

RESPONSE TO QUESTIONS TAKEN ON NOTICE – PAEC Inquiry into 2021-22 Budget Estimates

Thursday 27 May 2021

1. Can you give me a specific figure for the wages reduction, wages cut? Do you have a specific figure for the reduction of wages?

(Asked by Mr Hibbins Page 15 of the transcript)

Transcript extract:

Mr HIBBINS: Can you give me a specific figure for the wages reduction, wages cut? I mean, you have given me a global figure. Do you have a specific figure for the reduction of wages?

Mr PALLAS: Look, I will have to take that on notice. I think overall there is \$1.9 billion in whole-of-government savings that will be achieved essentially through the cumulative arrangements, and there is \$1.7 billion in base and efficiency review—so the base and efficiency, \$1.7 billion. The more efficient delivery of government savings through ongoing review of expenditure, the review of the forecast inflation, the indexation that is applied to departments' base funding, the non-wage indexation by consumer price index and our wage indexation that is aligned to the government's rebalanced wages policy—those matters; \$1.7 billion for base review, \$1.9 billion for those. But I am happy to disaggregate the numbers for you and take it on notice.

Response

- The Government announced that from 1 January 2022 the annual cap on wages and conditions will be adjusted from 2 per cent to 1.5 per cent.
- The Government also announced a reduction in the wage indexation component of the Departmental Funding Model from 2.5 per cent to 1.5 per cent applied to EBAs negotiated under the new Wages Policy, with non-wage indexation to be guided by the Government's consumer price index forecasts.
- Total savings from both changes to indexation are estimated to grow to over \$400 million per annum by 2024-25.

2. Has that disaggregation been done? Can it be provided on notice?

(Asked by Mr D O'Brien Page 19 of the transcript)

Transcript extract:

Mr D O'BRIEN: I would have thought, though, given as you have said all through this morning the importance of the pandemic and supporting Victorians, that anything that is not directly pandemic related at the moment in terms of advertising people to get vaccinated, to get tested, all those sorts of things—anything other than that surely there would be a clamp down on government advertising at the moment?

Mr PALLAS: Certainly there is no doubt that the government's priority is about making sure that the communication we give to the community is focused on their wellbeing at the moment, but wellbeing is managed through a variety of ways and of course part of that is recognising the services that the state provides to the community—it is vitally important that they are aware of them and utilise them. I agree with you that the focus should necessarily be and is necessarily directed towards the immediate needs of the community, particularly during the course of the pandemic—making them aware of offerings that the government has in place for particular support, whether it be community based or business based.

Mr D O'BRIEN: Well, what percentage cut will there be to consultancies for government across the board?

Mr PALLAS: Look, that would require me to disaggregate across each of the base reviews—

Mr D O'BRIEN: But you cannot say there is \$3.6 billion of savings and then not be able to tell me where they are coming from.

Mr PALLAS: We have done the work, Mr O'Brien. I have given you the number in aggregate at \$1.7 billion. I have not disaggregated it across each of those savings areas. Those are matters that the government has considered and the government is meeting. We will hold ourselves to account for the base reviews.

Mr D O'BRIEN: Has that disaggregation been done? Can it be provided on notice?

Mr PALLAS: The disaggregation has been done by department and that has been provided in the budget papers, and we can certainly direct you to those by department.

Mr D O'BRIEN: Secretary, is that something that could be provided on notice to us?

Mr MARTINE: I am happy to take that on notice. As the Treasurer mentioned, the \$1.7 billion base review savings have been disaggregated by department. They have been allocated to each department, and you will find them in the summary tables in chapter 1 of budget paper 3. At the end of each table it has the new output initiatives. There is a line that is called 'Base and efficiency review'. They have been allocated across, and

there is a paragraph under each department that then goes on to explain the main nature of those savings, how each department will deliver. Essentially it is up to each department and secretary to work out how best to deliver those savings, so you will see in some of the text included there is reference to cutting back on consultant expenditure, doing more in-house; some other departments have a different emphasis. So there are separate words for each of those sitting under each department, and that covers the \$1.7 billion.

Response

The table below reflects the breakdown of the base review efficiencies by department.

	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>5-year total</i>
DET	0.5	-31.9	-62.8	-94.6	-111.3	-300.1
DELWP	-5.5	-10.9	-29.1	-74.4	-37.2	-157.1
DJPR	-116.0	-33.0	-58.2	-68.1	-68.7	-344.0
DJCS	-3.7	-27.4	-53.2	-100.1	-137.4	-321.8
DPC	0.5	-10.3	-14.9	-21.3	-21.3	-67.3
DOT	-8.5	-81.9	-128.8	-112.0	-111.8	-443.0
DTF	..	-5.0	-12.5	-17.5	-20.0	-55.0
Total	-132.7	-200.4	-359.5	-488.0	-507.7	-1688.3

Source: 2021-22 Budget Paper No.3 Chapter 1, Pages 22, 37, 72, 89, 102, 108, 122

3. Do we know what percentage of the workforce works for businesses with payrolls over \$10 million?

(Asked by Mr Limbrick Page 24 of the transcript)

Transcript extract:

Mr LIMBRICK: Okay. Thank you. Another thing with the surcharge I would like to ask: it only applies to businesses with payrolls over \$10 million nationally. Do we know what percentage of the workforce works for businesses with payrolls over \$10 million?

Mr PALLAS: Well, it is a very small number. If I were to take you through the mental health levy, the investment in the budget of course, as we have indicated, is likely to support some 38 000 jobs, and the jobs that we are proposing to create in mental health, some 3000 of them, will play a very substantial role in that. We are asking the largest 5 per cent of employers to increase their contribution on payroll tax so that Victorians, including businesses, can benefit from the rebuilding of our mental health system. So our expectation is that the \$10 million national payroll will affect about 5 per cent of all Victorian employers.

Mr LIMBRICK: That is the employers, though. How many people work for those companies that have those \$10 million payrolls?

Mr PALLAS: Oh, look, I would have to take that on notice in terms of giving you the numbers.

Response

The Department of Treasury and Finance estimates that only 5 per cent of employers will pay the new Mental Health and Wellbeing Levy (businesses operating in Victoria that pay more than \$10 million nationally per year).

Based on payroll tax data, it is not possible to accurately estimate the share of employees that work for those employers.

Payroll taxpayers submit returns based on their taxable payrolls. They do not provide a 'head count' of employees, and are also not required to include specific wages that are exempt, such as for eligible apprentices, and parental leave payments.

Wages per employee will depend on a wide range of factors, such as the mix of full and part-time workers. As such, it is not possible to accurately interpolate numbers of employees from payroll tax returns.

Furthermore, most employers are also below the payroll tax-free threshold, so are not required to submit payroll tax returns.

4. Our state has the largest debt of any state or territory in Australia. Who is purchasing the debt? Are you willing to provide a detailed breakdown to the committee?

(Asked by Mr Newbury Page 33 of the transcript)

Transcript extract:

Mr NEWBURY: Treasurer, Victoria's debt levels are now \$156 billion. Our state has the largest debt of any state or territory in Australia. Who is purchasing the debt?

Mr PALLAS: Overwhelmingly domestic banks are the principal purchaser. We have got a few asset managers, domestic asset managers. Overwhelmingly it is domestically purchased debt. Just to take you through the numbers specifically: major Australian banks, 33 per cent; domestic and asset managers, 23 per cent; international asset managers, 17 per cent; other Australian deposit-taking institutions, 11 per cent; central banks and sovereign wealth funds, about 9 per cent; and the Reserve Bank of Australia and other domestic governments, 7 per cent.

Mr NEWBURY: Are you willing to provide a detailed breakdown to the committee?

Mr PALLAS: Well, what was that?

Mr NEWBURY: Well, I am mean a clearer breakdown, an identifiable breakdown.

Mr PALLAS: Well, look, I will take that on notice. We will have to talk to, I suppose, Treasury Corporation of Victoria, who sell those bonds.

Mr NEWBURY: On that point, I do understand that the committee was previously guaranteed that breakdown, and later that breakdown was denied to the committee. What assurance do I have that you taking that on notice will not reach the same outcome?

Mr PALLAS: Well, it could. It could well. What I am saying is I have to talk to TCV about what they see as being commercially appropriate in the context of the market that they operate in. So I will go back and speak to them and see if they consider it appropriate in the circumstances.

Response

The records of investors in TCV bonds are recorded in two places:

- TCV's Inscribed Stock Registry – which is operated by Computershare Investor Services Pty Ltd (Computershare). The registry records ownership of TCV's bonds held by non-professional investors who don't settle their transactions through a debt versus payments (DvP) system.
- Austraclear – records details of TCV's wholesale bondholders two ways - either in the name of an individual investor or in the name of nominee or trustee companies.

Both Computershare and Austraclear have confidentiality policies which cover client information with which TCV must comply. Therefore, TCV cannot provide this information directly.

For the above reasons, TCV cannot provide details of the actual investors in TCV bonds. TCV does however provide daily estimates of its total market outstanding via its website and via it's Bloomberg and Reuters pages, and reviews turnover in TCV bonds across its Dealer Panel to assess geographical and segmental holdings. Using this data, TCV estimates the current holders of its bonds to be as follows:

International Asset Managers 17%

Central Banks and Sovereign Wealth Funds 9%

Domestic Asset Managers 23%

Domestic Major Bank Balance Sheet 33%

Other Domestic ADIs 11%

Domestic Government (Including the RBA) 7%

This geographic data is released as part of TCV's regular market update cycle.