their operations and provide revenue that can be utilised for a range of other sources. Local government has been provided with that data; councils have the opportunity, if they wish, to spend any savings they generate as they see fit.

**Mr WILKINSON** - As minister, do you have any plans to adjust the regulations to limit the impact on the private rental market?

**Mr GUTWEIN** - Mr Jaensch has already put a position out. That's his role and responsibility as Planning minister, and he has responded to the TPC Review. The TPC found the measures we had introduced were broadly appropriate. There have been a couple of changes suggested by the TPC, which the Planning minister has accepted.

**Mr WILKINSON** - An affluent suburb that has the resources and a strong voice received special exemptions through that process.

**Mr GUTWEIN** - If you want to take aim at the TPC as an independent planning commission, that is a matter for you. Is that what you are doing?

**Mr WILKINSON** - No, it is not what I am saying.

**Mr GUTWEIN** - You need to explain yourself because the Tasmanian Planning Commission independently assessed the planning laws relating to the sharing economy, which we introduced last year.

**Mr WILKINSON** - What I am saying is that Battery Point has the resources and the expertise to make representations on behalf of their interests, whereas other communities may not have those resources.

**Mr GUTWEIN** - So they have influenced the Planning Commission?

**Mr WILKINSON** - They have made strong representation to the Planning Commission because they have the resources to do it.

**Mr GUTWEIN** - If you believe that's the case, that's the case, but the Planning Commission is independent and the Government doesn't reach in and try to fetter their decisions. They have gone through a process, as they should under the act, and they have determined a position the Government has accepted as coming from the independent Planning Commission.

**CHAIR** - Any further questions, members? Thank you very much for your time today, Treasurer, across all areas, including some that aren't yours. We will forward questions today and we will expect the information by the end of next week.

**The Committee adjourned at 5.50 p.m.**