



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2010-2011

(Reference: [Appropriation Bill 2010-2011](#))

Members:

MS M HUNTER (The Chair)
MR Z SESELJA (The Deputy Chair)
MR J HARGREAVES
MS A BRESNAN
MR B SMYTH

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 14 MAY 2010

Secretary to the committee:
Dr S Lilburn (Ph: 6205 0199)

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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Privilege statement

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Amended 21 January 2009

The committee met at 9.06 am.

MITCHELL, MR DOUGLAS, Member, John Flynn Community Group

NICOLL, MR ROGER, Vice-President, John Flynn Community Group

THE CHAIR: Welcome to this public hearing of the Select Committee on Estimates. Thank you to Mr Nicoll and Mr Mitchell, who will be representing the John Flynn Community Group today. We have approximately 30 minutes set aside for this discussion. Could you please confirm for the record that you understand the privilege implications of the statement that is before you?

Mr Mitchell: Yes.

THE CHAIR: Thank you. Would you like to start with a brief opening statement?

Mr Mitchell: Sure, thanks. I would just like to say thanks for the \$4 million in the childcare facility. It is a great start. We are really appreciative of it. It does leave, though, a few questions from various perspectives unanswered. One is this: from a landlord's perspective, what are we going to do with the other half of the building? From a community perspective, whilst the childcare addresses a certain demographic within the community, what are the other 60 years of people that are represented in the community—what benefits can we achieve for them?

Really, it comes back down to the nexus about what this project is about. When it goes forward with the department, there are certain decisions made by the department as part of this process that can either promote or inhibit the decisions for the other half of the building and the community itself. This is why I think this forum is important. It is about whether we will have waste of public moneys or the development or promotion of better spending for the other half of the building.

Without guidance by the department, what decisions will the contractor make? Will he choose not to size the heating, ventilation and air-conditioning systems, the fire panels and the switchboards? So when we come to the other half of the building, will we rip them out and create waste or will we stick another heating plant or ventilation plant side by side with the original plant that we have got for the childcare facility and, therefore, consume double the amount of energy, double the amount of power, creating net personnel and operating costs for the building? We do not want to stand in the way of the childcare facility. There would be justifiable concerns that to consider all of these things by the department might delay the project, and we do not want to do that.

How do we meet everybody's needs? We think that we can move forward as a member, being part of the John Flynn Community Group. Having surveyed over 90 per cent of the community, we think that we can assist in that planning process—firstly, to create a master plan for the entire precinct that will at least give the parameters for the infrastructure required for the remaining part of the building. If we are included in the planning process, which we would like to be, then we can think holistically about the entire demographic of the community, and in this way we believe that we meet the needs of every group. We meet the needs of the landlord for the use of the entire building; we meet the needs of the government in terms of how

we spend that public money; and we do not create any waste. And from the needs of the community, we reserve the right to work out where the rest of the building can be used for the best need of the community.

THE CHAIR: Thank you, Mr Mitchell. We might move on to some questions. I note that in your community survey that you sent in you talked about the childcare centre, but also about other community facilities that you felt should be included on the site. Could you give the committee a little bit more information about the sorts of services that you think should be delivered from that building?

Mr Nicoll: I can answer that. We put forward a proposal. Firstly, I am speaking on behalf of John Flynn Community Group, as vice-president, and also as president of the Flynn P&C association. Following the school closures in 2006, in early 2007 we met with John Hargreaves, who was then Minister for TAMS. He encouraged us to put in a proposal like a community consortium approach to managing the site. We followed that through from those early stages, doing a lot of work in talking to the community about what the needs were.

Many of the needs highlighted were—obviously, a primary school was high among the needs, and there were childcare and multi-use community facilities for across the generations: everything from drop-in for older people to youth at risk hangout places and community sports and performing arts spaces. We had aerobics and things like that in the hall—multi-use bookings of community art spaces and drop-in spaces. Because Flynn has no other community centre, there is a real need for something that connected the community. We got a lot of detail on that. We have got quite an immigrant community, with a lot of Sudanese people. We would like to be able to connect them with vocational training, English speaking and that sort of thing. There was a lot of work done on that.

That led to our first proposal, which went through Belconnen Community Council to government in 2007 and then again to the school closure inquiry in 2009 and, more recently, to the Belconnen Community Council in February this year. Again, with Joy Burch coming into the portfolio, we presented the concept proposal to her.

There was a joint working group process that was started around mid last year and went through to early this year. We were in that process and presented our proposal to that process. I need to say that we were disappointed that we did not see that proposal reflected in the budget; we hope that it just has not been put there. We came up with a whole model for a way of running this, which is through a community consortium, and also a social business model which takes the burden off government for running services. That is similar to the health cooperative—that sort of model—where the community is actively engaged in actually achieving what is needed in that particular community.

One thing I wanted to add to that was that the budget submission that went forth—the joint working group process put a submission to government, but we were not able to see that or comment on that submission. Until the budget was announced, we did not know what was in it. That was just the process that happened, and I thought I should put that on the table.

MRS DUNNE: Could I just follow up on that point particularly? Mr Nicoll, you said that there was a joint working group that made a submission to government. Who was on the joint working group?

Mr Nicoll: That was the John Flynn Community Group members and the Department of Disability, Housing and Community Services representatives. Different people came at different times, but—

MRS DUNNE: Who put the submission to government for the budget?

Mr Nicoll: It would have come from the department.

MRS DUNNE: You said that you—that is, the Flynn community—did not see that?

Mr Nicoll: Yes.

MRS DUNNE: So how was that a joint working group submission?

Mr Nicoll: It was a joint working group. We asked to see the submission, but we were told that it went forward as a cabinet-in-confidence document.

MRS DUNNE: Did the joint working group make a contribution to that?

Mr Nicoll: We had discussions with the department where we said, “This is what the community needs. This is what our proposal is and these are the reasons why.”

MRS DUNNE: In what sense was the submission that went to the budget cabinet a joint working group submission?

Mr Nicoll: We did not see it, so I cannot answer. All along, we have been wanting to work collaboratively. We continue to want to work in the best way we can.

MRS DUNNE: Do you have any idea of what was in that submission?

Mr Nicoll: We can only assume from what has been announced at the budget what was in there. We wanted to know—

MRS DUNNE: So it was not actually a joint working group submission?

Mr Nicoll: Sorry?

MRS DUNNE: It was not a joint working group submission?

Mr Nicoll: No. That is correct.

MRS DUNNE: Okay.

THE CHAIR: You were saying earlier, around the joint working group—is it ongoing? You are continuing to meet? Have they talked about further meetings?

Mr Nicoll: We would like it to be. We have met with the minister since. We have met twice with Joy Burch.

MR SESELJA: When did you last meet with the minister?

Mr Nicoll: We met with her this week, on Wednesday—earlier this week.

MR SESELJA: Did she tell you what were the flaws in your proposal as to why the government does not appear to be pursuing it at this point?

Mr Nicoll: We asked that question, but—

Mr Mitchell: I think it would suffice to say that she was—we understood that she expressed a concern that she just wanted to get the budget up, and that it would be worked through as the proposal develops, which led to the opening statement that I made saying that we would like to be part of the process, without delaying the childcare facility. But from a landlord's perspective we need to work out what is going to go with the other half of the building and from a social and environmentally sustainable perspective we have got to make sure that we do not waste money in consuming resources. And from the community's perspective, we have obviously got a vested interested because of the locality, but because of the time pressures Joy did not have enough time for us to outline what that is. That is why we would like to be formalised as part of the process.

Mr Nicoll: Can I just add to that that there is also the heritage component of it. We have a lot of the information, and we are keen to be part of a conservation management plan for the heritage component. We see that that is an important reason to be working collaboratively right from the early stages of the childcare through to the holistic view of the centre.

THE CHAIR: Ms Bresnan.

MS BRESNAN: My question was actually in relation to that. Do you think that the proposal that has been put forward by government for the childcare centre is going to have negative impacts on the heritage value of the building? Is that where your concerns are coming from?

Mr Nicoll: It could, but we have not seen it. That is why we need to be part of this master planning process, so that we can all be part of working out what the heritage is and what we need to protect. Yes, but we do not have details so we cannot answer that question.

MRS DUNNE: Mr Nicoll or Mr Mitchell, does the Flynn community have any idea of the quantum or the size of the proposed childcare centre that the government has put forward?

Mr Nicoll: I have heard different numbers. I have heard that it could be as high as 130 places, but everything from 100 to 130 in that category—

MRS DUNNE: And the proposal was put forward by the John Flynn Community

Group—how big was the childcare centre that you proposed?

Mr Nicoll: We were looking in the range of 60 to 80 new childcare places.

MRS DUNNE: How did you come up with that figure?

Mr Nicoll: It was about balancing the need to have a community connection. Because childcare tends to be a drop off, the parents drop their children off and go to work, people do not tend to hang around and form a community. So we wanted a balance of service. Childcare is more of a regional service; so it would meet some needs in Flynn but also the region. But we wanted to balance that with the local community needs, given that we do not have other community facilities in Flynn.

MRS DUNNE: If we ended up with a childcare centre of around the 100 to 130-mark—and I have heard various figures as well—what impact would that have on the rest of the plans that the community group had for the Flynn school?

Mr Nicoll: Doug has got a lot of experience in childcare, in establishing childcare centres, but we believe that is a large childcare centre and it would put the balance of the facility out of meeting the prime need, which is to restore a community facility that is going to connect the local community. But Doug might want to say something on that.

Mr Mitchell: We put forward various ideas but we would have anticipated, as part of the planning process, that the business case for the exact mix would be worked through. What we have done is actually had some surveys of the area. There are other needs in the community, such as the youth at risk, the migrants that have come here that need vocational training, that need English skills, that need resume writing skills. And it is the mix of all of those things within the building that would impact on that marginal analysis of the numbers, between 100 and 130, and then it will come down to the relative need around the margins.

But we do not have the resources and we want to be part of the planning process so that we can get the local community's views forward with the resources that the department has and so that we can come up with the best need for everyone.

THE CHAIR: Could I go back to your meeting with the minister? The minister indicated to you that there would be an ongoing process that you would be included in and that there would be some sort of ongoing work that you would part of or a group that you would be part of?

Mr Mitchell: We understood that to be the case, yes, but the details were not elaborated on or not discussed in detail exactly when these consultations would be part of the process. From a community perspective, it is hard for us to say, "Call a meeting for everybody that is involved, all the different stakeholders." If there is a commitment made to engage us as part of the process we can then, in a timely fashion, go out and talk with all the groups.

When the department has specific questions about should we master-plan for this aspect or that aspect, we can then have all of that information prepared so that we do

not inhibit the childcare facilities; so that we can get the sizing of the switchboard, we can get the sizing of the heating, ventilation and air-conditioning systems, we can get the access to the childcare and what would happen with the remainder of the buildings; and so that we did not disadvantage children or put children at risk by having a traffic management plan that was inconsistent with the safety of parents getting children out.

It is okay when you have one or two young children but once you have got three young children you do not have enough hands and you do not have enough eyes to look after them. And if we do not do the master planning process now and we do not do the thinking now, then we are going to waste resources not only on the capital cost of the building but also on the fixing up costs later on and the energy costs that go into the building.

THE CHAIR: One other point that was raised that I know the group was concerned about was the surrounding green space, the oval. Have you had a commitment from government that that will remain green space?

Mr Nicoll: At various times we thought we had but I think at the moment we do not. I cannot say that we definitely got a commitment for the grounds to remain open space. So that is something that we are definitely keen on because it is the one, flat playing field area in the Flynn community and it is important for our kids to have somewhere and indeed for the environment to have these green spaces.

MR COE: How accessible and how well maintained is that space at the moment?

Mr Mitchell: Not well enough, since I have twisted an ankle a couple of times. In the last six months I have probably been down to that oval personally about 20 times. My kids have been down there with other family groups. When we have had barbecues at our place, we all go down as a family and have a game of baseball down there, girls versus boys, adults versus kids. And we see a range of other people down there.

Mr Nicoll: Just on that, in passing the site I interrupted somebody digging up the sprinkler system from the oval. I believe that it is not watered now. We have got quite a lot of large trees on the site too that, if they are not watered, could be an issue. In terms of maintaining the green space and the environment too, we are interested in that because it is all part of the heritage of the site as well.

THE CHAIR: Is it being mowed regularly?

Mr Nicoll: I think it is being mowed.

THE CHAIR: Is it very long?

Mr Mitchell: Long enough to lose some tennis balls in there.

MR COE: I know you are not a horticulturist but do you think the oval is retrievable, or is it going to have to be resurfaced if it is going to be used as a proper playing field?

Mr Nicoll: I think you would probably have to resurface it but, yes, there are ways of doing that.

Mr Mitchell: Between having a community playing field of lesser quality versus spending those dollars on something that occurs inside the building to have an integration of migrants into the community or to have a place where older people can feel reconnected, if it was that \$20,000 decision, I think that—

MR COE: Especially considering you once had both.

Mr Nicoll: But having said that—

Mr Mitchell: Beggars cannot be choosers. If it was youth at risk, where they could have a drop-in centre, we would prefer to have the money there than have the oval.

Mr Nicoll: And having said that, the proposal we put in was to also collect water off the very expansive roof and feed it through to the oval so that we do have a sustainable model.

MRS DUNNE: You said that, in recent times, you have had two meetings with the minister. You presented your plan to the minister and you have subsequently spoken with her since the announcement on Anzac Day about the childcare centre. Have you had any commitment from the minister for a master plan for the site?

Mr Nicoll: It was brought up at the last meeting this week. Do you want to talk about that?

Mr Mitchell: We would love a commitment for a master plan of the site because that would enable us to then create focused discussion groups amongst all of our people. So if we could have a commitment for a master plan, that would be fantastic.

MRS DUNNE: But you have not got one at the moment?

Mr Mitchell: I would love one.

MRS DUNNE: Have you got a commitment at the moment?

Mr Nicoll: There was talk about working with us around the process but we do not have that. It was not elaborated on.

MRS DUNNE: No-one signed up to it?

Mr Nicoll: Yes.

THE CHAIR: Any other questions for the John Flynn Community Group?

MR HARGREAVES: I remember when your group was particularly concerned about what was going to happen to that building precinct and I remember—

Mr Nicoll: The which?

MR HARGREAVES: The building precinct, you know?

Mr Nicoll: Yes.

MR HARGREAVES: And I remember the conversations we had about green space and I do remember that the big priority was obviously to retain buildings but it was as a childcare centre. What I have been hearing so far is that it is not a question of whether it is a childcare centre or not, it is a question of its integration, from I am hearing you saying, and its size.

Mr Nicoll: Yes, you are right.

MR HARGREAVES: But I would have thought the commitment that you are going to get a childcare centre was a big hit but I did not see anything in the press release on the 27th acknowledging that. Was there a reason for that?

Mr Nicoll: Picking up on your point—

MR HARGREAVES: It was a big win for the Flynn community, I thought.

Mr Nicoll: The thing was that in the joint working group process we had a lot of discussion around childcare, and obviously it is a need in the region, as well as Flynn. At one stage there was a proposal put on the table that we fill up most of the building with childcare and we made it clear that it would not meet the hole, I suppose, that had been left in the fabric of the Flynn community through the school closure. We needed the connection, we needed these multiuse spaces, because there are no other facilities in the suburb.

You were not here, John, when I first introduced the subject but when we met with you back in 2007 it was actually your idea for a multiuse, community-involved centre that we really moved on. We have put three years of work into that. Childcare we see as one part of the integrated centre that will work across the generations. So it is about having the right size that will balance the various needs, especially neighbourhood with regional, because we feel Flynn is out of the way in terms of a regional facility.

We have got very quiet suburban streets, we have got footpaths that all lead to this central hub. So we want a walking-distance centre for our elderly, for our youth at risk. We do not want lots of people driving in from all over Canberra for the centre, whatever, like a national centre. It needs to be a local facility.

MR HARGREAVES: What I am hearing you say is that there is a need to make sure that it is sustainable as a community hub. But you will need regional attention; otherwise it will not be sustainable.

Mr Nicoll: Yes.

MR HARGREAVES: As we discussed, suburbs change. It is cyclical. You will have a thousand and one rug rats one week and then you will have a thousand and one oldies the next week

Mr Nicoll: Exactly.

MR HARGREAVES: And the multiuse concept of the centre, I think, is vital, particularly for the Flynn community as it regenerates. Notwithstanding that, I would have thought you could work on those other bits and pieces in a very leisured and evidence-based way of going about it, but the need for a childcare centre is there right now. Is it not important that they move on that and then you have, I guess, a best-case scenario? What was going through my head was that there are a number of childcare centres that have been created and they have been too small, because there has been that growth.

I am reminded of the way in which the youth centre at Lanyon Valley was created, which was to have a large youth centre on one side and a smaller facility for the older people on the other side, because it was a particularly young community, the idea being that when the older community is greater in number you do not change the building, you just change the occupation.

Mr Mitchell: Can I intervene? That is exactly where we are going. It has all got to be sustainable. The key thing in this budget is the nexus about the childcare facility. When you break the budget down, you will spend a certain amount on the fire compartment, you will spend a certain amount on the switchboard, you will spend a certain amount on the heating, you will spend a certain amount on the pipe work, you will spend a certain amount on the electricity, you will spend a certain amount on the lighting base.

When the department is advised, do they consider just that space that the childcare facility is in or the whole building? If they have a zero decision on the rest of the building and we are not going to consider it because it is going to go out to a contractor, they will not size the switchboard to take the extra couple of things, they will not size the electrical cable, they will not size the box that will provide the power to it.

So when you then start to speak about the future use of that building, you will then have to say, when another proposal comes forward, “We have potentially wasted \$800,000 in rework.” And what you need is that master plan for that whole-of-life perspective, to create that social and environmental sustainability. If you do not think about it now, you will either inhibit decisions requiring rework or you will promote decisions. And the best decision you can promote is the absence of the use of resources and—

MR HARGREAVES: And the other implication, I presume, is that you restrict any growth going forward, either in activity or numbers. You actually are stuck with it.

Mr Mitchell: Yes.

MR HARGREAVES: That is basically the story. You have got two choices, have you not? You can spend a squillion dollars fixing it or you can live with it in its restrictive mode.

Mr Mitchell: Just from an opportunity cost perspective—and having built a number of childcare facilities previously, having built a number of community centres previously—the rework cost could be in the order of \$800,000.

MR HARGREAVES: That assumes the rework will go ahead.

Mr Mitchell: That is right, but then you have got the waste about what you are going to do with the rest of the building that is derelict, which then creates a fire hazard, which means your fire components to the childcare facility have to be good.

MR HARGREAVES: We had that issue at Charnwood, if my memory serves me correctly.

Mr Nicoll: Just to supplement that very quickly, we believe that the \$4 million is a good start and that there is potential to be part of that master planning process, to actually see how we can use that formula to include a childcare centre but include some of this community connection that is absolutely needed in Flynn since the school closure. We believe that that \$4 million can be well used through a master planning process where we look at it early on.

Mr Mitchell: The key thing is building the infrastructure so that we do not get the rework for the rest of the building.

THE CHAIR: And do not duplicate services later on.

Mr Mitchell: Correct, absolutely.

MR COE: The government never does that.

MR HARGREAVES: With regard to that centre anyway, disregarding for the moment the decisions which have been made about the use of it as a school, it seems to me that the relationship that you have established now with the government and the bureaucracy, which supports the government, is actually a positive one, looking forward.

Mr Nicoll: Looking forward?

MR HARGREAVES: It seems to me that it is actually moving forward now. Whether it is at the right pace or not is another story.

Mr Mitchell: Regardless of the views that we have had in the past, regardless of the way you want to move forward, the reason that we are here is for the benefit of the community. We were out in the playground last week and my kids were playing with some African refugees. Their parents came out and were just chatting—we had a dog—and were actually asking, “How do we get jobs? How do we do this?” These people do not have cars. Whilst we can invite them into my home, that sort of thing, and help them out and give them the use of my computers and help them with writing skills, it becomes a large impost when it becomes a large group of people.

If we had a community centre we could actually say, “Let’s donate some computers to

it.” And then the older people within the community that have these skills could actually help these immigrants. The youth at risk component, where they do not have a place to drop into, that want to get out of their house, there is nothing for them in the community.

All of those things can go in the other half of the building but what it comes back to is that it will make any of those proposals too expensive if we do not think about what we are going to do with the rest of the building now. To give those decisions to the department on should we include this or should we include that, it will be a battle between the amount of infrastructure that we put into the building in terms of the services, versus one or two extra places or 10 extra places in the childcare facility.

THE CHAIR: Thank you very much for appearing this morning. A transcript of the hearing will be sent to you. If there is a need for any corrections, please send them to the secretary. Thank you again for appearing this morning.

Mr Mitchell: Thanks, Meredith. Thanks for your time.

GILMOUR, MS PENNY, Branch Secretary, Australian Education Union
SMITH, MS CATHY, Assistant to the Secretary, Australian Education Union

THE CHAIR: Welcome to this public hearing of the Select Committee on Estimates. Thank you, Ms Gilmour and Ms Smith, from the Australian Education Union, for agreeing to be with us today. We have approximately 30 minutes for our discussion. Could you please confirm for the record that you understand the privilege implications of the privileges statement?

Ms Gilmour: I do.

Ms Smith: Yes.

THE CHAIR: Thank you. Before we proceed to questions from the committee, would you like to start by making a brief statement?

Ms Gilmour: Thank you, Madam Chair. When the budget was released I indicated that the AEU thought it was a reasonable budget for education, and so we did from the point of view of things that we need right now. We certainly welcomed the funding of the Teacher Quality Institute because that has been a project that the union has been working on for some time with the department and other stakeholders. We have always supported a move towards teacher registration in the ACT as a benefit to the profession. Therefore, it is very gratifying to see that the government has provided sufficient support for that to be proceeded with. In fact, the department tell me that at this stage they believe they are on track to have it in place for early next year, which would be good. We will get down to the nitty-gritty of negotiating how it will all work on the ground in terms of current employees over the next few months, which I am sure will be exciting.

However, while the budget has that provision, and it has significant provision around infrastructure, what is missing from the education part of it is investment in people. There is significant investment in infrastructure but for people there is nothing of any significance in the current provision or in the forward estimates. In particular, there are four areas that we think the budget has failed to address sufficiently. The first is teacher salaries, the second is support for teacher professional development, the third is programs to support students and the fourth is workload measures.

Just to put each of those in a little bit of context, in terms of salaries, teachers have not forgotten the outcome of the last two rounds of enterprise bargaining. In the oldest of those rounds you might remember that we ended up in arbitration. We received an outcome of four per cent, four per cent and 3½ per cent. The public service some four months later, if that, got 12 per cent. Teachers felt pretty cheated about that because they lost conditions as well as getting a lesser monetary outcome.

In the last round of bargaining, which occurred last year, teachers at CIT, whose conditions were under significant threat, decided to settle for only the Treasury funded amount of pay increase, which meant that they got one increase of two per cent and one increase of 2.5 per cent, which will be due on 1 July this year. In the school sector, a deal was done whereby the department could find some supplementation internally on the basis that a total of six per cent was paid in four instalments of 1.5 per cent. In

terms of shifting the salaries along, it was not significant, and the department provided supplementation, not Treasury.

Teachers are aware of that and they keep an eye on what is happening generally in the public sector. I might say, while we do not begrudge our colleagues in the public sector their efforts to win what they see as appropriate increases, we are very disconcerted that there is no significant planning in the forward estimates to address the gaps that are opening up between the percentages paid to teachers and the percentages paid to others, but, more importantly, there is no provision in the forward estimates to address the very serious problems that will exist in the teacher salary scale at the end of our agreement on 30 June next year.

I thought it was interesting that the list of bargaining to take place in this financial year included the CIT teachers but not the school teachers. In fact, the CIT teachers do not have a bargaining outcome due in this current financial year. Both of the agreements expire on 30 June 2011. So both CIT and schools bargaining outcomes will be reflected in the forward estimates, not the 2010-11 budget.

In both cases, the teachers settled for a smaller outcome than that which was competitive with other jurisdictions because we wanted to make a contribution to assisting the government through what we recognised were difficult financial circumstances. Two rounds in a row we have been told, “We’re going broke; there’s no money. Everybody has to do their bit, and you need to do yours.” We have done our bit. It is pretty galling, I guess, to see that there appears to be no recognition of that in the provision made for teacher bargaining.

In terms of teacher salaries, CIT are in a less perilous situation in terms of competition, but in the school sector we advised government at the time that the last agreement was settled that over the two-year period there would be significant problems developing, to the point that, by 30 June next year, at the top of the unpromoted classroom teachers scale there will be a gap of 7.5 per cent between the salary paid to an ACT teacher and the salary paid to a teacher in New South Wales. When the Labor Party came to power, that gap was 6.87 per cent, and they closed it. But over their period of government, because they have taken their eye off the ball, the gap has not only opened up but it has opened up to an extent larger than it was at the start of their period in office.

The absolutely urgent issue to address is the salary rate for deputy principals, which is, in fact, 15 per cent behind the salary paid to a deputy principal in New South Wales. In terms of maintaining a competitive workforce, we will not hold people who are capable of performing at that level if we do not do something about their salary. They have taken us on faith for two agreements now, but I do not believe they will be prepared to take us on faith again. I think that government needs to look at that in terms of its forward estimates. Our beginning teacher salary is still competitive—just, but unless the government is prepared to look carefully at teacher salaries, the provisions it has made in the forward estimates will not address the issues that will be very apparent by the end of the agreement. In fact, they will be much more obvious over the life of any subsequent agreement on the basis of the forward estimates.

In terms of PD support, there has been no indexation at all to the teacher professional

learning fund established under the enterprise agreements. Teachers gave up salary to establish that fund. We have been very pleased that it has existed, but it has been held at a stable amount. I think this will be the fourth agreement. That is in the face of increasing numbers of teachers actually employed. Apart from a lack of indexation, there has been no adjustment of any kind to recognise that the size of the workforce has increased. While that has been very welcome, of course, it is a case of saying, “The pie is the same size. Slice the pieces more thinly in order to allow teachers to have access to that resource.” That is a matter that needs to be addressed.

On the workload issue, the enterprise agreement commits the parties to looking at measures to address teacher workload, including examining what non-teaching tasks currently performed by teachers might better be performed by other staff, including administrative staff. We believe that in order to support that there needs to be some capacity to look at employing additional admin staff, because the current admin staff are not exactly sitting around with time on their hands. There appears to be no provision for anything that would recognise that sort of outcome. While the work of delineating non-teaching tasks that can be allocated elsewhere is difficult enough, it will be impossible if there is no resourcing to support an outcome.

Finally, in relation to programs, the AEU has said before a number of Assembly committees that we have been pursuing for a number of years now a range of provisions, including alternative settings and additional support for ESL. In terms of alternative settings and support for students with particular needs, we identify a shortfall in provision for mental health, particularly among the younger age group—children not in high school—and for behavioural and emotional disturbance. We think that early intervention around all of those areas needs resource support, and that is not evident to us in this budget. It is certainly our view—and we believe that the research evidence supports us in this—that the earlier that we can intervene and assist children who have problems the better is their long-term outcome and the cheaper the cost is to the community of addressing their needs.

I must say it is disappointing that there does not appear to be any provision in this budget to address those matters. The territory will still be in a position where the youngest of our children who present in schools with significant mental and behavioural disturbances do not have a facility appropriate to their age group which they can be directed to for urgent or respite care. That is my statement.

THE CHAIR: Thank you, Ms Gilmour. Picking up on the lack of increased funding around professional development, do you see that there could be ongoing issues, particularly in light of the issues that the Shaddock review into special education raised? The educational achievement gap inquiry also raised some issues around that. Can you give us a bit of information on how you feel that there may be some negative impacts for students if we do not get this sort of training in?

Ms Gilmour: That is a very real concern. It is not just Shaddock and the other reviews locally that will be affected by this. While the ACT is in a good position, having recently undertaken a significant review of our own curriculum, our curriculum does not line up exactly with the national curriculum. There will be a need to provide professional learning support for teachers in the implementation of that, along with other federal programs, as well as matters such as the quality teaching

program which the department resourced for 12 months but then subsequently reduced the resource available. That program is all about looking at your professional practice, updating your pedagogy, engaging in critical reflection and all of those things that we know as a profession are important to keep teachers at the top of their game.

I think it should be pointed out that in the non-government sector that program has been resourced for six years. I am aware that it has been resourced for five years in New South Wales. The significant resource that was provided in the ACT was withdrawn after 12 months. Schools had to provide resources from their own funds to keep going with any kind of external support to the school. That is a serious matter when you are talking about trying to achieve some time and space for teachers to address changes in pedagogy and practice.

I think that Shaddock's review has some significant training implications for teachers in terms of developing the skill base and broadening it, not just for those already in the service. Shaddock's review points to the need for additional skill in the service and additional people. As I said in my opening remarks, one of the concerns that I have about the professional learning fund is that, leaving aside any argument around indexation, the base amount has not been increased at all but the number of teachers sharing in it certainly has.

While it is very welcome that there are more teachers in the system than there were, professional learning is not a cheap exercise. When the resource to fund it is effectively limited and reduced over time because the people sharing in it increase, it does not produce a lot of confidence that the system will have the capacity to support teacher professional development over the long term through providing quality relevant professional development that meets the needs identified both by the teachers and by the external pressures that come into the system.

THE CHAIR: You spoke in your opening statement about the admin support. You touched on admin support within schools. From what we can see, about \$600,000 is allocated for school-based management over the next two years. Do you believe this funding will be enough to get that admin support into schools so that teachers and principals can focus on teaching and educational leadership? What are your views on that?

Ms Gilmour: In relation to the \$600,000 that is earmarked for the school-based management review, it is not possible to make a very sensible comment. I am happy to make a speculative comment, but the review itself has not been released yet, and neither have the recommendations. My understanding is that that money is earmarked to assist with the implementation of recommendations that the government is proposing to adopt, but because we do not know what any of the recommendations are, much less those that are being supported, I cannot give you an estimate about whether that would be sufficient or not. I do understand, though, that the money is not about the employment of additional staff. I think it is about structural matters inside the way school administration budgets are run rather than actual people on the ground. If it is about people on the ground then \$600,000 will not buy much of a resource, even in a small system like ours.

MR SMYTH: Do you know when that review was finished?

Ms Smith: Towards the end of last year. We understand that the review was handed to the minister towards the end of last year. We were hoping to see the results of that, but we have not been given a copy yet.

Ms Gilmour: My understanding is that it is expected that it should go to cabinet in the next week or so. On budget day I remember a reference that the review would be released before the end of the month. Clearly, we are sitting on tenterhooks waiting to see what it says and looking forward to seeing not only what recommendations might be supported but, in fact, the full suite of recommendations. I am certainly hoping that the whole thing is released, not just whatever is going to be supported.

MR SMYTH: You might have expected that a review like that would have been released before the budget, not actually included in the budget.

Ms Gilmour: I certainly would have, yes. I was asked this question on budget day, Mr Smyth, and I said then that you cannot make any judgement about the satisfactory nature or otherwise of a provision in the budget if you do not know what they are funding with the money. I think it is very unfortunate that the review was not available prior to the budget. I do not think it puts anybody in the community in a position to make a sensible assessment about whether it is sufficient or not.

MR DOSZPOT: I have a supplementary. Ms Gilmour, you mentioned in your preamble that your first priority was teacher salaries. Also in the recommendations that you made there was reference to the need for increased salary levels. This was identified by members of your union—76 per cent—as the single greatest priority by far. Were you able to articulate this need, this requirement, from your teachers to government in any consultation? What level of confidence did you get that the government took on board your recommendations?

Ms Gilmour: We provided a written submission to the budget process last year. If you do not have access to that, I am very happy to provide it to you. We provided a comprehensive table comparing salaries in the public sector, salaries in the ACT private sector and salaries in the New South Wales government sector over the period from 2009 to 2011 so that we could demonstrate to the government that, even on their own measure, we are falling behind. We often hear that they are not going to be in competition with New South Wales, but they want comparable salaries. Even inside the ACT border, in terms of the salary range paid in the ACT Catholic and congregational sector and the Anglican sector versus what is paid in the government sector, we are falling behind. We will not even hold teachers in the public system, in my view, who want to move, are looking to move and have the capacity to move, unless we fix the salary rates.

MR SESELJA: You have said in your—

Ms Gilmour: I am sorry, Mr Seselja. I should have said that, in terms of an explicit consultation, we did not have a meeting with them and we have not been given any heart that our concerns will be taken up. We have been told repeatedly that the government will formulate its wages policy and will be bargaining within that

framework. Our concern is that we know that the problem that will face the ACT department of education in the next bargaining round is salary rates. The gaps between other comparisons will far exceed what Treasury is proposing to fund for increases. With the efficiency dividends in the department and the reduction over recent years of resources, in my view, there is no fat left for the department to find money internally. There is certainly no capacity for teachers to do anything more than they are doing themselves. We have nothing left to bargain away.

MR SESELJA: Just following on from that and then a couple of quick ones: the \$18 million, roughly, in efficiency dividends that are forecast in the outyears—where will that come from, in your opinion? In the opinion of the AEU, where will they find those savings?

Ms Gilmour: The department has assured us that, at least in this first round of efficiency dividends, schools will be quarantined, but they have acknowledged that they cannot give us that guarantee for the outyears. And quite clearly, even if schools are quarantined in the first instance, the efficiency dividend then must fall to the functions of the department that do not reside in schools.

Many of those functions provide direct support to schools. The central office of the department suffered a very significant cut several years ago when staffing was reduced and we saw the loss of the consultancy and a range of other support provisions. We are very concerned that the efficiency dividend will end up having a direct impact on the service delivery in schools because the support for the teachers that enables the delivery to happen will not be there.

For example, I was advised last night that in the ICT sector there are a number of people leaving, and they are apparently not going to be replaced. That is at odds with what I understood was going to be the situation where, if you like, the front-line business that affected the delivery in schools would be quarantined. If that is what the people in the section believe, there is either miscommunication about what the staffing freeze and the efficiency dividend mean or there will be impacts because positions will be lost. And in ICT most teachers would tell you that they think there is still a way to go before we have an effective and efficient service across the system anyway.

MR SESELJA: You have called for the discrepancy between school leader B to be addressed through additional funds of \$1.25 million. Is that per annum or is that over the four years?

Ms Gilmour: I am sorry; I should have done my homework slightly better.

MR SESELJA: That is okay. Do you want to take that one on notice?

Ms Gilmour: Yes.

MR SESELJA: That is fine, if you could. And also, in the same part of the submission, you talk about addressing the issue around casual relief teacher rates—\$35 per day. Do we have a total cost or an estimated cost of that measure?

Ms Gilmour: No, we do not. The reason that it is a bit hard to give you a proper estimate is that we do not know how many people are on the books at any one time. Certainly our anecdotal evidence tells us that in the last couple of years the usual situation where people who retire from full-time work as a teacher seek a casual relief card and are prepared to do a bit of contract or relief work has changed. There are fewer people prepared to put themselves forward for that work, and it is partly around the issue of pay. Casual teaching is a very necessary but often thankless part of our work as teachers. It is day hire, basically. People will go where the money is, and the money is not in the ACT and has not been for some time.

MR SESELJA: Do they have arrangements with casual teachers in the government sector that allow for some certainty for those casual teachers? I know that in the non-government sector they will often have almost formalised arrangements where it is casual but you are going to get roughly two days a week and that sort of thing.

Ms Gilmour: It is down to the individual school. We are certainly aware of schools who will say to the person, “We are not sure quite what you will be doing, but we are pretty confident that we are going to have work, and we would like you to turn up every day.” School-based management allows schools that flexibility, and we would like that to continue. We have proposed several times that there be some kind of a pool established—a bit along the lines of what used to be district relief teachers in systems in times past. They were permanent employees, and they were able to be sent out to schools as required. If they were not required then they were used as an additional resource in their base school or somewhere else in the system. The department has not been willing to come at that. I suspect it is more an issue of funding rather than an absolute philosophical objection to it. But in the last three rounds of bargaining that I have been involved in, the capacity to fund anything extra has been pretty much non-existent.

MR SESELJA: I have a final question. You talk in your submission about class sizes and the desire to have not just the average of 21 that the government has committed to but looking around schools and the averages so that you do not get those very high class sizes. What is the feedback you are getting from your members? At the last estimates, we were hearing that there were still some primary schools in some suburbs where it was well over 30 in a class. Is that still the case?

Ms Gilmour: Our information is certainly that there are classes in excess of the stated maximum, which is supposed to be 21 from K to 3 and 25 for preschools. Preschools are a particular area of pressure; there are classes in excess of 25 in preschools, and simply putting an additional preschool assistant in with the teacher is not a resolution to that problem that works in the longer term. We still maintain that the government would have been better to have established a system maximum from years 4 to 12 of 25, and work to that, than have a system average of 21, because there are still teachers who are not seeing any difference. The 71 more teachers may have been employed in the system but, particularly, for example, in a high school setting, where students split up across their subject choices, that does not guarantee that teachers will necessarily see a reduction; and an average, of course, implies that some classes may be below the figure and others may be above it—in fact, well above it.

MR SESELJA: We did hear that last year, and I would be interested to know if you

could get any additional information. They did not say which school they were from, but there was one saying that they had around 36 in a primary school class, which is obviously very high.

Ms Gilmour: We have not conducted a survey so far this year, but I think that we will probably do so fairly shortly and see how it is panning out. Certainly, the department is requiring of schools information about what they are doing to meet the average of 21. But without resource flexibility and additional resources to support that, at some point you cannot do any more than you have already done.

THE CHAIR: Ms Bresnan, a final question?

MS BRESNAN: Thank you. It is just in relation to this. We have already discussed needs for students with disability, and that is one of the areas you have identified. We have got about 1.6 in the budget over four years, which unfortunately seems to be the only amount associated with disability education. Have you had any discussions with the department about how that is going to be utilised?

Ms Smith: Our understanding is that that is for the preparation and implementation of the disability education action plan. Our concern is that that mainly is going to go towards administrative costs rather than being directed towards programs for students with disabilities. Again, we are very concerned that there is a lack of support and resourcing for programs in schools.

MS BRESNAN: Have there been any discussions with you about the sort of funding that is needed? One of the things which has come up in the disability inquiries is about the implementation of individual learning plans and how teachers need to be resourced to be able to do that. Have there been any discussions about those sorts of programs at all?

Ms Smith: We have representation on the special education reference group, now called the disability education reference group. There is not usually discussion around funding and the costs of programs in that forum, so we have not had any discussions or been asked about suggestions about resourcing and where the money should go. It is really an internal discussion.

MS BRESNAN: So it has been a long time.

MR DOSZPOT: I have got a very brief supplementary question.

THE CHAIR: A final brief supplementary, Mr Doszpot.

MR DOSZPOT: Ms Gilmour and Ms Smith, I am not sure which one of you can answer this. Have you been consulted, and what is your opinion if you have or have not been consulted, on the government's proposed lowering of the school leaving age of students with disabilities from 20 years to 18?

Ms Smith: We have been liaising with our members in special schools around that issue. We understand that, particularly at Black Mountain, students are staying at the school for longer. Our feedback from members is that there is a lack of programs for

students to transition into, and that is why they remain there. The members are comfortable with that idea—to continue to support them in the school—but we would like to see a whole lot more programs in the community sector, with employers taking some initiatives. We understand the department is working with business and community groups to build up the number of programs, particularly for high-need students with disabilities.

MR DOSZPOT: Are you aware that letters have gone out to parents indicating that their children will not be allowed to stay on beyond 18 years?

Ms Smith: We have heard reports about that. We need to start having more discussions with our members about their perspective on that issue.

MR DOSZPOT: Have you been consulted by the government in this regard?

Ms Smith: No, we have not.

MR SMYTH: Just on that, how often do you meet with the minister? It does not seem as though you get much of a chat with the very busy minister.

Ms Gilmour: That is a very interesting question. We used to have very regular meetings. In fact, back in the days when Ms Gallagher was the minister we met monthly. Since Minister Barr has been the minister, the meetings have become increasingly irregular, to the point where, at the beginning of this year, I received an email proposing three half-hour meetings for the entire year. I expressed my view that that was completely unsatisfactory, and I was then advised of three one-hour dates for the whole year. In terms of trying to have a constructive dialogue with the minister, I think it is pretty clear that he does not want to engage. We recognise that there are very difficult issues that we have to work through together, and that can be uncomfortable on both sides, but I think that it is very regrettable that there is not time provided of greater sufficiency than half an hour or now an hour.

We have had one of those meetings. We are due to have another one in July, and the last one, I believe, is in November. While we can seek meetings in between, it is pretty hard to get into the diary. One of the things that were very useful in past times was the capacity to have a regularly timetabled meeting. Both sides could cancel if it was not necessary or if there was some other urgent business, but at least having it there meant that there was that sort of regular dialogue and exchange of information. That has fallen off in recent times, unfortunately.

MR SESELJA: It sounds like a particularly uninterested education minister.

THE CHAIR: Thank you for appearing this morning. A copy of the transcript of the hearing will be sent to you. If there are any corrections, please send them through to the secretary.

SIMMONS, MS ANDREA, Manager, ACT Disability, Aged and Carer Advocacy Service Inc

THE CHAIR: I welcome Ms Simmons to this public hearing of the Select Committee on Estimates. Thank you for coming along today to represent your organisation, ADACAS. We have about 30 minutes scheduled for the discussion this morning. Could you confirm for the record that you understand the privilege implications of the statement that is before you?

Ms Simmons: I do.

THE CHAIR: Thank you. Before we proceed to questions, would you like to start by making a brief opening statement?

Ms Simmons: Yes, thank you; I do have a statement. I hope it is brief enough. I am the Manager of ADACAS, which is the ACT Disability, Aged and Carer Advocacy Service. Our role is to assist people with disabilities, people with mental health issues and frail older people to have their needs and wishes heard and understood and, where possible, acted upon. So we are an individual advocacy agency.

Last year we provided advocacy to approximately 300 people in more than 400 different matters, involving a really wide range of issues relating to safety, health, housing, education, justice, family relationships and community services—almost anything that is of importance to people with disabilities. We also respond to a whole range of information inquiries from the community in general.

Because our role is to stand beside individuals and work with them to resolve their individual issues, we are in effect a repository of information about how well the ACT supports its most vulnerable citizens. Our ongoing frustration about this is that we receive minimal systemic advocacy funding. We are funded across five different programs, but very little of that is systemic advocacy funding, so we have a very limited capacity to pass this information on to policymakers and the legislature in general.

I want to apologise in advance for not being able to give you a budget summation, if you like, relating to our budget submission and what came out of that. I can tell you, however, that, of our budget submission, where we addressed a vast range of issues, there was only one very small portion of that submission that actually had an outing in the budget. What I would like to do is provide you with a copy of our submission after the hearing, if that is acceptable.

In my presentation today, because there are a lot of issues I could talk to, I thought I would pick the one that is probably for us the biggest and most important. That is the budget response to the needs of people with disabilities. I am happy to take questions about other areas of our budget submission, particularly the elder abuse funding, or the lack of it.

The examples that I will give in my comments are the things that we have seen over the course of our work in the past year. I have chosen to focus on this particular area today, and in particular the government's response to the unmet support needs of

people with disability in Canberra, because I have come to believe that as a community we are failing to see the human and dollar cost of our minimalist approach to disability support. It is argued by our number crunchers, and seemingly accepted by our governments, that proper support for people with disabilities and their families is just too expensive. I think that, on the contrary, it is our failure to provide this support that is becoming too expensive and costly for us. I will give you some examples of that.

The problem lies really in the silo approach we take to looking at costs and the silo approach we take to looking at benefits from budget outlays. This budget included a range of new money for people with disabilities, in very specific areas. While that looks good on the face of it, it is not so good when you drill down a little. I will talk about that.

When you look hard, you find that there is nothing here to address the sustainability of services provided to people with disability by the community sector. With respect to the funding that is there, with the exception of the HACC funding, which is a very specific program looking at very baseline services, the Productivity Commission report on government services released each year will tell you that more people with disabilities are supported by the community services sector than by government, and they are supported for substantially less cost. We know, too, that there has been under-resourcing for the disability sector—the community services disability sector—that supports people for many years.

It looks surprising to me, then, that the additional disability money that has gone into the budget is actually for the sustainability of Disability ACT services—at least that is what the budget papers say. I have to say up front that I have not had a more detailed briefing about that, so I can only go on the face of what is in the papers themselves.

There is nothing here to address the inevitable increase in costs of care for people who are receiving individual support packages. Their care costs go up in the same way as the costs for services go up. They go up according to the costs that people experience in wages, in transport et cetera. This group of people—the people that get individual support packages—tend to be people who are in need of more support than base level stuff provided by the HACC program.

There is also nothing to address the additional care needs that this group tends to acquire with age. We give people an individual support package early on in their life, usually; as they get older, their disabilities have an impact on their health, their health deteriorates and they usually require more care, but we do not have a sustained process for responding to that.

There are no new individual support packages available in the budget, yet we know from the forums that we go to and from the people that come to us that people are barely surviving in their homes at the moment and families are falling apart because of the stress of the continued care. Nobody is arguing that families should not be providing care to family members, but families should not be being asked to provide care above and beyond their capacity to do so.

People with disabilities are being forced to move into hospital because they lack the

appropriate supports at home. This was something that the government addressed in the budget last year in relation to a group of people that they knew were in hospital. However, they have failed to address it this year. There are new people in hospital now for the same sorts of reasons—that the care dollars were not enough to keep them at home. We have one as a client at ADACAS. We believe that there are others, but those sorts of figures are very hard to come by. It might be a good question for the Assembly.

This is particularly surprising to us because, when you look at the government budget for 2010-11, the 22 additional subacute hospital beds are being costed at something like—my maths is not that great—\$161,000 per annum per bed. That is way beyond what it costs to keep anybody at home—well, not anybody, but the vast majority of people. Certainly, with individual support packages that have gone out, the most recent ones, the maximum has been \$125,000. So there is quite a significant difference there. If you were providing this person that we are advocating for with enough support to stay at home, I can guarantee that it would not be the amount that it is costing to keep her in hospital.

We are finding that parents are leaving their jobs, and I think you alluded to this before. Parents are leaving their jobs when they are young and family members with disability are leaving school. I was at a very disturbing forum earlier in the year where a number of families were talking about the cost to themselves of their son or daughter having to leave school and having no proper support ongoing. People were giving up their businesses. People were losing their capacity to pay their mortgages et cetera so that one of the family members could stay at home and look after a child.

Also, what you are losing there is some of our Canberra workforce that has at least probably 20 years of experience in the workforce. This is happening at a time of critical skill shortages. When we are projecting further shortages into the future, I do not think this is a good use of our human resources in Canberra.

We are also seeing—we have known this for many years—frail older people looking after their now middle-aged sons and daughters with a disability. They are doing it at the expense of their own health and wellbeing. That inevitably creates an additional cost for the community. We also, in the end, wait for a crisis to occur, as inevitably it will, before we step in and provide support. Support provided at a crisis point in people's lives actually leaves trauma that, for some people, is never recovered from.

I think it is a horrendous way to operate a business of supporting people when we only jump in when families fall apart and people are dying. What we do is that we predominantly provide an ambulance at the bottom of the cliff. We create irreparable damage by doing that. It is something that continually surprises me that the early intervention notions that we have across a whole raft of policy areas seem not to apply in the disability arena, for whatever reason.

The other thing that is very much of note is that we end up with a lot of people with intellectual disabilities and people with mental health issues, psychiatric disability, in jail. I probably should not have to remind you of the extraordinary costs of keeping people in jail. It has been the subject of much discussion in the Assembly in recent times. We do not need to look only at those costs, though; you look at the cost to

families of people being in jail, you look at the costs of supporting people when they come out of jail, and you look at the loss to the community that has gone on in terms of that wasted resource, that person being stuck in jail for that period of time when, had they had the proper support, it might never have happened.

The other thing of note about that is that a lot of those people who end up in jail and subsequently get diagnosed with having disabilities or having psychiatric issues often had very little to no support as they were growing up. They are people that have slipped through the cracks in terms of services and supports at an early stage, and that is in part why they have ended up where they are.

I think it is really hard to believe that, at the same time as we have got all this going on, we have in place a government that is one of only two that is prepared to support a human rights act in their jurisdiction. I think that is fantastic that they do, but I think what we allow to happen here really is a continual breach of people's human rights.

I think that is surprising, in particular when we now have a document that sets out the government vision around how we think people with disability should be able to live in our community. We have the challenge 2014 document, which sets a path, or it sets a challenge, for where we should be in 2014, which is, after all, only four years away now, in terms of providing ordinary lives for people with disabilities. The Australian government has recently signed up to the UN Convention on the Rights of People with Disabilities.

Our entire community is going to be judged on our capacity to live up to the rights under that convention. We have to report now this year and again every five years after that on how we are actually living up to the terms of that convention. The community sector right now is in the process of writing a report as well to provide a shadow report to the international committee on this matter, and I can tell you that it is not looking nice. ACT is not faring any better in that area than any other states.

What I would say to you is that I think these things are happening not because governments do not care but because governments have been persuaded that the pit of disability need is bottomless, that it will never be possible to cover the problems and the financial imposts that are required to meet this need. I actually think that that is not right. I think that we are failing to think about the other sort of costs that I have mentioned that happen because we do not do the work that we should be doing. I think we actually could get some benefit from checking that out, from looking closely at what it is costing us across the broad range of what government does and what the community expects in order to work out whether we are actually missing out across the board.

I think that if we did a proper accounting of the kind of neglect that we are seeing, we would be taking into account the loss of human potential to contribute to society of carers and their people with disability. We would look at the costs arising from unnecessary hospital admissions. We would look at the additional costs in the health system to respond to the stresses of families and what that does to their health long term. We would look at the cost of family breakdown to the community. We would look at the unnecessary engagement with the justice and prison systems, and we would look at the value that we as a community place on people's health and

wellbeing.

If you look to some of the work on the inequalities of health, the social determinants of health, one of the interesting things that is very clear from that work is that where the balance in the community of inequality is high, everybody suffers from that, not just the people who are at the bottom end of that inequality. I see that we live in a community which is suffering from failing to look after its most vulnerable members at the moment. I think we are doing it because we are not understanding the costs. We are not actually recognising, quantifying and balancing those costs appropriately. We are just allowing the bean counters to tell us that disability costs too much.

What I would really love to come from the work of this committee from what I have said is to actually make an effort to quantify the real unmet need that we have in the ACT. I do not mean doing that on a person-by-person basis. I mean that we should be asking the Institute of Health and Welfare, NATSEM or one of the organisations out there that is good with statistics and knows how to look at our population projections and our need projections to tell us what it is actually going to cost us in the future if we were to meet those.

I think we do need to look at the opportunity cost of not doing this, because I think we need that to persuade people that we have to spend the money. I think we need to show them what it is costing us to not spend it. So I would like to see that work done by an institute or an organisation that really has the knowledge and skills in that area. There are a range of them around.

I would like us to develop a planned budgetary approach to meeting that need so that once we have actually quantified the need, while we cannot address it all at once, we have to be planned about this. But can we not tell people what our plans are and see how we are going in meeting them?

I would like, also, to look at the disability support dollars that are in this year's budget with a view to determining whether those dollars are actually addressed to the areas of most need. I think that is my wish list for that particular area.

THE CHAIR: Thank you, Ms Simmons. I would just like to start with that. Is it the case that you have not had the opportunity to get a briefing or to understand where those dollars are going this year, but your suspicion is that it will be spent on departmental projects or within the department anyway?

Ms Simmons: It is not as simple as that. The budget papers do refer to sustainability of Disability ACT services. One of the things that you need to understand is that Disability ACT spends, I think they are saying, about half the service provision money in the disability arena in the ACT, if you take the HACC program out of the picture. They are both the policymaker and the service provider. I think there is an inherent conflict in their determining budget allocation around disability services money when it comes to this kind of thing.

THE CHAIR: Over the last couple of budgets, has there been money that has been directed at community-based services? What has been the balance between the government-run services and the community-based services?

Ms Simmons: I can only think back to last year, and there was not any money particularly going into community services last year, apart from their normal indexation, which is there this year across all the community services. But in terms of disability, there has not been, I do not think, growth funding for community disability services in the last two years.

THE CHAIR: And was there money in last year's budget for government service delivery?

Ms Simmons: There was for specific projects only, I think. I am certainly remembering the money to move people out of hospital, but I am not recalling any specifically directed to Disability ACT service provision.

THE CHAIR: I think your idea about getting some sense of the costs of not providing proper support is an interesting one. I know that certainly it was done by National Shelter many years ago, using NATSEM, around the cost of not providing public housing and how that can impact and have larger costs come out of people being homeless and so forth. I think that is an interesting idea.

MS BRESNAN: I have a question on the people in hospital who should not be there. I did ask the minister a question about that but I did not get a particularly clear answer. It was about what they are doing to quantify the number of people. You might get somebody out of hospital but then somebody else goes in. In terms of what you have discussed about community-based management, do you think that sort of continued focus on the acute end, and I guess the siloing approach where Health has that money and Disability has this money and they cannot really come together, is having an impact on the ability to move people out or to, like you said, provide that community-based support instead of just having it in the hospital all the time? That is where people end up.

Ms Simmons: The HACC program gets considerable additional money each year. That is currently a combined—not for much longer, I understand—commonwealth-state program. I think through that program the lower-level support needs are being addressed and looked at on a regular basis and being attended to.

But the HACC program was never intended to provide for the support needs of those people that have significant levels of need. That group of people are intended to be dealt with out of the Disability budget. There certainly are some communication issues. I am on record over a number of years as saying that I firmly believe that the money in the HACC program actually should be being managed out of Disability, Housing and Community Services rather than out of ACT Health because it is about community service provision. It is not so much a health service as a community service. But having said that, I do not know that that answers your question properly.

My sense is really that when there are not enough support dollars out there for somebody in the budget, the end result is hospital because no-one else knows what to do about it.

MS BRESNAN: Do you have any idea about how many people there might be now,

if there has been an increase?

Ms Simmons: I have no way of knowing the answer to that. I know that we have one; so I know the problem is not solved—

MS BRESNAN: So you know there is one, yes.

Ms Simmons: and when we find one, that usually means there is half a dozen more, because we only get some people to us.

MS BRESNAN: That is right.

Ms Simmons: There is another advocacy organisation, and there are many people that never make it to an advocacy organisation.

MR SMYTH: I notice that you commented on the support for disability services. I think that the explanation is quite interesting. It says that this initiative provides funding for Disability ACT to assist in ensuring that disability services are sustainable. What price index does the disability community work under? Does it have its own index as to what the cost is?

Ms Simmons: Our indexation of money coming from the ACT government is the same as the rest of the community service sector. I think it is about 3.3 per cent.

MR SMYTH: No, I understand that. But does the sector judge what their annual costs go up by? Is there a health price index like the consumer price index? Is there a specific index that you work under and what is it going up by?

Ms Simmons: I know National Disability Services has done work around that area, but I do not have that with me.

MR DOSZPOT: Ms Simmons, my question is supplementary to what Ms Bresnan asked. I just add that I have seen work of ADACAS firsthand, and I would like to commend you and your organisation for the fantastic work that you do on behalf of some of the people caught in those situations when you are the last recourse.

You mention in your proposal that ADACAS proposes the funding be provided for the appointment at ADACAS of one full-time equivalent advocate to undertake systemic advocacy in relation to issues experienced by individuals with disability. Having seen some of the problems that we have both contended with, I think that would address some of the systemic issues between the various organisations that are not good at communicating. I presume that is what you were talking about as well.

Ms Simmons: Yes. It would certainly allow us to be able to spend more time providing information to governments and to community services sectors about the issues that we are seeing, and also to do some research and put that out there in the same way that National Disability Services does and other organisations do.

I think it really goes to the notion that we collect a lot of information that almost nobody else has and it really ought not stay with us. We do the very best we can to

make sure that it flows on. But I was listening to the person from the union about her meetings with the minister. I have had a meeting with the minister in the last 12 months. There has never been discussion about regular meetings with the minister, and partly because I do not have the capacity to do it, and partly because I have not been asked.

MR DOSZPOT: Just one other question on that: when you referred to a full-time equivalent, this is the opportunity to put on record what sort of money would be required to have someone of that capacity added to your staff.

Ms Simmons: We have costed an individual advocate with supervision and proper support and administration at about \$110,000—probably much the same for a systemic advocate.

THE CHAIR: I did want to go back to something you said. You said that you had limited capacity to do systemic advocacy. That is obviously an important role that needs to be played. How much funding do you think would be needed to do that role properly? Sorry, was that exactly what you were referring to? I thought we were moving on to a slightly different one.

Ms Simmons: No, that is fine. It depends on the level of person you employ, but it is going to be about \$110,000 to \$120,000 in a 12-month period.

THE CHAIR: Would that be a stand-alone service, though? I guess that is what I was more getting to—

Ms Simmons: No, we—

THE CHAIR: because there are a few advocacy services out there. Would that need to be across a couple of services or would it be looking at setting up a separate service? Have there been discussions in your sector about that?

Ms Simmons: Within the advocacy arena and disability, what you have is our organisation that is largely an individual advocacy organisation. You spoke to Advocacy for Inclusion yesterday, who are an amalgam of a couple of other organisations. They do a little bit of individual advocacy. They do somewhat more systemic advocacy and they do some education and training. Then you have People With Disabilities, which has a very tiny amount of funding. They are really a consumer representative body, a bit like the Mental Health Consumer Network. However, the network has five paid staff and PWD has a 0.5 paid staff person.

What I am saying is that a systemic advocate should be attached to ADACAS as an organisation in order to ensure that the information that we collect because of our individual advocacy is able to be inserted into the appropriate processes. That is a different sort of role from what you would be seeing from Advocacy for Inclusion, where their role is really about looking at issues in considerable detail. Our systemic advocacy would be about just bringing out what we know already.

THE CHAIR: Thank you for that. I know that earlier on in your opening statement you said that you would take questions on notice or get back to us around issues to do

with elder abuse.

Ms Simmons: Yes.

THE CHAIR: But I guess I did have a question there around the fact that I understand you used to have funding in this area, but that funding has ceased?

Ms Simmons: Yes. There is a history to that which meant that we got 12 months elder abuse funding initially on the basis that it was recognised to be an important issue. There were groups in the community—older people in the community—that did not have access to advocacy support.

When the government decided to undertake the review, it appeared that they needed some money in order to do that. Our 12-month money was no longer available to us, ongoing. It was only ever said to be 12 months, but there was an understanding that it would be likely to continue.

I have looked at the policy, the elder abuse policy that was released last week, and I am disappointed with the quality of that policy. I am disappointed from the point of view that there are a couple of factual errors in it, one of which relates to the statement that ADACAS does advocacy for older people.

We have put on the record again and again that we only are able under our current funding to do advocacy for frail older people—that is, people who are eligible under the HACC program for advocacy or people who are under the national aged-care advocacy program eligibility criteria. The HACC program eligibility is for people with moderate to severe to profound disabilities. It does not allow us to do advocacy for anybody who does not have at least a moderate level of disability.

Many older people in the community who experience elder abuse do not have a disability. The other interesting thing is that the policy talks about abuse in aged-care facilities being the responsibility of the facility. If you actually talk to the facility what they will say is that, yes, they are responsible for physical abuse, they are responsible for abuse that occurs at the hands of somebody associated with the facility but they are not able to take responsibility and do not have the skill set to deal with abuse on a financial level—emotional abuse that comes from outside the facility or social abuse that comes from outside the facility, usually from a family member.

They are able to deal with some elements of abuse but not others; so there is a gap there. There is a big gap in relation to those people who are not eligible for HACC advocacy. I provided that information to this committee last year and I have provided it to government on a number of occasions.

MR SMYTH: Could you take on notice what you consider to be the factual errors in the policy document?

Ms Simmons: Those two errors I discovered this morning, and I made a note to myself to write to a number of people to put that on notice. I will certainly write to the committee about that.

MR SMYTH: Thank you.

THE CHAIR: Thank you for appearing this morning, Ms Simmons. A copy of the transcript of the hearing will be sent to you. If you have any corrections, please send them back through the secretary. Thank you again for appearing before us.

Ms Simmons: Thank you.

MACDONALD, MR GAVIN, Chief Executive Officer, ACTSport

THE CHAIR: Welcome to the public hearing of the Select Committee on Estimates, and thank you, Mr Macdonald, for appearing this morning to represent ACTSport. We have approximately 30 minutes for our discussion. Could you please confirm for the record that you understand the privilege implications of the statement that I think you have had the opportunity to read?

Mr Macdonald: Yes, I have had a look at it. I understand that statement.

THE CHAIR: Thank you. Would you like to start by making a brief opening statement?

Mr Macdonald: Yes. First of all, I would say that to a certain extent we are disappointed with the budget outcomes for the sport system and the sport and recreation industry in its wider respect. There are a number of investments in facilities purely, or mostly, around elite or enclosed facilities. Our major concern is around that, and with respect to community level facilities, and the access to what we define as participant level sport rather than elite level sport.

Another area of concern that we have is that, through the where will we play program, and the drought-proofing, much of that funding has been pushed back year by year and a lot of it has not been put into place. We also have some concerns around field closures and how that fits in to the overall budget for Sport and Recreation Services. There has been a small increase in their budget and most of that is taken up with increases to Brumbies and Raiders performance agreements and Canberra Stadium agreements. We are rather concerned about the increase in costs to those fields, the ones that were taken offline and the possibility of further fields being taken offline under the budget restraints within TAMS.

We are also concerned that there is nothing in the budget about recognition through the triennial funding agreements, which come up for their three-year conclusion in December. A lot of sports around Canberra are very concerned about the future of that funding. The last time it came up, there were cuts, and there were a lot of reviews into it. Seventy per cent of the people funded are the non-elite sports or the non-big-ticket sports, and they rely heavily on that funding. It would make a massive difference to the flow-down of participation and the cost of that participation.

THE CHAIR: Thank you for that opening statement. I want to start with the issue you raised about funding for sporting groups and that their triennial funding will be coming up at the end of the year. Are you saying that you cannot see that continuing amount going through into this year and into the forward estimates?

Mr Macdonald: There are some historical issues. Mainly what we talk about with funding is the core or development program funding, which are either on-the-ground programs out in the community or the core funding to those organisations whose responsibility it is to deliver those programs and others. That funding has not increased in any format since about 2003 to 2005, whether it is via CPI or any formal increase and that did not happen—

THE CHAIR: There is no indexation?

Mr Macdonald: No indexation; it has not happened. In fact, the last decrease was that they took the bonus system away from those funding groups and there was nothing put in place for that bonus system. So there was a drop in the level of funding. It has been at \$40,000 for the larger sports, about 20-odd for medium sports and seven-odd for the smaller sports. It has been at that level for at least five years, if not more.

THE CHAIR: How did that bonus system work?

Mr Macdonald: They had to sign off on a contract to fulfil certain KPIs and if they filled those KPIs then the bonus was given. We do agree that the bonus was a flawed system, anyway. It was generally just given at the end; people just expected it. Other states and territories have far stronger assessment fields that work towards participation, development capacity, and they are assessed on those rather than looking at a bonus system. We would advocate that there should be a lump of money there and that should be assessed from your KPIs and that is what you should deliver. Treating sport with a bonus system is saying that the industry and the system itself are not mature and cannot deal with their own problems.

THE CHAIR: I wanted to touch on the drought-proofing that you were talking about, and I am sure there will be questions from other members. You were saying that there was money put aside in previous budgets but it has all been pushed back.

Mr Macdonald: Yes, there has been a—

THE CHAIR: What we are seeing is that that has flowed over because we are seeing it in this year's budget and future budgets. So that is not new money; that is just a rollover?

Mr Macdonald: That is exactly right. Having gone out to all of the sports and recreation industry people, the biggest problem we have is that the government keeps talking about this money which has been there for at least two or so years now. It just keeps getting re-promised and pushed out and pushed out. We do recognise some of these projects are going through. We certainly recognise there is a time frame to deliver on those projects. But there is an \$8 million block there which has been pushed right to the very back of the forward estimates. Our question is: will it ever get spent or will it continue to be pushed back until suddenly it disappears?

THE CHAIR: Have you been informed as to why it keeps getting rolled over?

Mr Macdonald: No.

THE CHAIR: So you have no idea of the circumstances?

Mr Macdonald: No. We have made inquiries about that. We have had no information out of the minister's office as to why.

MR SMYTH: And that is also the same with the Lyneham precinct.

Mr Macdonald: True.

MR SMYTH: Money for this year has been pushed back to next year. What is the impact of, firstly, Lyneham, for instance, being pushed back and, secondly, the where will be play program and particularly the \$8 million you mentioned being pushed back further and further?

Mr Macdonald: With respect to the impact on Lyneham, it is a high use area. The hockey centre alone has car parking overflowing. Stage 1 of the Lyneham precinct is about infrastructure around Lyneham, not actual increases in sporting opportunities, which is one issue—the actual increased opportunities will not happen for years to come. But taking pressure off the infrastructure is needed. With respect to the intersection around Ginninderra Drive and Mouat Street, I live just around the corner from that, and it is absolute mayhem almost every day. Hockey and tennis run for 12 to 14 hours a day. That is the major impact of those sorts of things.

Also, the ability of these very small organisations that are under enormous financial pressure to forward plan their budgeting and their growth is difficult, to the point where they are not doing it. They are at a hold status because they do not know what the future holds for them. They do not know where the facilities are heading. Hockey has the additional issue of the position of ACTAS and what is going to happen with that in the future as well. Their lease contract comes up very soon. So there is a lot of pressure, certainly in that corner of Lyneham, and then you go out to the netball end and that is stalled as well, for various different reasons.

THE CHAIR: Do you know what those reasons are, as to why that is stalled?

Mr Macdonald: There are some management problems there as well, but it is also a matter of trying to get plans through the system, and that is taking a long time. For sport, its main job is to deliver sport opportunities. Dealing with government around planning, rezoning and all of these things is a massive burden on them. To the largest extent, that burden falls on the volunteers at board level. That is having a huge impact on their ability to run their business.

MR DOSZPOT: I have a supplementary question along those lines. I understand there has been annual growth in most areas of junior sport and at different levels of senior sport, especially in the four football codes, and netball, which you have mentioned. The numbers have grown but the number of fields available have, as I understand it, contracted—

Mr Macdonald: Yes.

MR DOSZPOT: or reduced. I think 10 per cent to 13 per cent of fields have been taken out of action because of their poor condition. What impact is this having on the growth of junior sport, on the development of these areas, and what solutions can you see?

Mr Macdonald: From our understanding, around 13 per cent of fields were taken offline because of drought impact. Those fields are now in a position where the cost

of bringing them back online far outweighs the cost of leaving them where they are, so they are no longer in use.

I have spoken to Junior Rugby League, which runs the community competition—not the Raiders—Rugby Union, Capital Football, AFL ACT. Those big sports particularly are not actively looking for participation growth because they just do not have anywhere to put them. Rugby League is discussing with outlying regions moving clubs and games out of the ACT into those regions to get access to fields. They are also talking to clubs about shifting them around inside the ACT to deal with the impact on the fields that they have at the moment, and not being able to run games. I am hearing that story across all of the sports to varying degrees, depending on their access to fields, and there is particular pressure on the outdoor sports.

As you said, it is a growing population. There is a greater reliance on the sports system to deliver health benefits, and there is more of a community push for people to get involved in a sports club as an alternative to a gym and other areas. So that is putting more and more pressure on it.

MR DOSZPOT: In this budget there has been no reference at all to how this can be addressed with any—

Mr Macdonald: No, there has been no reference at all to the health agenda. There has been no reference at all to the capacity of sport. There has been no reference to the financial ability of sport to be able to address these problems in at least the last two budgets, if not more. For sport and recreation, it is purely about high-end facilities, whether it is the Gungahlin leisure centre or artificial turf laid down on one or two football fields. It is not truly addressing the entire ACT problem.

MR SESELJA: Are there any particular geographical areas where that pressure is most keenly felt?

Mr Macdonald: Obviously, Gungahlin is under pressure in all of the different areas across the board. There is recognition that there is some impact out in Harrison and other outlying areas, but it is very small and piecemeal. One soccer field is not going to take into account the needs of 100 different sporting activities, indoor and outdoor. Other areas that are growing around the edges of Belconnen are under lots of pressure. But even more, where fields have been closed down in inner Canberra, in the inner south and the inner north, they are under pressure that has returned from years ago where they are just losing their fields and losing access to playing opportunities.

MS BRESNAN: On that issue, you mentioned the drought-proofing and the fields that were put offline, to the point where it is going to cost too much to bring them back online. Have there been any discussions with the minister's office about the impact that is having on the ability of clubs to expand and to meet that growing demand, and what has been the response to that?

Mr Macdonald: We have had no response from the minister's office. I have been trying to have conversations with him for three years, but particularly for the last 12 months leading into this budget, and we have had no response to that. Generally, what we get back from the minister's office is that he is putting millions of dollars

into the facilities around Canberra—highlighting Manuka, Canberra Stadium, the high performance centre for basketball, the netball and tennis centres, but not talking about community oval space for club level participation.

MS BRESNAN: As you said, the focus has been on those indoor facilities and not really on the community—

Mr Macdonald: Yes, and to state the position of ACTSport, elite sport has a very important place in the entire system. We do not say that there should be no investment in those areas; it is very important. And I know that basketball's investment will have a flow-down effect into the community, but it will be a fairly small effect. We are talking about, in the broader sense, that there needs to be a policy about community participation in sport and recreation, and there is no policy on community participation, or there is no recognition of its social and health benefits.

MR SMYTH: Just to clarify that, did I hear you say you had not met with the minister for 12 months?

Mr Macdonald: I have not met physically with the minister since about August-September, and that was a fairly brief meeting and it was just an introduction to his new adviser. I met with his adviser for the first time on Friday since December last year. I have sent numerous emails and letters requesting those sorts of things and have not had much feedback at all.

MR SMYTH: So how does the industry talk to the minister for sport?

Mr Macdonald: The big players—the Brumbies, Raiders, Caps and those sort of people—can get in the door quite quickly. So it is about addressing the singular and about addressing the loudest voice; it is not about talking to the industry or the sports system as a whole as to what the benefits are across the entire system.

MR SESELJA: There are probably better photo ops for the minister in some of those meetings, I suppose.

THE CHAIR: Previously did ACTSport have a regular meeting with the minister?

Mr Macdonald: Yes. When I took over as CEO at the end of 2007, we were meeting with the minister on an agreed schedule of a home and away, and he loved the idea of that. He would come in to the board or we would go in to his office, and that was happening at least quarterly. I was meeting with his adviser then on a weekly to a fortnightly basis. Since that adviser left, we then relied on the department for a period of time, and we then relied on his media adviser for a period of time. Now he has got his new adviser who has sport as a portfolio, but there are other pressures, in planning and other areas, so once again sport just gets pushed to the bottom of the pile and it is not being treated with the respect that it is due.

MR DOSZPOT: On that note, the sport area itself is within TAMS, as I understand it?

Mr Macdonald: Yes. That is another one of our issues.

MR DOSZPOT: Is that logical?

Mr Macdonald: For us, and for the people that I talk to about this within the industry who have a good understanding of how the system works, no, it is not. When you look around the country at where these different areas are positioned, they are positioned closer to community services or to health rather than within municipal services.

I understand it is a double-edged sword for the government, and they do pretty well in most cases, but I think they have lost their way in the confusion about whether sport is a municipal service, which the fields and so on are, or a greater community service, in the health benefits and linking in the capacity and the core funding and developing the industry to deliver great outcomes. Perhaps there is a lack of recognition of the savings to the health budget that sport delivers. It certainly delivers large savings of around \$90 million.

MR SMYTH: It has previously been with Education, it is now in TAMS. I think the logic of that is because they have got the ovals. But your preference would be ideally inside Health, which is where it gets the maximum effect?

Mr Macdonald: Ideally, it would be closely positioned with Community Services, where it could bridge across a number of different areas.

THE CHAIR: So it is health, social inclusion and those sorts of agendas?

Mr Macdonald: Yes, because sport is not just about health; it has a large impact on social inclusion. I know that a huge study shows that the cause of community health problems comes from isolation. Sport is one of the factors that can finish that—creating a club environment. Somebody can be isolated in the middle of Tuggeranong, but with the involvement in a club they start to build up a social network and their health will improve from there, let alone the direct benefits.

MR SMYTH: The delay in the delivery of the where will we play strategy: you have said that a number of the major sports were not actively looking for participation growth. What does that do to the viability of the clubs?

Mr Macdonald: First of all, it impacts on their ability to plan into the future. In Canberra, it is a very different environment for sport than it is in any other jurisdiction. About 70 per cent of our system is run purely and utterly by volunteers. We have very few employed—in fact, there are only something like 1,200 people employed in the industry. That has decreased over time to a certain extent. The impact is that, if they cannot do any forward planning, basically they are running their sport on a day-to-day basis. That is having a huge impact on their ability to be able to deliver capacity, to be able to build on their financial revenue to ensure that the participation costs stay at a reasonable level. There are many things that could happen. The worst case scenario is that the cost for people in Canberra to play sport will increase.

MR SMYTH: There was talk of an audit. Has the audit of facilities been done?

Mr Macdonald: We understand that, out of the assessment process through where

will we play, where they were looking at which fields they could take offline, there was a form of audit done there, and there was a presentation about a year and a half to two years ago on some outcomes there. I believe that Sport and Recreation Services has good data about the usage of fields, who is using them and at what sort of times. But that is not publicly available.

MR SMYTH: Didn't I recall ACTSport calling for a regular audit?

Mr Macdonald: Definitely.

MR SMYTH: Has that commenced?

Mr Macdonald: No.

MR SMYTH: You were also asking for a new business case of the economic impact of sport on the ACT to be done. Has that been done?

Mr Macdonald: I understand it will be very soon. ACTSport, over the last 10 years, undertook two or three economic impact studies and worked with government to deliver the outcomes of those. This time around, the minister decided to take it on board himself, and he has done his own economic impact study. I believe the results of that will be coming out some time in the near future. It has been going on for a fair while.

MR DOSZPOT: Were you consulted by the minister on that?

Mr Macdonald: No consultation at all.

MR SMYTH: What is the status of the government's sports development plan?

Mr Macdonald: No idea of what the status of that is at the moment.

MR SMYTH: Is there one?

Mr Macdonald: Not as I understand it. There is a strategic plan working group. We were talking to the minister's office for a long time about the industry wanting to drive an industry strategic plan. We presented to the minister our idea. We were going to take that on board fully and work with the department and the minister to involve them. Obviously there is a huge impact across the two different levels of delivery. Once again, I am involved in that working group but it is a government-driven industry plan. Basically, to a certain extent, the government is making decisions for the industry. There are some community people involved in that working group but it generally comes from an elite perspective as well, with the involvement of Raiders and other people like that.

MR DOSZPOT: I understand that ACTSport represents the disabled sporting community as well.

Mr Macdonald: Yes.

MR DOSZPOT: How are the needs of the disabled sporting community met in general, and how do you think that they have been addressed within the current budget?

Mr Macdonald: They have not been addressed really at all in this budget. Perhaps, as a saviour to the disabled sports community, they have been addressed quite heavily within the federal budget, and there will be a direct flow-down of funding through the Australian Sports Commission. But the pressure will be on Sport and Recreation Services to deliver those. They are understaffed, overworked and under enormous amounts of pressure already, so one has to ask whether they will have the capacity to deliver on that funding and whether that funding will be available to them into the future. Outside of that, there is no real grassroots delivery of funding from the ACT government into disabled sport.

MR DOSZPOT: Is there any interaction between the minister for sport and the minister for disability with regard to addressing some of these issues? Have there been any dual consultations from your point of view with these areas?

Mr Macdonald: Not to my understanding. We certainly have not been consulted on those, either.

THE CHAIR: Thank you very much for appearing this morning. A copy of the transcript of the hearing will be sent to you. If you have any corrections, please send them back to the secretary.

Mr Macdonald: Thank you very much.

Meeting adjourned from 11.04 to 11.32 am.

COOPER, DR MAXINE, Commissioner for Sustainability and the Environment
HARGREAVES, MS ANITA, Chief Finance Officer, Department of the Environment, Climate Change, Energy and Water
PITTS, MS JULIA, Senior Manager, Office of the Commissioner for Sustainability and the Environment

THE CHAIR: Welcome to this public hearing of the Select Committee on Estimates. The Legislative Assembly has referred to the committee for examination the expenditure proposals in the 2010-11 appropriation bill and the revenue estimates in the 2010-11 budget. The committee is due to report to the Assembly on 22 June 2010 and has fixed a time frame of five working days for the return of answers to questions taken on notice. The proceedings will now continue with an examination of the Office of the Commissioner for Sustainability and the Environment. Can I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the yellow-coloured privilege statement before you on the table. Can you confirm for the record that you understand the privilege implications of the statement?

Dr Cooper: I do.

THE CHAIR: I also remind witnesses to keep their responses to questions concise and directly relevant to the subject matter of the question. We have got a great deal of ground to cover during the hearing and I would like to maximise the opportunity for members in attendance to put their questions directly today rather than on notice. Before we proceed to questions from the committee, would you like to start with a brief opening statement?

Dr Cooper: Thank you very much. I would like to give you a bit of an overview of what has happened in the last financial year, because that will be an indication of what we will be working on in the next financial year. For 2009-10, the activities we focused on were around investigations into the ACT government tree management practices and Canberra's urban forest renewal.

We also have an investigation going into Canberra nature park, nature reserves, the Molonglo River corridor and Googong foreshores. This latter investigation will continue into the first half of the next financial year. For the previous investigation, we have a deadline to the end of June. However, that is going to be rather challenging, given the large number of submissions and the issues we are grappling with, but we are still trying to meet that deadline.

We have also had complaints that we deal with. This year they have been up on previous years. They are up to 17 this year. Previous years they were about 14 but, of those, a fair few have been on trees and some of those tree complaints we have actually segued into the investigation into trees.

We submitted our report to the ACT government on the expanded role of the office which, from our perspective, has no financial implications because we were given funding and have been undertaking our expanded role. But the report is about the legislative changes that may need to be put in place to reinforce what has been happening and make them work in terms of the government's direction.

We finalised the review of the *ACT state of the environment report*. The SOERs have been undertaken for a decade. We actually looked at what were current models for state of environment reports, because we are due to submit an SOER at the end of 2011. So we have undertaken that review.

We released an update of the regional state of the environment report and we had many work sessions with the 17 regional councils on that to try to actually segue the findings of the SOER into their strategic planning, and that is the first time that was done. Julia can speak in detail on that.

We also coordinated the launch on behalf of the national group of one million women in the ACT. We are actually about to convene the inaugural annual ACT grassland forum on 20 May, and that has been at the request of the minister. We conducted an inaugural stakeholder forum and we continue to work under our strategic plan in terms of trying to bring all of that together.

We also, in terms of advocacy and awareness, have got a modest campaign going called “What can I do?” and we have certainly been promoting that, where we can. And, because we are part of the Dickson motor vehicle registry office—and it is quite a collective of groups—we instigated the sustainability working group to try to address energy issues, water and waste issues in that building, and we are still part of that. This will go into the next financial year but we are still gathering information and looking at the energy use and the waste and water use of ACT government agencies and their reporting on that; so it is the audit assessment, which I think I have tabled before.

So, in essence, we will be continuing next year with investigations; we will be dealing with complaints; we will also be placing a great emphasis on starting to do all the procurement, starting to do preliminary work for the SOER to come out at the end of 2011.

THE CHAIR: Thank you. The budget papers indicate that your office estimated income for the 2009-10 financial year will be around \$121,000 more than was budgeted. Are you able to comment on this?

Dr Cooper: I think I would like Anita to do that, because one of the things we do, Ms Hunter and committee members, is roll over every year a portion of our budget so that we can do the SOER. The SOER is a major project. So roughly each year we try to put about between six and 10 per cent of our budget in a rollover and that accumulates over the three or four years before we do the SOER. That allows us flexibility in terms of spending where we need to for the SOER. For instance, the ecological footprint is a significant exercise that needs to be done according to ABS years, and so we would be looking at doing that, and that is anywhere between 20 and 30K.

Also, we are looking in the next SOER, having done the review, at having some statement in there around biocapacity of the region. The ecological footprints are taken on what it takes to live as a human. The biocapacity looks more at what the region is capable of supporting. So we are trying to be a bit innovative in that. On that, that would help on a context for our budgets. Anita?

Ms Hargreaves: Could you please repeat the question?

THE CHAIR: Certainly. I noted that in the 2009-10 financial year there was an amount budgeted for the office. It appears that it will be around \$121,000 over that budget. I was getting some explanation.

Ms Hargreaves: The majority of that increase relates to the section 16B rollover. That is part of the Financial Management Act requirements. As Maxine mentioned, that rollover is in relation to the state of the environment report for, I think, 2010-11.

Dr Cooper: It goes from 2007 through to 2011.

MR SESELJA: How much was that rollover?

Ms Hargreaves: That is \$268,000. Then we have an increase in depreciation and borrowing costs, and they are related to the fleet vehicle that Dr Cooper has, and wage increases and superannuation increases of \$6,000. That is partially offset by a reclassification of environmental grants. When we first started up the department—that was on 11 November 2008—we did not finish doing all our calculations until late March. And we inadvertently put \$161,000 of environmental grants into the office's budget.

MRS DUNNE: Could I follow up on that?

THE CHAIR: Certainly.

MRS DUNNE: Has it not been the case that the commissioner's budget is augmented in the year of the state of the environment report?

Dr Cooper : No.

MRS DUNNE: Was that not the case in the past?

Dr Cooper: No, it was not the case in the past, and well before my time it was negotiated that it was augmented a long time ago, at the beginning, and then they found that did not work in terms of they had to wait too long before the budget came out and they could not pre-spend on items for it. So it was then put into the normal operating budget and they were told to use the rollover process. We have just adopted that custom. For instance, we are hoping Treasury will agree to roll over—last year it was \$268,000—this year in the vicinity of \$370,000, and that will be the budget we will need for the SOER.

Can I add for budget purposes, so you understand, we are able to do the investigations we are doing without asking government for more money this year because we actually asked TAMS to cover the contract costs for the person who is assisting us in the tree investigation. They are covering that cost to the tune of \$50,000.

We also had a fortunate situation in our budget whereby \$87,000 from what is called EBT in 2006-08 never was actually transferred to the office. It was transferred in this

last year, and that has certainly covered the costs for the nature park investigation.

THE CHAIR: As you said, there was some money that was later identified that should have been with the office or there is this rollover situation. But given that your office has still some substantial inquiries in the 2010-11 year, do you feel that enough has been provided in funding to the office to cover all of those investigations?

Dr Cooper: My approach is that it is about programming; so we can always cover the complaints. It is whether those complaints then escalate into an investigation or how much time they take. If it is an urgent complaint, we give that priority. If it is a complaint that we think is important but can wait a little, we actually tell the complainant and tell them when we think we can get to it and deal with it that way. Yes, they all interact but I would say to the committee that I think the budget we have been given will be adequate for next year for what we have to deliver on, if we get the rollover for the SOER.

THE CHAIR: You mentioned that complaints have steadily been increasing. What percentage of your time and resources is being spent to follow up with complaints and maybe do further investigations of complaints?

Dr Cooper: That is a hard question. What percentage of our time? I would say, of the total office time, you are probably looking at somewhere in the vicinity of 30 per cent of the office time. But that is pretty broad. We have not done a time logging on it. It does depend on the type of complaint. Some complaints will take us three months; other complaints will take us two weeks.

MR SESELJA: I preface my question by apologising as I will have to leave in a moment for another function. I want to ask you a couple of questions before I go. One of the things we have been hearing from community groups today is the difficulty in getting to see the relevant minister. Are you able to tell us: how is your relationship with the minister in terms of are there frequent meetings to discuss various issues, when was the last time you met and how often are you meeting?

Dr Cooper: I meet with the minister at the same frequency as I meet with some of the members of your committee. I have a system in place. Approximately every three months we try to make an appointment with various members of the Legislative Assembly, including the minister, and I have never had any problems getting access to the minister. The last time I met with the minister was yesterday but then, in the couple of weeks prior to that, I met with other members of the Assembly as well.

MR SESELJA: The meetings are quite regular with the environment minister then?

Dr Cooper: Approximately every three months, which is, as with all Legislative Assembly members, when I go around and we discuss what the current issues are.

MR SESELJA: When you say “all Legislative Assembly members”, there is obviously—

Dr Cooper: Relevant ones, sorry.

MR SESELJA: That is okay. There are obviously, though, a number of ministers whom you would probably have to deal with in various capacities. There is obviously your portfolio minister for the environment but, with the minister for TAMS, there would be a lot of crossover there with what you do. The minister for TAMS, the Minister for Planning: are you meeting with them regularly as well?

Dr Cooper: I am not meeting regularly with those two ministers; but if there are issues I certainly correspond with them. That is either through email through their adviser or else a formal letter. I did meet, I think, with Minister Stanhope—it would have been, maybe, December—on the tree investigation. If the committee has any advice in that regard, if you think I should be trying to meet with those ministers—I have not initiated it—I would be open to advice.

MR SESELJA: No, it is more that I was trying to get a picture of how available ministers are, because we were hearing about, particularly one minister, Minister Barr, and the difficulty some of the community groups have had in meeting with him on a regular basis when they have sought those meetings. So it sounds like you are not having the same problem with your environment minister. That would be the short answer. Thank you for that.

Moving on to the kangaroo management plan and the input that you had there, what evaluation have you made about the efficacy of the plan, the impact that kangaroo culling may have on joeys, at foot in particular, and, if no evaluations have been made, what are your general views on that issue?

Dr Cooper: We are looking at that as part of the Canberra nature park investigation. So I would prefer not to comment at this stage. I would prefer it to unfold in the report on that, as I spend more time looking at it. But I will say that I would like to commend the agency for that particular document, not necessarily agreeing with all that is in it. From the read I have had of it, is very transparent. Where they have made a policy, they have certainly backed it up with the reasons behind it. I thought that was pretty commendable. So we will be looking at that in a bit more detail around the investigation into the nature park and formally commenting.

MR SESELJA: Which parts do you not agree with?

Dr Cooper: I still think we need to look at issues around the sustainable use of the kangaroo meat. We have still got a policy in the ACT around it not being then used, and maybe that is an issue for a critical mass of the ability to use it. That is the one that sticks out mostly. But I do think that there are a whole lot of other policies in there, particularly the humane treatment of the kangaroos. That is absolutely, I know, second to none in terms of legislation and policy across the nation.

MRS DUNNE: Dr Cooper, there has been in the last budget, in previous budgets and in this budget work in the capital program in relation to stormwater harvesting and collection of stormwater. I was wondering what role you may have had in forming that policy, or have you had no role in that policy?

Dr Cooper: I have had no role in that particular policy. Although I am interested in it, I have not directly influenced it.

MRS DUNNE: Seeing that you meet with Minister Corbell and he has carriage of those issues, have you had conversations with him about the possibility of a role for the commissioner in the formulation of that policy and the rolling out of the policy?

Dr Cooper: I have not had it specifically on that but I often talk about what are the broad issues that seem to be coming forward. That is one of the issues that are of concern in the general community in terms of how all of that works and the impact.

MRS DUNNE: Have you sought a reference on that subject, or would you welcome a—

Dr Cooper: No, I have not and, if that is a priority for the Assembly members, of course I would welcome looking at that.

MS BRESNAN: There have been discussions before about your office looking to expand its role. I think you said that a report went to the minister in September 2009 around this.

Dr Cooper: I have to check. Yes. Thank you, Anita.

MS BRESNAN: I am wondering whether there has been any feedback from the minister around the report.

Dr Cooper: No.

MS BRESNAN: You have had no response at all about that?

Dr Cooper: Nothing, not even a conversation.

MS BRESNAN: Looking at expanding your role, did the report include a catchment report as well?

Dr Cooper: It did, and that recommendation relating to that topic is in there, yes. What we are doing in a pragmatic way is: because the state of the environment report in 2011 is coming on us pretty quickly, we will certainly be, in that report, making sure the catchment issues are well and truly canvassed.

MS BRESNAN: In terms of this year's budget—and I think you have already said that you are able to work within that budget and conduct investigations—does it also, I guess, incorporate any of the aspirations you have in terms of expanding the role of the office?

Dr Cooper: It does, inasmuch as the awareness and community information programs that we have been running are modest. But, by grafting onto other programs—and we support the Aussie school program; we have even produced our own brochure for the school children in the ACT out of the SOER—we try to add value on things. So we are certainly looking in the next year to continue with that. We are certainly looking to continue with the young people ambassador program and we are certainly going to continue to promote actions around reducing greenhouse gases now that we have set

up the linkage with the one million women. So we try to use that grafting approach to add a bit more value.

MR SESELJA: Are any of the recommendations in that report time critical?

Dr Cooper: The catchment one was recommended for looking at sooner but, as I said, that can be rolled into the SOER. And, on that particular chapter in the SOER, we might expand it more than we would normally do in an SOER.

The next SOER will be a little bit different from the last lot of SOERs, even around issues like: it is supposed to report on a four-year time frame. We have had the advice of Will Steffen. His advice around issues of climate change is: we should be presenting information decadal and then talking about the last four years. So we have certainly looked at what are the contemporary issues and how you report on them. In the last SOER, we did a little bit more of an in-depth look at transport and certainly, in the last SOER, we did a significant look into NoWaste by 2010, because it was coming up at a time when decisions might be made around that issue.

MS BRESNAN: In terms of some of the expanded role, will some of the recommendations you made be incorporated further into the SOER? You mentioned the catchment. Will any others be incorporated in that respect?

Dr Cooper: No, not in respect of the SOER. But it is mainly around the awareness raising and the advocacy role that we have. Yes, it is general awareness.

THE CHAIR: When looking at the budget papers, we do not get a complete breakdown, I guess, about where the office spends or allocates its money. Are you able to provide a bit of a breakdown?

Dr Cooper: I am happy to. We actually spend about 60 to 65 per cent of the total budget on what we call salaries. We then have office costs, which account for about 20 per cent, and those office costs include things like computers and phones at \$47,000, Shared Service charges at \$17,000, office rent at \$36,000. About 84 per cent of our budget is, if you like, a fixed type component. And that then leaves us some money that we put aside, as I have said around about six per cent, towards the next SOER. It also allows us some professional services to hire in and, under that category, it also allows us to do investigation. So, if we were asked to do five investigations, we would decline, unless we had more resources. But we can actually manage. It depends upon the investigation.

For instance, with the Canberra nature park investigation, we have had to employ somebody to do an evaluation of the 33 sites that are the subject of that, because we do not have within the office technical expertise. And on the tree one, we have had to use the expertise of an arborist. But, thank goodness for that one, TAMS have covered those costs. So we try to achieve the objective quite independently but it does need to be cut according to what the demands are.

Ms Hargreaves: If it helps committee members, on page 304 of the budget papers there is the statement of income and expenses on behalf of the territory. I can highlight the expenditure lines that relate specifically to the office. They are the

employee expenses, superannuation expenses, supplies and services, depreciation and amortisation and borrowing costs. That is it; the rest relate to other functions that are administered in the territorial statements.

MS BRESNAN: Thank you.

MRS DUNNE: Sorry, can you say that again? Are these expenses—employee expenses, superannuation expenses et cetera—for the whole department or for the—

Ms Hargreaves: No, they are just for the office. They are territorial. We administer it. We do not actually have any control over that.

Dr Cooper: So that is the staffing, essentially, and the staffing on-costs that go with that. Then we have another lump of money, which is quite expensive for a small group, to do with computers and phones and, if you like, that infrastructure. In our office we have six FTEs, but we actually have nine computers. Why do we do that? It is because we mostly have at least two other people in there—green students from ANU assisting us in projects, or from the University of Canberra. For instance, for the one million women campaign, we had a full-time person from the University of Canberra, at no charge to the office because it was part of her final year training in communication. So we are happy to cover the costs for the computer to get the support of students. We have supervised them, and so do their supervisors within the courses.

MR RATTENBURY: Are your IT services provided through InTACT?

Dr Cooper: Yes.

MR RATTENBURY: How do you find the InTACT service?

Dr Cooper: A challenge, at times.

MRS DUNNE: Would you like to expand on that?

Dr Cooper: We have just had our computers upgraded, so now our system has a capacity, we think, so that it does not go down so often. But at times it has been extremely frustrating because the capacity was not there. We are actually challenged, and maybe it is us, at the moment with the new system—seemingly, the computer system they have given us is more complicated. And it does not do Korean any more. We had a system whereby every time Julia, in particular, would send me an email it had to be translated through Korean before I could then get it translated back into English. So we have had a few little glitches in the system.

MS BRESNAN: That sounds very interesting. I asked you about the public campaigns that you run and having that as a role. Are you continuing with the campaign on ecological footprint and “What can I do”?

Dr Cooper: Yes. We are certainly doing that. We are actually looking to have a new ecological footprint for the ACT put out in about six months time. We can only get one person to do it—we have gone to a few others to ask if they do it—and it is a

specialist at the University of Sydney.

MS BRESNAN: And it is public awareness about what people can do personally to address the footprint?

Dr Cooper: Absolutely. Then we link in with things like the one million women campaign whereby there are quite specific things you can do, and then we link in with the youth campaign for them. We have actually been reading the literature on how to engender change within the community, and it is really felt that the best way to engender change is through peer groups. That is why we are trying these two avenues to see what will happen.

MS BRESNAN: I am interested in that too. Have there been any discussions with government about them picking up this campaign or providing additional funding to it? It is great and it sounds like something that governments would sometimes take the lead on with these sorts of campaigns.

Dr Cooper: I think DECCEW actually use “What can I do?” as part of their community awareness slogan too, so we were very pleased that they married up with what we had done.

MS BRESNAN: Have they provided any additional funding to you towards that?

Dr Cooper: No. And I guess I do not expect it. My philosophy is that we do try and pair up when we can to support information broadly out there. For the youth one, we did pair up with the commissioner for children and young people, and we will pair up with him again to use those linkages and to share the information. We are happy to pair up with anybody, but we do not expect anyone else to supplement our budget.

MR RATTENBURY: The government has now tabled a response to your report on the ACT lowland native grassland investigation that you did. Have you had an opportunity to look at that response?

Dr Cooper: I have had an opportunity to go through it somewhat quickly and my approach to it is that I am very pleased with where they have agreed. But they have noted some ones which were the subject of a discussion previously around MOUs between the ACT government and Defence and NCA. Where they have noted things, I will be going back to them at a later stage, possibly after the grassland forum on the 20th, next week, after we hear more as to what is going on. But they have said that they are not progressing with MOUs because the commonwealth government are not prepared to do that but they are looking at other mechanisms for the coordination. They have not specified what they are. So they are the kind of issues I will pick up after the grassland forum next week, and maybe the mechanisms next week by the agencies attending will be explained.

MRS DUNNE: Are Defence going to be involved in that forum?

Dr Cooper: Yes, Defence are attending.

MRS DUNNE: So what is your response to the commonwealth’s view that they do

not want an MOU? We have communicated on this.

Dr Cooper: I think it is an unfortunate stand of theirs; but let us see what other mechanisms they are willing to put in place. I will continue to be tenacious to make sure some communication is put in place, as I will continue to be extremely tenacious about the northern road at the airport. I think we should not take our eye off those grasslands there for the long-term benefit of the region.

MRS DUNNE: Thank you.

MR RATTENBURY: Continuing with that, outside of an MOU what sort of mechanisms do you see as being possible?

Dr Cooper: I do not have any other ideas, Mr Rattenbury, on that and that is why I would be open to seeing what the department are suggesting before saying the MOU is the only way. I am open to seeing what they come up with.

MR RATTENBURY: And just on the northern road that you mentioned, are you aware of where that issue is up to?

Dr Cooper: It is still very much sitting with the airport still pushing that through the system. I think I have done everything I can—writing to the Prime Minister, writing to the relevant ministers—to make everybody well aware of the situation with the grasslands. So a final decision, I understand, has not been made but it is looking more and more like that every day—that it will go in the direction of ending up to be that road.

MR RATTENBURY: The airport has a number of possible scenarios for that road, between a wide road, a narrow road and upgrading the existing dirt track. Do you believe that one of those options is better or worse than any other?

Dr Cooper: Yes, but I would like to take the advice, before I give a public comment, through talking to the experts. My understanding is that the lesser impact is the smaller and leaving it in the more sort of natural state—not natural, but the state it currently is in—would be preferable to the construction of a major road, because the construction itself causes such compaction and there are spillover impacts. But, if the committee think I should be pursuing that a bit more, I am happy to pursue that again.

MR RATTENBURY: I do not think the committee is able to give you a view. Individuals may, but I do not think the committee can.

MR SMYTH: The proposed trust for the Jerrabomberra wetlands: have you had any input into that matter?

Dr Cooper: No, I have not, but I have been, as part of looking at the Canberra nature park investigation and the tree investigation, looking at what other bodies do in other jurisdictions in terms of funding. We are certainly looking at Brisbane City Council's bushland levy and the environmental levy. Ms Pitts may be able to talk about this because she has got information on South Australia having a tree—

Ms Pitts: It is having an urban tree levy or the opportunity, if trees are taken out, for replanting of trees. The second option is to put money into a fund for replanting.

Dr Cooper: And we are also looking at what Victoria has in terms of dealing with their red gums in an offset policy which does involve sort of funding arrangements. They were right in the middle of looking at that information. They will all be documented in our investigations.

MR SMYTH: All right, so back to Jerrabomberra wetlands, the proposal to put some cables across the wetlands: do you have an opinion on that?

Dr Cooper: No. I would be willing to give an opinion once I had advice and looked into it. Because of the investigations, Mr Smyth, we have been pretty focused.

THE CHAIR: Commissioner, have you been able to report on the government's progress on weathering the change this year?

Dr Cooper: No. We will do that as part of the annual report reporting. So that is a task yet to be done.

THE CHAIR: So that will come up in the next few months, will it?

Dr Cooper: That will come up in September, I think, when we have to submit our annual reports. That will be in that report.

THE CHAIR: But you will be doing the work for that?

Dr Cooper: Yes.

THE CHAIR: I want to go back to something you spoke about in your opening statement, having heard about this through annual reports last year as well, and that is around making the building that you are housed in more energy efficient particularly. I am just wondering how that is going. I know the commissioner's office is co-located in a building with a number of other agencies; so it has been around getting those agencies on the same page and working together. Could you give us a bit of an update on how that is going and what sort of savings are being made?

Dr Cooper: If I could, I would prefer, if you do not mind, to take this one on notice and send you the actual changes, because they have been dramatic and I would prefer to get it correct in the figures and send it in to you. But it has certainly made a difference in the energy consumption of the building.

THE CHAIR: And all of those agencies have been quite—

Dr Cooper: They have all been terrific, and what has been really good is that a few of the staff in the building are real champions. We actually are there to support, but they are there to lead across the rest of the building.

THE CHAIR: Thank you. That would be great if you could take that on notice.

Dr Cooper: We would be happy to send that in.

MRS DUNNE: On the subject of questions on notice and the territorial statement on page 304, I was wondering whether the commission could provide the estimates committee with the equivalent of that, but just for the commission, so that we can take out all the fees and fines and all the extraneous bits. Thank you.

MR RATTENBURY: Just back on the question on notice on the building efficiency, in terms of being more specific it would be useful if you could indicate how much you have spent on the works that you have done and the energy savings you expect to get from it.

Dr Cooper: Mr Rattenbury, we will try and get that. As you know, that comes out of property services, so we will try and give you the package.

MR RATTENBURY: Have you used the government's building energy efficiency fund to undertake those works?

Dr Cooper: I do not think they did but again I will check.

MR RATTENBURY: Thank you.

THE CHAIR: Moving on to the sustainability indicators for government, have you been in contact with government at all about their reporting of sustainability indicators, or is that a task that might be on your agenda?

Dr Cooper: If you mean energy, water and waste within government buildings—

THE CHAIR: Yes.

Dr Cooper: that is part of the audit assessment that we are currently undertaking. On that, for instance, I have seen some material that the staff are working on where they look at the bill that comes in from Actew, the energy that is actually reported in annual reports and then the energy that the system called OSCAR monitors. So we are certainly looking at that and that will be subject to a report that will be out—I will not commit to a time with the big investigations but it is certainly on our program.

THE CHAIR: Within this next financial year?

Dr Cooper: Within the next financial year—not this financial year.

MR RATTENBURY: Can I just clarify: are you currently undertaking an audit of all ACT government departments?

Dr Cooper: They are reporting on their energy use. Yes, we are undertaking an audit assessment, looking at how they report on their energy use and what systems are in place. We can send you the terms of reference for that.

MR RATTENBURY: That would be helpful. This might be something we need to take up with the minister, but the government has just announced in this budget an

audit of all government agencies' energy use. I guess I am trying to work out—

Dr Cooper: We are auditing the reporting on that and the systems that are in place for the reporting, and in doing that we are looking at where there are matches and where there are some gaps.

MR RATTENBURY: Okay. Questions particularly asked by Ms Le Couteur previously in annual reports hearings and in estimates have revealed to some extent that many government agencies do not know what they are doing. Is that consistent with what your work is finding?

Dr Cooper: I think it depends on the agency. Again, some of the questions I think we need to ask around this are: what are the overall targets and how are they best achieved? Are they best achieved agency by agency or is it better to have a more strategic approach with one agency investing more in a particular component to get a bigger net result than each one? So we are looking at that in a very broad way. One of the things we have been fortunate to do is to have an ANU student, a graduate student under the greens program that the ANU have, to come in and do all of the data collection. But it is not going as fast as it could go, because of the other investigations.

MR RATTENBURY: When do you think that will be finished? Do you have a sense?

Dr Cooper: I think it will be about September.

MR RATTENBURY: Okay. Thank you.

MR SMYTH: There are a number of sites around the town where stormwater drains are being converted back into urban wetlands. Have you played a role in that? Have you done any assessment of the efficacy and efficiency of those programs?

Dr Cooper: No. I think that is what Mrs Dunne—

MR SMYTH: You were asked that earlier? My apologies.

THE CHAIR: Mr Smyth. Another question?

MR SMYTH: No.

THE CHAIR: Mr Hargreaves?

MR HARGREAVES: No, I have nothing at all to ask of the delightful Dr Cooper.

THE CHAIR: Thank you very much for appearing here today. A copy of the transcript will be sent out. If there are any corrections that need to be made, please send them through the secretary. There are some questions that have been taken on notice today and we give you five working days to answer questions taken on notice. Thank you again for attending.

Meeting adjourned from to 12.11 to 2 pm.

Appearances:

Gallagher, Ms Katy, Deputy Chief Minister, Treasurer, Minister for Health and Minister for Industrial Relations

Department of Treasury

Smithies, Ms Megan, Under Treasurer

Ahmed, Mr Khalid, Executive Director, Policy Coordination and Development Division

Broughton, Mr Roger, Executive Director, Investment and Economics Division

McAuliffe, Mr Patrick, Director, Investment Branch

Bulless, Mr Neil, Executive Director, Finance and Budget Division

Holmes, Ms Lisa, Director, Accounting Branch

THE CHAIR: Welcome to this public hearing of the Select Committee on Estimates. The Legislative Assembly has referred to the committee for examination the expenditure proposals in the 2010-11 appropriation bill and the revenue estimates in the 2010-11 budget. The committee is due to report to the Assembly on 22 June 2010 and has fixed a time frame of five working days for the return of answers to questions taken on notice. Proceedings today will commence with an examination of the Department of Treasury's expenditure proposals for output class 1, financial and economic management. The committee will examine this output class, commencing with output 1.1, economic management; followed by output 1.2, financial management; and concluding with output 1.3, revenue management.

Can I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the yellow coloured privilege statement before you on the table. Could you confirm for the record that you understand the privilege implications of that statement?

Ms Gallagher: Yes.

THE CHAIR: Can I also remind witnesses to keep their responses to questions concise and directly relevant to the subject matter of the question. We have a great deal of ground to cover during the hearing and I would like to maximise the opportunity for members in attendance to put their questions directly today, rather than on notice.

Before we proceed to questions from the committee, minister, would you like to make a short opening statement? We are going to keep the opening statements to five minutes.

Ms Gallagher: Thank you. Yes, I will take the opportunity to make a couple of opening comments. I do not usually give long opening statements; so I do not think the five-minute rule will impact too much on me.

We are very happy to be here to kick off the estimates process for Treasury. We are very happy, I think, to be 12 months on from the budget we handed down last year in terms of what we were forecasting and some of the uncertainty that surrounded the budget last year. I think as a community, and really as a country, we should be

grateful for the recovery that has happened, the fact that recovery has occurred earlier and at a faster pace than had been expected at this time last year.

When we were putting our budget together last year, there was quite significant uncertainty about the extent of the global financial crisis, how long it would last and what the impacts, both immediately and also in the longer term, would be on the ACT. Since the global financial crisis, our budget has also had to withstand a change in relativities from the GST carve-up from the Commonwealth Grants Commission and the adjustments that have been made to those payments.

We established a plan last year that outlined a return to surplus in seven years. We took a decision at that time—and I think the committee questioned us on that—around our desire to continue to invest in the community and to support jobs, rather than cut expenditure at that time. We took a year to implement an efficiency dividend and that flows through in this year's budget to be a saving in terms of expenditure. Indeed, we put other savings measures in this budget.

In terms of our own economy, just briefly, you can see from the forecast outlined in the budget that we expect the state final demand for 2009-10 to improve, particularly on what had been forecast in the original budget. And that is a good thing for the community.

On unemployment, on the figures released yesterday, it is clear that unemployment peaked between October last year and January this year at about 3.7 per cent, and the figures yesterday have it down to 3.4 per cent. Again, that is a good outcome for the community.

I am happy to take further questions on the budget but I think overall this budget is all about the growth of the city, managing increased demand for services, managing the growth in population and demand for land, being able to continue to invest in priority areas, do some new things in transport, for example, and have a smoother and slower recovery in terms of our own budget. We brought forward our budget plan. We now expect to be in surplus with a balanced budget in 2013-14. That is two years ahead of time. And that is with modest savings over the next few years, which will allow us to continue to protect the community from any harsh changes or cuts to expenditure in a shorter period of time. But I think we are pretty proud overall of this budget and happy to take questions on it.

THE CHAIR: Thank you. I am going to start on a very general level and ask: has an assessment been done of the consistency between the commonwealth and ACT economic forecasts?

Ms Gallagher: In terms of what the commonwealth budget outlined on Tuesday?

THE CHAIR: Yes, in the respective budgets.

Ms Smithies: In terms of the commonwealth estimates, we have had a look at the ones that the commonwealth released last week. Our initial feeling is that our economic estimates may well improve but we have not gone through the work that would actually be necessary in order to reach that final conclusion.

Ms Gallagher: So you are talking not just in terms of forecast, you are talking in terms of what additional financial benefit may flow to the ACT, rather than growth in the economy or anything like that?

THE CHAIR: Yes, and the flow-on to the ACT.

Ms Gallagher: I think, to a large extent, the thing we were very conscious of and watching closely on budget night was the GST pool and the growth in the pool because this year we did estimate for the first time, based on watching the pool over the last 12 months, and try to factor that into our bottom line early. And those forecasts have certainly held up. There is potential for some minor improvements across the forward estimates. The work on, I guess, the ruler that has been run through at this point in time is that the upside on GST revenue may be in the order of \$20 million over a five-year period. So there are some small improvements there.

But it is quite detailed, because there are changes to some SPPs. There are some movements of money coming in, I think a bit earlier than we had expected. So there are some adjustments that we will have to look at. But overall we expect either a nil or slightly improved outcome.

THE CHAIR: Moving on to some economic risks, I go to page 31 of budget paper 3. It identifies commonwealth fiscal consolidation as a significant risk and uncertainty for the ACT economy. In light of what Mr Swan described as the biggest fiscal consolidation since the 1960s, what will the impact of that be on the territory economy and fiscal position?

Ms Gallagher: Are you talking there in terms of the Henry tax review or anything specific? I am not sure what the Swan comment related to. I get your question now. You are talking in relation to the commonwealth, I guess, restraint that they are going to show staying under two per cent.

THE CHAIR: Yes.

Ms Gallagher: I think that is still what we believe is the biggest risk facing us. It is an election year; so we did not expect, I guess, this budget to be the one where significant recovery of a budget would be targeted. And industry I think agrees with us largely, whenever you talk to any business around town. It is always next year that they were concerned about.

I think it is a hard task to keep government expenditure to two per cent. Our budget has growth in expenditure in the order of 4½ per cent over the forward estimates period. Mind you, we do run a health system that grows at nine per cent. There are some differences there but I think that remains our biggest risk in terms of the future. Do you want to add to that, Roger?

Mr Broughton: I will add a couple of things to that. We were quite pleased on the economic side with the commonwealth budget. They have upgraded their expectations of the Australian economy, and obviously that is of benefit right across the nation. So things are looking quite positive there. We did not see in their budget estimates for

2010-11 an expected reduction in their outlays, so if anything there is a little bit of upside risk to 2010-11. However, given that they have projected a cap of two per cent growth in the forward years, that does represent a potential downside risk for us, bearing in mind that the way that we formulate our own budget is that we forecast the budget year but then use projections based on long-term averages for the forward estimates.

THE CHAIR: In the same budget paper, on page 38, it indicates an overall revenue fall in money from the commonwealth. Are these estimates consistent with the commonwealth forecasts from the commonwealth budget?

Ms Gallagher: I think largely. There are some changes around timing, and we are working through those now, where some of the payments have been brought forward, I understand, to 2009-10. There are some adjustments, but overall we do not expect to see significant change. It is slightly up potentially, but the devil is in the detail and we are certainly working through the detail of the commonwealth budget now.

MR SESELJA: Treasurer, I just want to explore some of these economic forecasts, particularly the growth in the economy, state final demand and other measures. I was hoping that you could take us through a little bit of exactly what is the method that you are using to measure state final demand and then, I guess, look at some of the assumptions of the state demand final going forward. It is forecast to be 3¾ this year but dropping significantly to one per cent next year, so that is a significant change. Maybe firstly, Treasurer, Ms Smithies or someone else, you could talk us through what is exactly the methodology. Obviously, there are a lot of different ways of looking at the growth. On some measures, if you look at the ABS data, it shows state final demand running seasonally adjusted at around five per cent, but obviously it depends on if you do it month to month and the like. Maybe you could talk us through exactly how those figures are arrived at.

Ms Smithies: We will ask Roger to do that.

Mr Broughton: Certainly. I am more than happy to talk about that. The major inputs to our economic forecast are interest rates, commonwealth expectations and the RBA expectations about the level of national growth and the projections in the commonwealth budget about their own outlays. We have a number of spreadsheet-based models which look at those various aspects; we do some regression analysis on them; and, using all that information, we essentially come up with this suite of forecasts here. I just want to repeat what I said before, though. Our forecasting is based on the current year. Beyond that, they are projections based on long-term averages. They are used for planning purposes and it should not be suggested that they in any way predict what we think is going to happen in the economy beyond that. I am not sure what else you would like to me to describe for you.

MR SESELJA: For instance, looking at final demand to date this financial year—where do you have it in the first two quarters that have been reported on in 2009-10?

Mr Broughton: I do not have the quarterly numbers right in front of me, but the reason that state final demand is relatively strong in 2009-10 and not so strong in

2010-11 has got a lot to do with the stimulus expenditure that was occurring during that period. Of course, we are going to see that wind back as we move forward. That is part of the reason why we had quite a strong figure in 2009-10 but we are not expecting that same figure. Plus, when we put these forecasts together there was an expectation that there would be some cutback or even greater restraint in the expenditure of the commonwealth, which would have affected demand and state production as well.

MR SESELJA: So those figures will have to be readjusted now that we have seen the commonwealth budget?

Mr Broughton: They could be adjusted up slightly, yes.

MR SESELJA: Okay. Getting back to the method of calculation, perhaps on those quarterly figures you could get back to us on where state final demand is to date this financial year? Do we have that? Have we got a sheet of paper which has that?

Mr Broughton: I may have this. State final demand—we have three per cent growth from the previous period. This was the quarterly figure as at December 2009.

MR SESELJA: That was three per cent for the quarter or annualised?

Mr Broughton: For the quarter, that is right; not annualised.

MR SESELJA: Yes.

Mr Broughton: The year on year growth, which is the 12 months ended December 2009 over the 12 months ended December 2008, was 2.7 per cent.

MR SESELJA: So year on year 2.7; the quarterly is three for that quarter. And the quarter before that, the first quarter of 2009-10?

Mr Broughton: Sorry, I do not have that.

MR SESELJA: I think we are looking at the same measures then. We have been looking at the ABS; and I think it had two point something, from memory. That puts it at around about five for the first half of the financial year, but then $3\frac{3}{4}$ is the forecast for the entire financial year. Does that mean, on those figures, that actually we see some negative growth in that six months overall or is there some other explanation?

Mr Broughton: What has happened, of course, is that the two months, or the two quarters ending September and December 2009, are the strongest quarters for that year.

MR SESELJA: Yes.

Mr Broughton: And that is when the stimulus package really kicked in. Prior to that we were pretty much in the worst of the recession and things had tightened up quite a bit. In fact, if you go and look at household credit and things, you will see that there was negative growth in relation to those sorts of things. So people were concerned.

They stopped spending; the federal government slowed down. It was only really the announcement of the stimulus package, which took about three months to kick in, in terms of actually seeing some activity. That has come through in those six months, the last six months of last year. We do not expect that to continue on at that rate going forward.

MR SESELJA: What is the breakdown in the ACT on that stimulus in terms of how much was spent in those two quarters and how much is projected to be spent in these third and fourth quarters of the financial year?

Mr Broughton: I do not have those figures, but I know we can produce them.

Ms Smithies: Yes, we can produce them.

MR SESELJA: If you could provide those, that would be useful. Overall, though, we are expecting, on the figures that we see, a slowdown in this part of the financial year from where we were in the first half of the financial year. And going forward—as you say, they are different, because they are projections—we are forecasting one per cent state final demand next financial year. How much of the revenue forecast is based around things like state final demand? For instance, if state final demand went to two per cent or three per cent next financial year, how much would that be likely to increase revenue?

Mr Broughton: Obviously the general health of the economy has some impact on own-source revenues. However, experience has shown us that the link is not as direct as you might think. A lot of our revenues, a large part of them, are based around things like land tax, rates, motor vehicle registration and things that happen almost regardless of whether the economy is growing or in decline. At the margin you might get some impact, because you might get slower growth in, say, the number of properties being developed or you might get a slower growth in registrations. But generally speaking, own-source revenue tends to run fairly stable, with the exception of conveyance duty, which is the one area where it does seem to be highly susceptible to changes in economic circumstances.

MR SESELJA: But based on the commonwealth growth projections, is it fair to say that the one per cent is a fairly conservative estimate?

Mr Broughton: Yes. If I knew what the commonwealth were going to do with their budget when I put these together, that one per cent would be a higher figure—but not necessarily a lot higher, from what I have seen.

MR SESELJA: When are we likely to see the next update as a result of those upgraded figures from the commonwealth?

Ms Gallagher: We would routinely do it as part of the budget review. We did an additional update last year, but that was because of significant changes on budget day. I am not convinced that we need to do a budget update as a result of this year's commonwealth budget.

MR SMYTH: But if the forecast for the current year was two per cent, and you have

now upgraded to 2¾ per cent and the long-term average is 5.8 per cent over the last 10 years, what are the factors that lead you to think that it would be only one per cent in the coming year?

Mr Broughton: You are talking about state final demand?

MR SMYTH: Yes.

Mr Broughton: The major contributing factor to that was an expectation that the commonwealth were going to reduce their outlays in the ACT based on their published information. That has not happened, so I do not expect it to be as low as the one per cent. Based on what they have published, though, which essentially appears to be almost holding their outlays for 2010-11 constant from last year, I do not expect that one per cent to be a lot higher than it is. Why is it lower than long-term growth? I think that is because, if you go back far enough, we have had quite an expansion in the commonwealth's presence in the ACT. Virtually from 1996-97 through to about 2007 there was quite a substantial growth in the commonwealth presence here, which was driving pretty solid average growth for us. That is not apparent at the moment.

MR SMYTH: All right. But in your 2009-10 budget document, on page 6, you had state final demand for the year at two per cent and you had 2010-11 at five per cent. You are now saying that the outcome for 2009-10 is 3¾ per cent, so it has almost doubled, and yet for next year you are dropping from five to one per cent. How is that credible?

Mr Broughton: In the 2009-10 budget, the 2010-11 year was a projection, not a forecast.

MR SMYTH: But if the long-run average is 5.8 per cent, and you have shaved some of that in your projections to bring it down to five per cent for the three outyears—I notice that in the projection for the three outyears in this year you have taken up a quarter of a per cent.

Mr Broughton: That is right, yes.

MR SMYTH: So it is still half a per cent below the long-run average. But why this sudden dip? I hear what you are saying—you had an expectation of commonwealth decline, as it were—but why would you expect it to decline that much? It does not seem to make sense.

Mr Broughton: I do not have last year's budget with me—the 2009-10.

MR SMYTH: I can lend you mine.

Mr Broughton: What we do is this. The current budget year is a forecast. It is our best guess at what we think is going to happen in the economy. Beyond that, we just take the long-run average as our planning tool. So the figure, in effect, of five per cent that we use for our projection should not be compared with what we now think is going to happen in the economy. All right? It does mean that we were planning at a level that was much higher than what we currently think the circumstances are. The

reason that the five per cent that was a projection last year has gone to 5¼ is that our long-run average has actually lifted by that quarter per cent or thereabouts.

MR SMYTH: But the long-run average from 1998-99 to 2008-09 was 5.8 per cent in demand.

Mr Broughton: Sorry, are you reading that from here?

MR SMYTH: No; I have got that from other documents.

Mr Broughton: Okay. Off the top of my head—

MR HARGREAVES: You need to know the base number of it too, I think.

Mr Broughton: Off the top of my head I cannot tell you what the period is that we used to develop that long-run average, but we might be talking about a slightly different period, which would make it a little bit different.

MR SMYTH: In terms of credibility there is always the question, minister, about how accurate the figures are. The Property Council were in here yesterday. They were saying that they believe the figures were dramatically understated again. That is a complaint they have made over several years. Why is it credible that the forecast in the depth of the GFC was only two per cent growth, yet it has come in at 3¾? Given your statement this morning, according to 106, that Canberra is well and truly past the troubles of the GFC, if we are past the troubles of the GFC why are we declining so much?

Ms Gallagher: I think Mr Broughton covered that in terms of 2010-11. There are risks to the budget. The stimulus money will have gone through and we expect the next 18 months, in terms of commonwealth intentions in the territory, to be uncertain. I think that building a bit of conservatism into those figures is probably a good planning technique. I have not heard anyone disagree that they are worried about the next 18 months in terms of our local economy.

MR SMYTH: So the troubles of the GFC are not over?

Ms Gallagher: It is the actions that will need to be taken by the commonwealth and the ACT, but to a lesser extent us, in terms of recovering their own budgets. I think that has a disproportionate effect on the ACT community because of our dependence as a public sector town.

MR SESELJA: How much does Treasury estimate that the stimulus contributed to economic growth in the last financial year?

Mr Broughton: I have not done an estimate of that.

MR SESELJA: Okay. We said that that was one of the reasons why we saw significant growth in those two quarters. So there is no analysis of how much the stimulus has played a role? Ms Gallagher just said that, as the stimulus comes off, it is one of the reasons why we have got the one per cent forecast. Is there no analysis to

say roughly how much it contributed to economic growth in the territory?

Mr Broughton: I have not specifically looked at the stimulus package per se, but we have looked at the quarterly and annual movements in investment within the territory. We know roughly what that investment level is for the stimulus package. We know that is going to cease at a certain point in time or over a period of time, so we can factor some of that into our forecast. As I said before, though, we are only forecasting out to the end of 2010-11.

MS BRESNAN: I want to follow up on the risks and uncertainty. One thing that is not noted in the budget papers is the continuing instability of the international economy. I think the RBA has noted that that is a risk to the Australian economy. Have there been any calculations around that and how it could possibly impact? If it has impacts on the Australian economy, it will then have impacts on the ACT economy given that we are a public service town. Have there been any calculations on that?

Mr Broughton: We have not done any specific modelling around that. The way the ACT economy is structured, it is not so much what happens in Greece or the rest of the world that affects us; it is how the commonwealth government, which is our largest employer, reacts to those particular events. That is what is going to drive our economy more than anything else. The other major influence is interest rates. We are highly sensitive here to interest rates, being what you would call within the mortgage belt. They are the two things that we really focus on when we are trying to work out what the economy is going to do.

MS BRESNAN: I understand what you are saying. Given the RBA has come out and said that it does pose a threat and that it will have all these flow-on effects, has there been any consideration of that and the particular areas that it will have an impact on? Given that we have been talking about future possible risks and instability and whether the GFC is still a risk, and certainly it is still operating overseas, have you had any thoughts about it?

Mr Broughton: We have certainly thought about it. We think the immediate mechanism, if there is any impact, will be through interest rates. We have certainly thought about the risk that credit may be more difficult to obtain, and therefore more pricey, and about the flowthrough impact on that in relation to the cost of mortgages and retail spending, but we do not have any hard and fast evidence on which to do any particular modelling at the moment.

THE CHAIR: Just touching on the issue of interest rates, the consensus seems to be that the cash rate will rise to about five per cent, I believe, by the end of the year. Is this within the band forecast in the estimates in the budget papers? If not, how significant will the change be?

Mr Broughton: We have taken into account an expectation of rising interest rates in both the economic forecasts and our revenue forecasts.

MR SMYTH: Treasurer, if I could just refer to something you said in your opening statement. When do you actually expect us to return to surplus?

Ms Gallagher: 2013-14.

MR SMYTH: So is that expected? Is that a target? Is that an actual achievement?

Ms Gallagher: That is under the budget plan.

MR SMYTH: Because the net operating balance shown on page 11 for 2013-14 is still a deficit of \$50 million.

Ms Gallagher: That is right.

MR SMYTH: The same number is on page 6—\$50 million—but in the consolidated statements at the back it is minus \$50 million. Indeed, your own plan says the government adopted a budget plan to return to surplus by 2015-16. That has now been updated to a target of achieving a surplus by 2013-14. Is it a target or is it actually going to occur? That gets back to the estimates that we started with.

Ms Gallagher: Yes.

MR SMYTH: Have you softened the—

Ms Gallagher: It is a target that we expect to achieve. It is both. Indeed, as part of the budget plan we have indicated that we will need to find a further \$25 million worth of savings next year and the year after in order to bring that budget back into a balanced budget situation. So we have outlined that.

MR SMYTH: The savings that you have forecast, I notice one of them is a saving that the Chief Minister scoffed at just over two years ago in terms of—

Ms Gallagher: We thought you would like this, Mr Smyth.

MR SMYTH: I do like it. I like it when you finally admit that you and the Chief Minister were wrong. Mr Stanhope said, I believe in 2008, that any cut to the Treasurer's advance would slash and burn the ACT economy. Why are you cutting the Treasurer's advance and slashing and burning the ACT economy, by the Chief Minister's own definition?

Ms Gallagher: Thank you. I welcome the opportunity to talk about it and to draw your attention to the difference between what—

MR SMYTH: It is different slashing and burning?

Ms Gallagher: I think, from memory, yours was a 50 per cent reduction in the Treasurer's advance as part of a way of paying for your election promises. Ours is a 25 per cent reduction—

MR SESELJA: So that is real and the other was not real.

Ms Gallagher: No, I am not saying that, but for entirely different purposes. The

25 per cent reduction certainly offsets—it does not pay for all of it—the money that we are putting into agencies to deal with their base pressures: TAMS, Disability, child protection, and some additional money into Health. Traditionally, those have been dealt with at the end of the year when agencies come and say, “Well, we’ve got these pressures.” We have not accepted through the budget process that that needed to be budget funded, so that has been dealt with at the end of the year through the Treasurer’s advance.

Our decision here was that we would reduce the Treasurer’s advance and, therefore, reduce the ability of agencies to come and seek end of year settlements. We took the view that they would not need to any longer because we have dealt with their base pressure in this budget. We felt that the amount, an almost commensurate increase, which we have put in for agency pressures does not need to be kept separate to deal with at the end of the financial year through the Treasurer’s advance. But that was to deal with overall growth in the budget pressure; it was not to pay for election promises.

MR SESELJA: So it is not a real saving then? Is it a saving or not? You are indicating now that it is not really a saving—that extra money is allocated and, therefore, you have got less in the Treasurer’s advance. That does not sound like a saving; it sounds just like a shift.

Ms Gallagher: It is a saving. However, the budget does allow growth.

MR SESELJA: How much extra has gone into the base to account for the 25 per cent reduction in the Treasurer’s advance?

Ms Gallagher: What is the Treasurer’s advance reduction? It is about \$8 million a year, is it? I am just trying to find it in my papers. In terms of dealing with the base, it was certainly more than \$8 million. The budget plan always allowed for growth. We acknowledge that it would be unrealistic and unachievable not to allow the budget to grow at the same time as we were seeking savings to the budget. We have delivered the savings that we needed to this year. We have refined the savings based on the new budget plan. Those savings are not as onerous as we expected this time last year. We have been allowed to grow and meet those pressures of demand that we are seeing across agencies. But it was not to pay for election promises. It was not a 50 per cent reduction to pay for election promises.

MR SESELJA: It was to pay for other spending that you have allocated in other parts of the budget, but it did not actually pay for it.

Ms Gallagher: No, it is a saving, but we have taken a conscious decision—

MR SESELJA: Well, it does not sound like it is a saving.

Ms Gallagher: Well, no—

MR SESELJA: You are sort of having a bet each way.

Ms Gallagher: We have returned—

MR SESELJA: You are saying it is a saving, but it is not really a saving because you have added the money elsewhere.

Ms Gallagher: You can dress it up as you like, Mr Seselja. It is a saving, but we expect the call on the Treasurer's advance to be less than it has been in previous years because we have structurally put that money across the forward estimates into base pressures. You can dress it up as you like, but it is a saving from the Treasurer's advance being returned to the budget and then we make some spending decisions as well.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Thank you very much, Madam Chair. I promise not to talk over the top of the Treasurer in the context.

MR SMYTH: Is this on the same topic?

MR HARGREAVES: I have been very patient by sitting here for half an hour and noticeably going greyer while waiting for these guys to finish. Treasurer and/or officials, is it a simplistic view to consider that savings merely mean that there is a figure going to come off the bottom line? Is it not true that it is a little bit more complicated than that and that you need, indeed, to achieve savings such as reducing the Treasurer's advance to enable other forces majeure to be catered for in the context of the wider budget? Is it not, in fact, true that anybody who suggests that the word "saving" means an instant reduction has a really good need to go and see budgeting 101?

MR SMYTH: So savings on savings?

MR HARGREAVES: I was not talking to you, my dear friend; I was talking to the Treasurer.

Ms Gallagher: The beauty of the seven-year plan—I see beauty in the seven-year plan, which is now a four-year plan—was that it allowed flexibility and reallocation of money as part of it. It was not savings just to cut our expenditure, acknowledging that our budget will continue to grow. I think that goes to your point, Mr Hargreaves. It is more complex than that. We could have just cut and not invested. Yes, our bottom line would look better than it does now, but that would have been to create a situation where you were not able to respond. I think this budget only seeks to respond to the most urgent budget pressures. It does not do everything for everybody. Indeed, I have listened to community sector witnesses over the past day or so—

MR HARGREAVES: There are a couple of us listening to you, Treasurer.

MR SMYTH: I am listening, too.

Ms Gallagher: who have drawn that to our attention. What we have tried to do in this budget is to meet the most urgent pressures, which do allow growth in the budget overall. We are seeking to be as efficient as we can with the resources available. Some

people might not agree with that.

THE CHAIR: Mr Smyth?

MS BRESNAN: I did have a question.

MR SMYTH: I thought we were going back to the Treasurer's advance.

MS BRESNAN: Okay, I have got a question following that.

MR SMYTH: If you look at the chart on page 98, of course, you are making \$9.6 million worth of savings on the Treasurer's advance this year. But then the saving over the three outyears declines. Why is that?

Ms Gallagher: What page are you on? On budget paper 4?

MR SMYTH: Budget paper 3, table 4.2.19.

Ms Smithies: I can answer that. It is purely mathematical. Obviously, what we are doing is taking money out of the budget. What we have in the budget is a one per cent provision for expenditure across all of the years. One per cent is based on total appropriations; so when we take out 0.25 of one, it is going to be a slightly different number as it pans out across the forward estimates, depending on what the appropriation lines are across the forwards as well. So it is mathematical.

MR SESELJA: But don't the appropriations get higher as you go to the outyears?

Ms Gallagher: But we have not made those decisions.

Ms Smithies: That is right.

Ms Gallagher: We have not made those decisions; so that would be based on a no-new-spend position, I imagine.

MR SMYTH: So why is it less than the amount for this year?

Ms Gallagher: Because we have made spending decisions.

MR SMYTH: If it is not changed, why would it be consistently the same number throughout, instead of four different numbers that decline?

Ms Smithies: Sorry?

Ms Gallagher: The \$1 million difference, I think.

Ms Smithies: That is right. Sorry, if I get this right, it is about expenditure decisions that are put into the future budgets from 2011-12. They have not been incorporated into the appropriations yet—for example, capital, capital injections across the forward estimates et cetera.

MR SMYTH: Does that affect your surplus? Does that same consideration affect your surplus or deficit as declared?

Ms Smithies: No, because funding for capital works is put into a provision for capital et cetera. So it is not necessarily an appropriated cost across the forward estimates. It moves into appropriations and gets picked up into the formula at the time that the budget decisions are made at the next budget time.

MR SMYTH: So is the expectation as you deliver at least the 2011-12 budget that that number will grow?

Ms Smithies: Yes, there will be appropriations for capital against the—I think there is a—yes, against the capital works provision that will move into appropriations once the policy decisions are made as to what they will be spent on. That is right.

MR SESELJA: Sorry, could you make it a little simpler for us? I think it is a little bit confusing at the moment.

MR HARGREAVES: You are doing a great job.

MR SESELJA: Could you talk us through what the numbers relate to? What are those total appropriations in those years projected to be, to get the numbers that Mr Smyth has referred to?

Ms Smithies: They are the figures that work out that represent the known and agreed policy decisions of government that work themselves into appropriations that go to departments each and every year.

MR SESELJA: Okay, so where do we find this in the budget papers?

Ms Smithies: They would be in the consolidated financials.

Mr Bulless: Mr Seselja, if you look at page 9 of budget paper 3, the appropriation bill, it is at the back—

Ms Gallagher: Right at the back; the bill itself.

MR SESELJA: The actual bill?

Ms Gallagher: Yes.

Mr Bulless: Yes, so it is nine pages after page 306, appendix E.

MR SESELJA: This is BP3 we are talking about?

Mr Bulless: That is right, yes.

MR SESELJA: Okay, yes.

Mr Bulless: So you see the second row there, which has the total appropriated to

agencies, and that comprises column 3—net cost of outputs, column 4—capital injection, column 5—payments on behalf of the territory, giving a total figure of \$3.9 billion. The calculation below that is 0.75 per cent of that figure above it. That is for the 2010-11 year. As Ms Smithies has said, because there are a number of decisions to be made by the government in future budget processes, we cannot accurately forecast what we will be spending in two years time in capital injection, because the government has not considered that. So the calculation will fall lower.

Effectively, what you have is the recurrent appropriation as a trajectory, which is published in the budget papers. The capital injection is published in BP3. You will see that that reduces over time because future decisions have not been incorporated in that figure. That is why the total figure for the Treasurer's advance is reducing over time. Hence, the saving is reducing.

As the government moves from budget to budget, they will reassess those expenditures and that figure for the Treasurer's advance will be adjusted. So this is based on a projection now of where we are, not of what we are going to do in one, two or three years time.

MS BRESNAN: Just following on from that and the discussion we had about risks as well, in terms of looking at the economic output which is provided in the budget paper, there are fairly limited and general statements about that. I just wanted to find out if any analysis has been done of the economic opportunities for the ACT, and looking at what sectors potentially provide those best growth prospects for the ACT.

Ms Gallagher: That is probably a question for the Minister for Business and Economic Development rather than the Treasury. I am certainly aware of some pieces of work that have been done under the Chief Minister's portfolio. But it is not a core piece of work of ACT Treasury.

MS BRESNAN: So there have not been any discussions with Treasury about that? I mean—

Ms Gallagher: Well, Treasury would be—

MS BRESNAN: I see that Treasury would be another department, but I mean—

Ms Gallagher: Treasury would be certainly involved and ready to provide advice. But it falls under the Chief Minister's portfolio.

MS BRESNAN: Sure. I guess in relation to that, though, is there a whole-of-government strategy for that if it is being based in a particular department? I imagine it is something you would look at across the entire government.

MR HARGREAVES: Is that a question for the Chief Minister, Treasurer, really, because he is responsible for whole of government?

Ms Gallagher: Yes.

MS BRESNAN: That is right, yes. It is in the budget papers. There are statements in

there about that; so it is actually listed in the budget papers. Is there a whole-of-government—

Ms Gallagher: The government has a number of strategic documents. We have the Canberra plan and then all the plans that sit underneath that. So we would say, yes, there is a whole-of-government plan in place. But the responsibility for that and the questions you asked do sit under another portfolio minister.

MS BRESNAN: Okay.

Ms Gallagher: But Treasury are involved in everything. In fact, if you ask other ministers, Treasury is too involved in every other agency, some would believe. But I think the government always takes the Treasury's advice in terms of any major policy decisions of the government.

MS BRESNAN: Okay; so given that we are within a recovery period and we are also looking at deficit issues, that is not something you would give any information on at the moment, even though it is something which is noted in the budget papers?

Ms Gallagher: I think what we have tried to do in this—I have been a part of the work that has been done and, therefore, Treasury has been as well. In the last 12 months—and I think we do go to this in the budget paper; I certainly went into it in my speech—we have held a number of roundtables with industry to try and make sure that interventions that we have actually support local economic activity and support growth in the economy.

This has been very much a feature in the budget plan, and I have done that with the Chief Minister. We have limited levers available to us to influence the local economy, but we are a player and a reasonably-sized player. The lever that we have chosen to use over the past 18 months has been our infrastructure spend, making sure that we are getting the work out the door and looking at all our processes. That very much has been a whole-of-government strategy.

In terms of some of the other work that has been done—I know I have discussed it with Ms Hunter—there is work underway about opportunities for a green economy. I think it has been called something different—a clean economy. There is other work underway. But in the past 18 months, I have to say that our focus has been very much on our immediate situation and dealing with the immediacy of the GFC in terms of our own response across government.

MS BRESNAN: So there are no sectors in particular that you are actually looking at in terms of—

Ms Gallagher: We have looked at all of the sectors as part of that. I mean, I have had the consultancy sector. I have had the IT sector. We have had the building and construction sector. They have all been part of those roundtables and those discussions with government about what they would like to see happen. But in terms of where we are going—opportunities of the future—I have to say that my priority this year has been focusing on the now. There is other work underway that sits under the Chief Minister's portfolio that will come to the government at some point for

whole-of-government decision making, but it has not reached that point yet.

MR SMYTH: As a supplementary to that, though, on page 31 of budget paper 3, you talk about a summary of major risks. It does point out that the residual risk remains as the withdrawal of fiscal and monetary stimulus policy measures could slow economic growth. It then goes on to talk about the commonwealth government and what impact it has on the ACT. So what alternative measures has Treasury come up with to stimulate economic growth or to substitute for the removal of fiscal and monetary stimulus?

Ms Gallagher: I am not sure it is up to Treasury to do that. It is up to the government and the whole of government to take decisions around that, and as I have said—

MR SMYTH: The whole of government?

Ms Gallagher: As I have said, there is a Minister for Business and Economic Development who has portfolio responsibility for that work. As Treasurer and as Treasury that supports me in my work, I think the role that we have is to ensure that we are not necessarily picking winners or supporting one over another but creating an economic environment which is good for business. We do try hard at that and we do look at what is happening across New South Wales to make sure that we are conscious of what other governments are doing, particularly New South Wales.

We do have decisions in place. The change of use charge in relation to petrol station redevelopment, the change of use charge in relation to general practice, is in this budget.

The reduction in registration for campervans is not a huge thing but has been lobbied for. I do not know whether you ever got letters from people using campervans who were outraged that we were one of four jurisdictions that still charged. We have dealt with that.

So we do try to create, I think, the environment where it is a good place to do business. We do try hard at that. Again, we cannot do everything for everybody or be everything that everybody wants because we do have pressures. We do have to generate revenue in order to pay for everything that we deliver. I know businesses would want us to do more. However, I am not sure it is Treasury's job to do that work.

MR SMYTH: Has the percentage of the private sector employment grown or declined in recent years? Does Treasury advise you on that?

Ms Gallagher: Yes, they have actually.

MR SMYTH: And the outcome?

Ms Gallagher: It has grown.

MR SMYTH: As a percentage of total employment in the ACT, the private sector has grown?

Mr Broughton: Slightly.

MR SESELJA: In what period and what are those numbers?

Ms Gallagher: I am just looking here. I think I have it in my notes somewhere.

MR SESELJA: Do you want to take that on notice?

Ms Gallagher: I am sure I read it somewhere. Sure. Sorry, I thought I did have it somewhere. I just cannot find it.

THE CHAIR: We will take that question on notice. That is about the size of the increase in private sector employment as a percentage of total employment.

MR SESELJA: Treasurer, just going back to some employment forecasts, the ABS data released yesterday shows the number of employed people has risen from around 193,000 in June 2009 to 200,000 in April 2010. This represents, I think, a yearly average increase of 0.37 per cent. How did Treasury arrive at the minus 0.25 per cent growth in employment in 2009-10?

Mr Broughton: The forecast we use is a year-on-year average; so it takes 12 months. The 12 months for 2009-10 is divided by the 12 months of 2008-09. The beginning of 2009-10 was not particularly favourable for employment, even though it has grown more recently, on my piece of paper here somewhere. We have had something like eight consecutive months of employment growth but the months prior to that were all falls in total employment. And when you take that over 12 months and look at the previous 12 months, which was a relatively strong period, yes, on average we are down for 2009-10.

MR SESELJA: So the negative 0.25, based on those updated ABS figures released yesterday, is still what you expect the figure will be for 2009-10?

Mr Broughton: It will still be very close, because one month will not make a big difference when you are taking 12 months divided by 12 months.

MR SESELJA: When would we expect to see that strong growth then reflected in the figures? Is that one per cent in 2010-11 then going to be reflected, in a year-on-year sense, in what has gone on over those past few months?

Mr Broughton: That is right.

MR SESELJA: And the one per cent is still accurate?

Mr Broughton: I think it is fairly reasonable. There might be, as I say, a slight upside risk to that because the commonwealth are now holding their employment more or less stable, which was not something we were expecting a while ago.

Ms Gallagher: If Tony Abbott wins the election we will be revising those numbers, of course.

MR SESELJA: Are you expecting that? I imagine you would be expecting that right now.

Ms Gallagher: In light of those announcements made yesterday.

MR SESELJA: Kevin is not looking good. Mr Broughton, just going back to those state final demand figures, I do not think we have got final clarification of this yet. If we accept that there has been growth in the first half of the financial year of around five-and-a bit per cent and state final demand forecast is 3¾ per cent, the only way to get to that number which Treasury still holds to is that there will be negative growth in the final two quarters of this financial year.

Mr Broughton: That is quite possible, yes.

THE CHAIR: I note that, when we are looking at the area of economic risk to the ACT, climate change impacts are not mentioned. I was just wondering why they were not mentioned. Is this because an assessment has been done and it does not represent an economic risk or because no assessment has been done at all?

Ms Gallagher: The risks from climate change in terms of economic outlook?

THE CHAIR: Yes.

Ms Gallagher: I do not know that we did an analysis of that.

Ms Smithies: No, we have not done a specific analysis of it. The department, DECCEW, is doing an awful lot of work around climate change. We are certainly interested in a number of costs in terms of litigation but that becomes a part of looking at policies. But otherwise we have not done a more holistic economic risk, no.

THE CHAIR: Is it the intention—and I do understand, with a new department, that they are undergoing a lot of work—that that would be included in future years as part of looking at risk?

Ms Gallagher: Certainly. If the estimates committee had a view on that, it certainly would be something that we would respond to. We did do some work around some of the commonwealth government's plans for the carbon emission trading scheme and what that would mean. There is certainly the skill and the capacity to do that work. We did not do it as part of this budget but it is something that we could look at. I do not know how we could do it and make it useful to the budget but I am sure there is a way.

Ms Smithies: And I guess my initial thought about this is that even the short-term budgetary costs were not significant. The issue is budgetary costs that sit outside the forward estimates and changes on our economic forecast and economic makeup. And largely still, I think, we are not seeing those in the types of forward estimates unless we are back to doing those sorts of triple-bottom-line considerations of policies as they come through cabinet, which is different from the risks that are articulated in this particular part of the budget paper, which is really around trying to put some definition around or some narrative around those risks that perhaps, in more cases,

cannot be quantified in relation to our budget. Yes, the idea of those risks is being able to identify them, not necessarily being able to quantify them to any degree of accuracy but just to be able to describe them.

MR HARGREAVES: Treasurer or Ms Smithies, page 35, I think, of BP3 talks about revenue and forward estimates. Can you tell us what additional revenue measures have been introduced through this budget and whether or not there has been any reduction in fees and charges in the budget?

Ms Gallagher: Yes.

MR HARGREAVES: I do not know whether the information is on page 35 but that is where I started thinking.

Ms Gallagher: There are revenue measures. They are outlined on page 37. What we tried to achieve with this budget—and I know the opposition does not agree with us on this—is to protect the community from our budget recovery. Even though decisions around revenue are hard, we have tried to keep them at a minimal level.

In relation to parking revenue, we believe that is a necessary measure. Again, if you talk to anyone in the industry, I think they will agree with us that parking prices need to continue to grow. And they are fairly small. I think the largest increase is \$1.50 a day for the premium park in Civic. And we have sought to offset those charges through our additional investments in public transport.

We have extended the change of use charge remission for the petrol stations. That was really in recognition that they were not able to redevelop those sites within the time that was allowed after last year's budget. So that is just extending that. In regard to exempting the GP clinics from a change of use charge, that is in light of the fact that we are about to give grants to general practice and we did not want to then take it all back with another hand of government.

The abolition of the duty on caravans, which I am sure is popular with a very small and select group of Canberrans, is a good change, I think.

If there was a year that you would increase revenue through our own-source revenue, this probably was the time to do it. This is the year that the underlying deficit peaks. The government did consider it but we also took the decision that our budget recovery strategy should not be focused on, I guess, extra revenue-raising measures from the community. In light of the deficit and the demand for increased services, I think this tries to strike that balance of a reasonable approach of increasing revenue in certain areas but not across the board and not for every member of the community.

MR HARGREAVES: Thanks for that. That leads me on to—you mentioned a couple of them there about the change of use charge and the rectification process. Could you tell the committee about the steps the government has taken to address the fees anomaly identified by the government's consultants? We have had a lot of difficulty working out some of the terminology in all of this sort of bureau-speak, talking about economic rent and all that sort of stuff, which is a bit of gobbledegook to a lot of people. Can you walk us through a bit of the rationale behind the change to the change

of use charge process?

Ms Gallagher: Yes, I am sure we can. We may as well bring it on, hey, Mr Smyth. The change of use charge—from where I sit, I do not see that the government had any choice but to remedy an anomaly that has occurred through the application of a change of use charge. I do not think that any person in my shoes could have taken a different action.

The government commissioned some work based on representations from industry around wanting some additional certainty in the application of the change of use charge, and that project was called codification of change of use, moving towards a situation where a schedule would determine fees being paid for certain types of development. During that work it became clear that a situation had emerged, only in relation to residential leases, where a flat fee had been agreed regardless of the type or value of the development or the lease that was being varied.

Treasury brought this to my attention through the work. I sought additional advice around whether that was the intention of that section of the Planning and Development Act that outlined the process for the change of use charge. Our advice is that it was not the intention to have a flat fee being agreed for dual-occupancy townhouses and unit development. And this budget seeks to rectify that. The advice back was that the change of use charge is to be charged based on a valuation of each individual change or development application. I have explained this to industry. I think they understand the position the government is in. I do not think they are entirely happy about it, but they understand that governments have to apply the legislation as it sits, and that is what the rectification is.

MR HARGREAVES: Does that mean that the same sort of charge was being applied to, say, someone that was doing a dual occupancy in Gordon or Banks or something and someone in Braddon, Reid or somewhere like that?

Ms Gallagher: Yes.

MR HARGREAVES: And what we are saying is that that is just not on.

Ms Gallagher: It was 75 per cent.

MR HARGREAVES: Somebody was getting a big windfall out of that hitherto then; basically what we are doing is taxing the windfall profit.

Ms Gallagher: What we are doing is implementing a system—

MR HARGREAVES: Fairness.

Ms Gallagher: that exists now. Based on that and the revenue forecast—the revenue growth forecast over the budget outlined in the budget paper is taking a five-year average of development applications for those residential types of development, applying an individual valuation for each development, and then applying that across the forward estimate. And that is what you get. You do not—

MR HARGREAVES: As I understand it, the extra money is about \$10 million—of that order. It is not the biggest amount you ever saw in your life.

Ms Gallagher: I think it is \$10 million in the first year—roughly \$10 million.

MR HARGREAVES: That sets a new benchmark for that sort of stuff, I would have thought, going forward.

Ms Gallagher: Yes, that is what it is. The forward estimate or the money outlined—I am just trying to find it in the budget papers—does not include codification. It is just using the data we have available of the developments in the last five years, putting a little bit of conservatism in it and then applying that across the forward estimates.

MR SESELJA: The amounts you have quoted that are currently being levied—how did that situation arise? Do you want to tell us your understanding? Obviously the Australian Valuation Office had to have a role in that. There has been, obviously, a lot of argy-bargy over a lot of years as to what should be the amount. Are you able to talk us through how we got to this situation where basically a rough amount was given and agreed to regardless of the type of residential development?

Ms Gallagher: I do not think it was a rough amount; it appears that it was a fixed amount. I cannot answer that question, and nobody has been able to answer it for me. This practice appears to have been in place since as early as 2003. As to an immediate answer on whose decision it was, we cannot answer that. Are we following up and doing further work around that? Yes, we are, in the hope that we can identify who took the decision and what led to that decision being taken.

MR SESELJA: There is almost a suggestion in what you have said that it has been done wrong at least since 2003—that the Australian Valuation Office has been doing something wrong, that they have not acted properly in some ways. Is that your contention? How have they got it so wrong?

Ms Gallagher: I am not sure. I cannot answer that, Mr Seselja—as to who has done anything wrong. All I do know is that it appears that from about 2003 a fixed charge was applied to dual-occupancy townhouses and unit developments; and it was uncovered through this work, or certainly brought to my attention through this work, and this budget seeks to rectify that. We have taken advice around whether we can go back and recoup what I think is identified in this report as revenue leakage; our advice is that that is not something we can pursue: each development has been done and dealt with; it has gone. This is the issue; I cannot ignore the advice that I have.

MR SESELJA: But couldn't it have been the case—this has been put to me, and perhaps Mr Ahmed can answer or you can—that, with respect to your predecessor—I believe Mr Quinlan would have been the Treasurer at the time; you say it goes back to around 2003—a judgement was made that, given that there was always a back and forth negotiation as to what was included, what was not included, what offsets there were and the like, the number that they came to was seen as reasonable given the experience prior to that? If that is the case, by going back to a situation where there is this back and forth, without codification, you could very well end up with exactly the same problems that that arrangement was designed to avoid.

Ms Gallagher: I can say that it was not a government decision to implement a fixed use. I was in cabinet in 2003, and I do not recall. Indeed, I think we would have identified that in some of the work that has been done going back to see what happened. There is no paper trail that we can identify at this point in time. As I said, we are doing some further work on that. It may find some document somewhere that agreed to this system being put in place. I understand your point. People have talked to me as well about some of the goings-on that occurred. This really sought to address constant arguing around valuations or what change of use charge should be applied. That may be the case as well. But it was not a government decision, and it appears that we have lost significant revenue through this.

MR SESELJA: But government at some level must have been complicit, because it is not the developer that sets how much change of use they are paying. It is, in the end, ultimately, the government that levies this charge. If you have been undercollecting, at some level, whether it is at cabinet level or somewhere below that, there must have been government complicity in apparently, in your words, not collecting the revenue that the ACT is entitled to.

Ms Gallagher: And that may be the case, Mr Seselja.

MR SESELJA: Who is at fault, then?

Ms Gallagher: My job here is, and has been—we have identified a problem and we have sought to fix it in the budget, which you have criticised, I might add.

MR SESELJA: Indeed, and we will get to those criticisms soon, but now we are dealing with the rationale.

Ms Gallagher: Fine. As to whose fault it is, we have not got to that yet. I do not have the answer. I do not have the answer for you. There is no document that exists that we have identified at this point in time that would indicate how this deal was made and who was involved.

MR SESELJA: So it is a deal between who?

Ms Gallagher: I do not know, Mr Seselja.

MR SESELJA: But you are saying there is a deal at some level, so it must be between certain parties.

Ms Gallagher: I do not even know if there was a deal. This is the point. It has appeared through this work—

MR SESELJA: You just referred to it as a deal.

Ms Gallagher: that fixed charges have been applied. There are different—there is the Valuation Office; there is ACTPLA involved; and there are individual developers involved. I cannot answer—

MR SESELJA: But the developers do not set it.

Ms Gallagher: I cannot answer how this arrangement was entered into. And nobody has been able to fill me in on that either.

MR SESELJA: But it is your understanding that it was an arrangement or a deal at some level entered into—

Ms Gallagher: I do not know. All I know is that—

MR SESELJA: That seems to be the terminology you are using.

Ms Gallagher: there is a fixed charge applied for change of use for particular types of development.

MR SESELJA: But it was not accidental, was it?

Ms Gallagher: I doubt it was accidental, but I cannot answer how this agreement was reached. If there was agreement—

MR SESELJA: Perhaps Mr Ahmed can enlighten us.

Ms Gallagher: I doubt it, because he has not been—

MR SESELJA: We will ask Mr Ahmed, perhaps. Mr Ahmed, do you have anything to add in terms of this apparent deal or arrangement that has led to a fixed charge on change of use?

Mr Ahmed: I can perhaps give a bit more explanation of what we have discovered, but it is pretty much what the Treasurer has said. There is an indication of fixed fees or charges being applied, Mr Seselja. We have not been able to discover any decision by the government or by a minister to this effect. I was in Treasury at that time as well; I cannot recall. We have checked; we do not have any paper that suggests that there was a decision by the government or a directive by the minister.

We have not been able to discover so far—there are separate processes for that—any paper that would suggest that, in fact, ACTPLA directed for this to occur. Perhaps I should explain a bit more about how this has come about and the role of AVO here as well. The Australian Valuation Office provides advice to ACTPLA. The process generally is that a developer will put in an application, and they will put in, along with the application, a valuation. That valuation typically would include a before-use value and an after-use value based on the formula that is written down in the legislation and a calculation for the change of use charge on that basis. ACTPLA will typically, as a matter of process, send that valuation over to the Australian Valuation Office.

So it is not, strictly speaking, a fixed, coded fee that appears to have been applied. Almost in all cases, there was a valuation done. Almost in all cases, that valuation went through a process of being submitted to ACTPLA; going over to the Australian Valuation Office; coming back with an advice that, yes, that seems reasonable; and then the change of use charge being applied. The only thing is that, if you look at the

data over a couple of years, it appears that for all dual-occupancy developments the uplift in value was calculated to be \$5,000; for multi-units, it was \$1,500; and for townhouses it was \$2,500. Odd, but the process seemed to have been followed.

I think we are dealing with some difficult and complex circumstances that we really need to understand. At this time, we have not been able to find any paper that would suggest that there was a decision to do that.

MR SESELJA: But in the end what you are saying to us is that there is a process with the AVO, ACTPLA and the developer which, over the last few years, has always led to the same outcome, which is \$2,500 and \$1,500 for a multi-unit, I think you said, yet you have no way of knowing how we got to a situation where that was the case. The Australian Valuation Office has to make a valuation as part of that, as you said. I assume that they do that in good faith based on what they believe the value of that property to be, and the change in value. How does the process get distorted or corrupted to such an extent that, in your opinion, we are getting exactly the same result, which, it seems from what the Treasurer has said publicly, can only be the result of some sort of arrangement?

Mr Ahmed: We would also imagine, Mr Seselja, that the private valuers who are undertaking valuations on behalf of the private developer—

MR SESELJA: So they are not doing it in good faith?

Mr Ahmed: No; we would assume that they would be doing it in good faith as well. We would at least assume in good faith that they were doing their job properly.

MR SESELJA: So they are doing it in good faith. The Valuation Office is doing it in good faith. How are we getting this outcome that you believe is incorrect?

Mr Ahmed: That is odd. We would also assume that the customers who were getting the valuations and paying for those valuations were getting good value as well. They are paying to get a valuation done, but everyone who gets that valuation done gets the same result.

MR SESELJA: But the Valuation Office is not being paid by the developer—not directly, anyway. They are independent. They make an independent valuation.

Mr Ahmed: That is right.

MR SESELJA: If the private valuers do not stack up with that then presumably you have got to split the difference or the AVO wins out one way or another. So how are we getting to a situation where we have got presumably private valuers acting in good faith and presumably the AVO acting in good faith, yet apparently, according to the government's line, we are getting what is an incorrect outcome or a predetermined outcome, as seems to be being suggested?

Mr Ahmed: We would have to assume that they were acting in good faith unless we have got information otherwise. We can look at the schedule Professor Nicholls looked at and say, "This looks odd, that over a whole period of a couple of years you

get the same valuation irrespective of whether the development is in Forrest or in Kaleen.” You are getting the same valuation, so there is something odd here. You can see that, but whether there is an agreement or some arrangement in place between the whole private valuation industry and the Australian Valuation Office, or whether there was a directive from ACTPLA—we have not been able to find that out yet.

THE CHAIR: Have you spoken to the Australian Valuation Office and asked this question about whether there was an arrangement and where that might have come from?

Mr Ahmed: We have not undertaken that investigative role. We did ask indirectly.

MR SESELJA: And what was the answer?

Mr Ahmed: This goes back several years. People have moved and we have not been able to find any paper trail that would suggest that there was a directive of some sort.

THE CHAIR: But obviously there is something passed on. When new employees came on, there was some sort of briefing or instruction, for it to show up on your data year after year?

Mr Ahmed: Yes, and that is probably the thing that needs to be looked at—and would be looked at, but certainly not by Treasury.

MR SESELJA: Treasurer, what are you doing to find out the answer to that question?

Ms Gallagher: I should say that the change of use charge—I am not trying to deflect anything here—sits under the Planning and Development Act. Treasury has a particular role here. This is around the revenue and putting the budget together. We expect, based on the work that has been done, that if individual valuations are done for each development application we will get a particular return. That return is outlined in the budget papers. The Minister for Planning and I have had a number of discussions around this since the issue was identified to me through the consultants’ work. As I understand it—at my request or from a letter I wrote in relation to the report to the government—ACTPLA in the first instance are undergoing an internal audit of their own processes and paperwork to see whether there is any further information the government can be provided with before taking any further action.

MR SESELJA: You have got to admit that it is now hanging out there that, somehow, someone in the process—we know who we are talking about: talking about private valuers, talking about AVO. The only way that, if this was not authorised by the government, you could get this outcome is if someone has not acted in good faith. I have seen no evidence presented that that is the case.

Ms Gallagher: We can speculate, Mr Seselja, and you can sit there and speculate, but without all the information ahead of you—

MR SESELJA: But you have essentially done that. You said there is a deal. You have said “arrangement”, “deal”. We do not know what that arrangement is.

Ms Gallagher: I can speculate. That is what it appears to me, because it seems unusual—that there would be exactly the same price reached for every type of the same type of development regardless of where it occurs in the ACT seems unusual to me. So I can speculate. I have asked, and the Minister for Planning has agreed, based on the work that was identified through the consultants' report, that an internal audit needs to occur to provide the government with more information about this before we can take any further decisions. I think that is a reasonable approach.

MR SESELJA: Given the seriousness of the allegation, have you written to the relevant commonwealth minister who has responsibility for the AVO?

Ms Gallagher: No, I have not. In the first instance, I am trying to find out under—it is under the Minister for Planning's portfolio responsibility as to whether the ACT government has any further information that could be provided through the public service to their government about this before the government, the ACT government, takes any further decision or action. I need, and I think the government needs, to understand from our own public service whether there is further information that we can be provided with.

MR SESELJA: You have taken the decision to change the way this is done, yet you have not even gone to the commonwealth to find out. You have not yet found out from your own agencies how this situation arose.

Ms Gallagher: I have acted to remedy an anomaly that has been brought to my attention. I think you would quite rightly criticise me if I had not moved to remedy the situation that appears to have occurred over the last number of years. At the earliest opportunity, I have done that. That will show through the budget papers. I think that is pretty reasonable. We now need to go and have a look at what happened and see whether any further information can be provided over and above what we have identified—which is not a great deal, I have to say.

MR SESELJA: Given the revenue implications and the seriousness, you would think that there would be some haste in getting to the bottom of this, including going to the commonwealth. We are talking about a massive increase in tax. We are talking about, as I say—

Ms Gallagher: It is not a massive increase in tax.

MR SESELJA: It is a 185 per cent increase. We are talking about a 185 per cent increase in tax and we are also talking about what is a fairly serious thing to be hanging out there, that someone potentially has not acted in good faith.

Ms Gallagher: That is speculation at this point in time.

MR SESELJA: You put that speculation out there.

Ms Gallagher: And we are moving. We have moved quickly to remedy the anomaly, and now we are going back to find out how it occurred. I think that is reasonable. Without any further information available to the government, I am not aware of anything further we could have done.

THE CHAIR: Treasurer, what is the time line on that? You have said that it has been referred to the Minister for Planning and they are doing an internal audit to have a look at it. Do you have any sense of the time line on that?

Ms Gallagher: I do not. That is probably a question you could ask the Minister for Planning.

MS BRESNAN: Will completing the codification and changing these projects listed as a priority in the budget have an impact on the progression of that and then implementing anything that comes out of that?

Ms Gallagher: The government has not taken a decision around codification. So this needs to happen now. The advice that we have from the Government Solicitor is that the Planning and Land Development Act does not allow for fixed charging to be applied to certain types of developments. So we have moved to fix that up. That will happen as of, I think, budget day and then the codification work will happen separately to that.

Industry are worried about codification. They are worried about elements of the draft report that has been done. So we have extended consultation on that until 21 May. We have asked that further work be done, including a cost-benefit analysis to come to government prior to that. The cost-benefit analysis will be done as part of the finalisation of that report and then it will come to government for consideration about codification.

In terms of the increase in costs, the increase in costs associated with codification is not significantly greater than what is outlined in the budget papers.

THE CHAIR: Have you done any modelling on the effect of an increased change of use on, say, infill development? I know the government has a commitment around densification in certain parts of the city. Has there been any modelling around that?

Ms Gallagher: That would be done as part of the codification project when it is finalised. So that will be part of the cost-benefit analysis that comes to cabinet. We did not model the rectification because, as I see it, the law is the law. You apply the law. If we do not think the law is fair and we think the law should apply fixed charges for certain types of development, then we change the law. But we do not model it on whether the law is fair or whether it will have an impact on development. The law is there as it is.

Any plans by the government—ultimately it is for future governments—around urban redevelopment and the change of use charge system, and you can see it reflected in this budget, allow for remissions for particular types of development. And this is something we will have to monitor. We understand that industry are not entirely happy with the rectification in this budget of change of use charge, although I have to say I have also had it acknowledged that they do understand they have had it good for a period of time and that that time is ending. For example, if someone came and said, “We want to build the greenest building in Australia on the corner of Barry Drive and whatever; however, the only way to make this project stack up is if we do not pay

change of use charge or we have a certain level of remission from the charge,” then that capacity is there in the current legislation to look at that on a development-by-development basis.

THE CHAIR: Which is similar to what you have done with petrol stations and—

Ms Gallagher: Exactly. So to deliver a particular type of outcome, you could, if it was a problem, weigh up the loss in revenue against the public benefit or the community benefit of allowing a project like that to go ahead.

MR SESELJA: Is that a pretty dangerous approach, though, the kind of lobbying that government could then be open to on an individual, case-by-case basis?

Ms Gallagher: It is there now.

MR SESELJA: But that is going to be the approach you want to take forward, this idea that, if a developer makes a strong enough case and lobbies well enough, they may not have to pay change of use?

Ms Gallagher: No. I am just saying that if there is—

MR SESELJA: Is that how you take the politics out of planning?

Ms Gallagher: I am saying there has been no change to the law. Remissions exist now. The capacity for remissions exists. So if we were worried or we wanted to genuinely see some type of policy outcome delivered, there is capacity under the legislation to consider that. And we have. Petrol stations and GPs are the ones that feature in this budget.

MR SMYTH: And the purpose of those two particular remissions is for what reason?

Ms Gallagher: For the redevelopment of the petrol station sites, it is to facilitate the redevelopment of those sites in a quick manner. And in relation to the GPs, it was around the fact that we have got a GP development fund that is going to provide infrastructure to support GPs. Some of those developments may incur a change of use charge which, for individual GPs, may make them question that development. We want to see those developments occur.

MR SMYTH: So it is to provide an incentive for the developers to redevelop their site or the owners to redevelop their sites?

Ms Gallagher: In relation to those two specific projects, yes.

MR SMYTH: But if you use that logic, then what is the impact of collecting the change of use charges outlined in the budget on housing developments, on redevelopments and densification projects in the city?

Ms Gallagher: This is an argument that will be put by developers, I presume, that this makes their developments marginal. We do not accept that. Development will occur and individual developers will do the maths on it. If some particular developers do not

want to pursue development opportunities because their profit margin is less than it would have been under the previous change of use system, I am very confident there will be other developers who will choose to seize on that opportunity.

When you look at what has happened in terms of some of the prices of housing, particularly in the inner areas, I do not think the prices of those houses have been impacted by a change of use charge because, if they had, they should have been a lot lower than what they were sold for.

MR SMYTH: So what has your analysis told you about who will be the—

MR HARGREAVES: They are still working it out.

Ms Gallagher: That work is still ongoing.

MR SMYTH: But we are applying a tax which we do not know—

Ms Gallagher: No. Wrong. I am applying the law in this budget—

MR SMYTH: You are implying an interpretation. You said in the Assembly on a number of occasions—

Ms Gallagher: I am applying the law but if you want me to sit back and go, “I have had this drawn to my attention; it is a big increase for some developers; I will just ignore that,” because I do not want to see redevelopment not occur, if that is the way you want me to manage my—

MR SMYTH: Are you saying redevelopment will not occur when this tax is applied?

Ms Gallagher: No, I am not—under the threat of redevelopment not occurring. That is not the way I manage my portfolios. That is not the sort of minister I am and I will not do that. Because to do that is to overlook this or just say, “I am going to ignore the law of the territory and the legal advice I have, because potentially there might be some bite back from industry on this.” That is not the way it works.

MR SMYTH: The law was applied for 40-odd years. Will you provide to the committee the legal advice that said that the law was being misapplied?

Ms Gallagher: We do not normally release our legal advice.

MR SMYTH: The Chief Minister has on a number of occasions.

Ms Gallagher: In this instance, if you could believe me, I did not go out searching for this change of use charge problem.

MR SMYTH: That is okay.

Ms Gallagher: In fact, I would prefer that it was not here but I do have a responsibility to fix it. I do have the responsibility as Treasurer to respond to a problem when it is identified. And that is what this budget does.

The cost-benefit analysis of moving to a codification system, which is where this work started, is still ongoing and has not been finalised. But that will form part of the advice that comes back to government prior to making a decision about a codified system.

MR SESELJA: Will the collection of more tax contribute to—

Ms Gallagher: More revenue.

MR SESELJA: More revenue, higher prices, higher rents or less development in the inner city?

Mr Ahmed: Perhaps I could assist the committee.

THE CHAIR: If you can finish off Mr Ahmed and then we will break for afternoon tea. We do have other outlook classes to deal with this afternoon.

Mr Ahmed: I guess where you are heading, Mr Smyth and Mr Seselja, is: what is the incidence of this charge? There are different views about it. There are diametrically opposite views about it. There are suggestions that the charges will be passed forward to the purchaser. And that is what you are suggesting. There are suggestions that the charges will be passed backwards to the landowner. The Property Council, in their submission to us, suggest that the property value would fall in Braddon and suburbs like Braddon. That would suggest that it would be easier for people to buy houses there.

MR SESELJA: Which is the correct view?

Mr Ahmed: We are just applying the law. That is what we are trying to do.

MR SESELJA: Sure but, when we are talking about the impact, which is the correct view?

Ms Gallagher: It is the impact of codification.

Mr Ahmed: Any charge.

Ms Gallagher: Yes.

MR SESELJA: Mr Ahmed is answering.

Mr Ahmed: This could go three ways. It could be passed forward, it could be passed backward or it could hit the developers' own bottom line. Professor Nicholls in his report actually identifies and examines all three scenarios—how it would depend on the market circumstances, and that would be determined by supply and demand.

MR SESELJA: So any of those scenarios is possible?

Mr Ahmed: Yes, of course.

MR SELSEJA: Either buyers and renters, current land owners or developers will be hit, or all three?

Mr Ahmed: It would depend on the circumstances of the market. We have not seen, I must say, the benefits of \$1,500 being charged, being passed forward to the buyers.

MR SESELJA: There is a big difference between \$1,500 and \$50,000.

Ms Gallagher: You have read *CityNews*, have you, Zed?

Meeting adjourned from 3.37 to 3.56 pm.

THE CHAIR: I would like to go to output class 1.2.

MR SMYTH: Before we finish on the previous one, there was an unanswered question. I asked whether or not the minister would table the legal advice. You said it is not normally the practice.

Ms Gallagher: Yes.

MR SMYTH: I said, “The Chief Minister has in the past, when it suited him.” Would you table the legal advice for the committee, please?

Ms Gallagher: I do not think so at this point. I will not at this point in time. However, I think there is further work that needs to be done around this and I am sure, if that information becomes available, we can make it—

MR SMYTH: Why will you not table the legal advice?

Ms Gallagher: This is an ongoing matter before the government, and I think it is only right that that information remains there.

MR SMYTH: We are being asked to approve a tax that shows a 185 per cent tax intake over the years—

THE CHAIR: We are moving on.

MR SESELJA: Why do you not want an answer to this question, Ms Hunter?

MR SMYTH: And we are not allowed to see the advice that backs that up. I do not find that acceptable.

Ms Gallagher: You can have that view. We are not asking you to approve a tax.

MR SMYTH: No, you are asking—

Ms Gallagher: We are simply including revenue figures that we believe are in line with the current law that this Assembly—not this Assembly but Assemblies in the past—approved. That is what we are doing in this budget. The issue of how this

situation of fixed charging arose is an active matter before the government and it needs to remain a process. And the information is available for cabinet's consideration.

MR SMYTH: But you are asking us to—

Ms Gallagher: I do not think I am in a position to release that information, other than to say to you—and I have never told a lie in this place—that the advice indicates—

MR SMYTH: You have had to come back and correct the record.

Ms Gallagher: I have had to come back—

MR SMYTH: You have had to come back and correct the record, which you did very gracefully, I might add.

Ms Gallagher: Intentionally—I have never intentionally lied in front of a committee, and I do not intend to. So take my word that the advice indicates that fixed charges are not the intention of the law as it stands.

THE CHAIR: Thank you, Treasurer.

MR SMYTH: I am being asked to vote on a bill sent here by the Assembly which includes a 185 per cent increase.

THE CHAIR: I am now moving to output class 1.2.

MR SMYTH: I am not going to take it on trust. I would like to see the advice.

THE CHAIR: Treasurer, if we could turn our attention to output class 1.2.

Ms Gallagher: I am not going to table it.

THE CHAIR: We are up to 1.2, which is financial management. We have a table F17 of budget paper 3, on page 345. Last year's budget paper 3, on page 249, is significantly different. The general public services category is now \$509 million different, and superannuation expenses listed on the following page are also around \$300 million different. Could you please explain why these are so different?

Ms Smithies: The difference is that last financial year the guidelines that the ABS had in relation to superannuation were actually attributed across all of the expenditure categories. And that has now changed for it all to be included into general public services.

MR SMYTH: Or do you mean that in reverse?

Ms Smithies: Yes, sorry, in reverse.

MR SMYTH: That is how I would apply those numbers.

Ms Smithies: Sorry, that is right.

THE CHAIR: This does not just include it in the superannuation line. It is also in health administration funding, an increase of \$23 million in one year. On fuel and energy expenditure, it has gone from \$2 million or \$3 million to in excess of \$11 million. So I am wondering: is this to do with accounting treatments or is it an operational decision?

Ms Smithies: Some of it will be to do with the accounting treatments. The others of it will be to do with the way we collect the data in relation to how agencies bring it together. We would probably have to take some of that detail on notice. We would have to take it on notice.

THE CHAIR: So you will take on notice the differences between last year and this year?

Ms Smithies: What we could do is the major differences. Certainly where there are any cabinet changes or any policy decisions that have driven that allocation, that is right.

THE CHAIR: We will take that on notice.

Ms Smithies: Yes.

THE CHAIR: I have also noticed that generally the budget does not make it clear how programs are funded. For example, if you take TAMS and the waste and recycling part in TAMS, it simply states that there is going to be \$28.7 million. That is on BP4, page 68. It is \$28.7 million and yet only \$3.7 million is accounted for in the line item shown in the budget papers.

If you go back to the budget papers of 2004, they were more detailed. They were broken down into line items and gave us far more detail about where the money was being spent. I was just wondering why we have less detail in these budget papers compared to, say, the 2004 budget papers.

Mr Bulless: You made a reference to \$3 million. Where is that sourced from?

THE CHAIR: If you go to BP4, page 68, I think the only thing we are seeing is where we have got, I guess, initiatives coming through. They are shown. But we are not getting the detail under these areas of where expenditure is going. And I am just wondering why there are changes in the budget papers from, say, back in 2004, where there was more detail in line items. Why the change? Why are we getting less of that detail now?

Ms Smithies: There is nothing in the whole-of-government directions that has actually ended up in less detail being shown. It is usually up to an agency, in conjunction with their minister, to decide the degree of granularity of information that goes against the outputs. I think that is where we are seeing the difference, particularly in the TAMS portfolio, from five years ago to now. I think there was a bit of a consolidation in the information that they presented in the budget papers which lifted that information up.

The reason for that, I cannot recall. It has happened. I think you are right. It has happened over that time frame. I am not sure that we have had that degree of consolidation in any other output classes across that time. There might have been some but not in the same way. But I think that is probably a question that ought to be directed to TAMS in that sense because those decisions really sit with them. It is up to them to decide what level of accountability they want to pitch into the budget papers.

THE CHAIR: It can lead to more questions, questions on notice and so forth because that information is not displayed. But we will take that up with the individual departments.

If we go to page 265—and I am going to the triple-bottom-line approach—it states that the ACT government already uses a triple-bottom-line approach; yet there is limited actual evidence of that consideration in relation to the expenditure items. The papers say that the assessment will be finalised this year. Could you give me some more detail of where the project is up to and how it will be rolled out?

Ms Gallagher: This is a matter for the Chief Minister's Department. I think they are the officers that are handling it, so they would be able to answer that question. Sorry, I am not trying to be difficult.

THE CHAIR: That is fine. We will take it up with the Chief Minister's Department.

MR SESELJA: Minister, if I could ask that Mr Broughton come back because I want to finalise the discussion about employment numbers. I want to confirm one thing. I know it is a bit technical. Forgive me if it has taken me a while to get it.

Mr Broughton, you talked about the year on year in terms of measuring employment. I understand the average level of employment in 2008-09 was 195,800. The average of the 10 months this financial year is 196,500. That is an increase of around 0.4 per cent. If that is correct—and I am happy to be corrected if I am wrong—given that you have outlined the way that you calculate employment at 0.4 per cent after 10 months on average versus last year, to go to the figure that is in the budget which is, I think, less than that, that would mean that we would see a drop in employment in the last couple of months of this financial year. Is that correct?

Mr Broughton: At the moment, the advice I have got in front of me does not agree with the figures.

MR SESELJA: Do you want to talk us through how I am incorrect, because I would like to understand?

Mr Broughton: All right. I do not have the calculations sitting behind this but the brief that has been done for me in relation to April's unemployment figures, which came yesterday, shows that, if you take the last 12 months of average employment levels and divide it by the previous 12 months, our average for this 12 months is 0.2 per cent less than the same 12 months previously. Unless I go back and check the spreadsheet I cannot tell you why I am getting different results.

MR SESELJA: I think it is slightly at cross-purposes because for 2008-09 you have got an average of 195,800. Perhaps I will get you to take a couple of things on notice and you can check whether these figures are right. Could you check whether the 2008-09 average was 195,800 and then the year-to-date average this financial year is 196,500?

Mr Broughton: That is a slightly different method that we use.

MR SESELJA: I understand that but if I could just finish the point as to why I think it is important. If that is the case, that year to date it is 196,500, then that obviously, taken on its own, is an increase of 0.4 per cent. We have finished the financial year, except for the last couple of months. In order for you to get the figure that is in the budget, we would have to see a reduction in employment numbers in those last couple of months.

Mr Broughton: Yes.

MR SESELJA: Is that something you are able to take away for us and confirm that that is indeed the case?

Mr Broughton: I can check and see what we would have to get to get to our forecast. It is a forecast. I do not necessarily expect that we will get to it. We did this back in March, where we would have had probably February's employment data in front of us. So things have moved on and, if the numbers are showing an improvement, that is great.

Ms Smithies: And they revised the back series as well, which is helpful as well.

Ms Gallagher: The ABS figures, I think, in every month are being revised back from what they originally said they were, so it does make it difficult.

MR SESELJA: This would give a reasonably accurate reflection, on the basis of the way that you are measuring, the year to year averages, of exactly where we are now and to get to that projection what that will mean for the next couple of months.

Mr Broughton: It should do, yes. The way you have described it, you should be able to come up with an expectation of what the employment levels will be for the last couple of months of the year if the forecast was going to be accurate. It sounds like it is going to be a little bit on the low side which will be fantastic if that is the case.

Ms Gallagher: And are they ABS figures that you are using, Zed?

MR SESELJA: They are, yes.

Ms Gallagher: I just wanted to check.

THE CHAIR: We will just note also for the secretary that that will be a question taken on notice.

MS BRESNAN: We did have a discussion earlier about some of the savings and

efficiencies that have been applied. It is a fairly small table but page 20 of BP3 talks about some of the savings in the budget over the next four years. We have already talked about the budget being returned to surplus two years earlier than has been identified. The main program we have talked about in terms of programs being deferred has been the tree program. I am just wondering if you can actually explain a bit more some of the measures, apart from the broad efficiency dividend, and just a bit more detail about that plan for future savings.

Ms Gallagher: Sure. The measures contained in the budget include the wages policy, so restraining our expenditure, and that offer is on the table and being rejected by unions at this point in time, and the efficiency dividend, which is the one per cent that we announced last year that is coming into this year and indeed has been removed from agencies. The other savings measures include the tree planting, the Treasurer's advance plus a further efficiency dividend occurring in 2011-12 and 2012-13 at one, 1½ and two, so growing at 0.5 per cent each year. And again we have given ourselves a year to work with agencies to implement that. So they are the savings that we have put in place. Did you want details on what makes up the one per cent?

MS BRESEANAN: No, that is all right. In relation to that, were savings that were identified in the last year's budget actually achieved?

Ms Gallagher: We did reshape the savings task before us so I think in the 2009-10 budget we forecast the need for \$59 million worth of savings, growing to \$118 million, growing to \$178 million in that final year. That is on page 18. Of that, we found \$48 million of the \$59 million but we redid the savings task based on the revised budget plan. So, under the revised budget plan that we looked at this year, we did not need to find \$59 million worth of savings this year. We could have. We did not go to \$59 million, partly because we made an increased wages offer that required additional expenditure of the order of \$12 million over the forward estimates. But that was essentially reshaped in line with what we needed to do to get the budget to surplus in 2013 and 2014 in a way that did not impact. We did not have a further load of savings this year that we could have instituted without causing, I think, some reductions in service.

MS BRESNAN: Sure. I apologise if I have missed this information. Looking ahead for those future savings, saying there is going to be an efficiency dividend applied in future years—

Ms Gallagher: Yes, 0.5.

MS BRESNAN: is that going to be around things like wage restraint around employment?

Ms Gallagher: It could be.

MS BRESNAN: I am just wondering what impact that will have also on departments and on future wage increases.

Ms Gallagher: It does not include wages. I do not think you would include wages as part of that. We have not. I guess what we are trying to say to agencies, and it is a bit

of a message around putting in place a permanent efficiency measure. I think we are probably the only government budget that does not have one built in as a part of the overall financial plan. I cannot speak for why we have not had one built in necessarily in the past. But my view is we are continuing to grow agencies' appropriations. I think every agency's appropriation increases, some more than others, in this budget and we want to put in place a permanent process so that there is a continual look at what they do and how they do it so that they are getting more money in the door but, if there are things that are not a key strategic priority for the department or something that has changed, they have that kind of inbuilt discipline, rather than constantly coming back to the budget for further appropriation for everything. So it is almost a message of efficiency.

MS BRESNAN: There has been quite a bit of a focus on wage restraint. I know you said that may not necessarily be part of it but is that going to be a similar thing with the future budgets?

Ms Gallagher: We build our wages into our forward estimates as standard practice. We have not really telegraphed from here to there about how much we build in, just because it does sort of identify your bargaining position. We did disclose last year because it was part of the budget plan and part of the savings we found was in reducing the provision that we had made. We reduced it to two and then 2½ and then we came back and said, "All right, we can go to 2.25 and 2½," and that cost an extra \$12 million. That is for the next two years and then in the outyears we have an appropriation allocated which we would not flag necessarily. And you do revise it.

So in two years time, if we are seeing continual recovery like we have seen in the past 12 months, you could make further allocation to your wages if you needed to. So it is a provision that is there. What I am saying to the unions at the moment is that we have got nothing else in our budget further to go to. There is no hidden money in that negative underlying deficit of \$172 million and really then the issue comes to: if we provide more in wages, the only way really to offset that is through reductions in staffing. I think 60 per cent of our budget is in staffing costs so it is impossible to increase it.

There is some argy-bargy that is going to happen. Indeed, I think the first rally is next Thursday, so there is going to be some pushing and shoving on this. We do want to reach an outcome and I get the sense that the unions understand there is a constraint, particularly over the next 12 months. I met with some of the unions today to try and talk our way through this and I do sense that there is a willingness to talk and be reasonable. We acknowledge that 2.25 is a very modest pay rise; it is. But we have tried to be generous when we have had the money available. It is just: "What part of a significant deficit do you not get," I guess, "in terms of finding extra money?"

MS BRESNAN: I appreciate you cannot tell us, but is there a contingency there to deal with anything that might come out of the negotiations or whatever happens, given it is built into the budget that way—

Ms Gallagher: There is not in terms of provision that we have made. Again, we would not normally flag whether we have made provisions, but I have told the unions that we have offered what we have built into our budget in terms of ongoing wage

increases, and we have done that without asking for loss of conditions and without reducing staff numbers. So, if it goes up, you could manage it. There could be contingency but you would have to manage it through staffing.

MR SMYTH: The offer to the CPSU is 2½ per cent this year?

Ms Gallagher: No, 2.25 and then from April to April, because their agreement expired on 30 March. You cannot backdate under Fair Work Australia so it will be for the first year from the date of lodgement for a 12-month period at 2.25 and then 2.5 the year after that.

MR SMYTH: What percentage of employees is covered by the CPSU?

Ms Gallagher: I do not know what their membership is now. They are the largest union.

MR SMYTH: What percentage of your workforce will get the pay rise of 2.25 per cent?

Ms Gallagher: The clericals. How big are the clericals? It would be about 11,000.

MR SMYTH: Teachers are getting—

Ms Gallagher: Teachers got three. But, when you go back to the previous agreement, teachers got 3.7, with some productivity savings, when the clericals got four. So we agreed, I think, to three for the teachers.

MR SMYTH: All right, and the other big group is the nurses.

Ms Gallagher: The nurses have started, but the nurses signed an agreement for, I think, 2.25 for 15 months; that expires at the end of June.

MR SMYTH: Yes. The table on page 60 of budget paper 3 shows expenses in employment going up five per cent, and indeed the paragraph below says that it is a 5.3 per cent increase in 2010-11. If the norm seems to be about 2¼, perhaps 2½, per cent increase, why is the growth shown at 5.3 per cent?

Ms Gallagher: That would be growth in the labour costs overall. There are more staff.

MR SMYTH: There are 715 extra staff.

Ms Gallagher: Sorry; where are you saying there are 715 extra staff?

MR SMYTH: At the briefing on budget day, your staff told us there were an additional 715 staff this year.

Ms Gallagher: Right. I am just trying to keep track of what tables we are going from.

MR SMYTH: I am happy to give you the page reference if you want.

Ms Gallagher: Yes, I do have it identified here.

MR SMYTH: But how does that work out? There are some new staff, but if most of the staff are only getting a 2½ per cent increase why is it shown that the growth will be 5.3 per cent over the year?

Mr Bulless: Mr Smyth, what you are looking at is a comparison between the estimated outcome and the next year. The estimated outcome comprises the expectation of the full cost for that year. It is not a comparison between full year and full year in the sense of the FTE. If agencies are carrying, for example, vacancies this year and they expect to fully fill those positions next year, the year-on-year change will be higher than what you are trying to determine is a pay increase, because the size of the population of the FTEs is different.

MR SMYTH: So more of it is absorbed by additional staff rather than paying staff more?

Mr Bulless: No. What I am saying is that if you are doing a raw figure to a raw figure, there are many contributors to that figure, which includes how we take up our casual staff, the compositions of those staff, how they are recorded in our FTEs, whether they are casuals, permanents, temporaries et cetera. You cannot look at two numbers and say, "It has gone up by 5.3 per cent. It does not match your pay offer."

MR SMYTH: No, I am not saying that. I am asking what the difference is. I appreciate that. I am asking what extra—

Mr Bulless: I could not give you a breakdown of every difference between that percentage increase and those two figures. We would have to take that on notice.

MR SMYTH: All right. Could we have a reconciliation of the main factors in the overall increase?

Mr Bulless: Yes.

MR SMYTH: Thank you.

THE CHAIR: So that will be a question taken on notice for Mr Smyth. Mr Hargreaves.

MR HARGREAVES: Thanks very much, Madam Chair. Can I draw your attention to BP4, page 162, output class 1. I take it this does apply to Treasury and I am not reading the book wrongly. It is always possible when you are my age. Output class 1 has—

Ms Gallagher: Sorry, what page are you on?

MR HARGREAVES: Page 162, output class 1. The 2009-10 outcome says \$41 million. The budget for 2010-11 is \$55.3 million. I make that a 25 per cent increase. For economic management, whilst they are only smallish figures, there is a 43 per cent increase. For output 1.2 there is a 48 per cent increase from 22 to 32. Is

there something missing that this is not telling the story about? If there is not, can you tell us how come the numbers are so big, please?

Ms Smithies: We might leave that, if that is okay, to Lisa Holmes, our CFO.

Ms Holmes: The key change for output 1.1 is in relation to the seamless national economy, the national partnership. The key bulk of the money in relation to that actually starts in 2010-11, so you have got a \$1.9 million increase between 2009-10 and 2010-11 as a result of that national partnership.

MR HARGREAVES: You have lost me a bit. I can see a \$14 million difference between the outcome of 2009-10 and 2010-11 at the top of page 162. It is under “Output class 1: Financial and Economic management”. You see that bit?

Ms Holmes: The 41 to 55 is for the whole of Treasury.

MR HARGREAVES: That is right. If you go down, there are three that make it up. The whole is 25 per cent. The bits I am interested in are the economic management part and the financial management part. The economic management goes up from 5.6 to eight, and the other one goes up from 22 to 32. I am just wondering, for example, whether it is an underexpenditure on the previous budget that I am not seeing in the paperwork. Is it extra money or is it the commonwealth giving us money? What is the go? They are rather large numbers and I thought we might like to find out what they are.

Ms Holmes: In relation to 1.1 on economic management, the key reason is to do with the seamless national economy, the national partnership. If you are looking at—

MR HARGREAVES: If I could stop you there, Lisa, just for a second. We might drill down a little bit there. That is a \$2½ million increase for the national partnership stuff. What is it actually going to be for?

MR SMYTH: It is \$1.930 million. It is on page 171.

Ms Holmes: The \$1.9 million is specifically to do with that partnership.

MR HARGREAVES: Okay. What are we getting for that? That is for the national partnership bit?

Ms Holmes: Yes.

MR HARGREAVES: That is half of it then, is it not?

MR SMYTH: It is an increase of 2.5. About \$1.9 million is for the national partnership. It is in the notes on page 171.

MR HARGREAVES: Page 171, is it? Thanks, Brendan. Brendan knows the page numbers; we all know that. Can you look at 1.2, the financial management, please, Lisa?

Ms Holmes: Output 1.2 has significant movements because a lot of the whole-of-government funds go through 1.2. You have things like your movement in your restructure fund and the money that we hold for asset management plans. The government office building goes through that. The new moneys to do with the accelerated land development program all go through that particular output.

MR HARGREAVES: The \$3 million for the accelerated land release program is there also. So that is involved in this lot here as well.

Ms Holmes: Yes. For government office building, for example, there was an additional \$3 million which is in 2010-11.

MR HARGREAVES: That is 60 per cent of it.

Ms Holmes: The movement in the restructure fund between the two years is in the realm of about \$2 million as well. There are a large number of whole-of-government projects.

MR HARGREAVES: Sensational. Thank you.

MR SMYTH: Just on the government building, I notice on page 165 under “Changes to Appropriation” the Department of Treasury keeps the \$3.1 million for the new government office project.

Ms Holmes: Yes.

Ms Gallagher: We have got the funds—

MR SMYTH: Further down there is a transfer of the government office building project advice—\$600,000—to the Department of Land and Property Services, and then there is a rollover of \$100,000 on the government office building project advice. Why is some transferred and some kept?

Mr Bullis: There are two things there. One is the rollover of the original funding, which was the project advice funding. It was effectively a transfer from us to LAPS. I will get Ms Holmes to cover the transaction below. It is a technical one.

As to the other funding, you might have noticed this morning that there was an advice from the Chief Minister about market testing or the market analysis process that the government has kicked off. The government has asked the Treasury to hold those funds centrally. They will be provided to agencies as required, as that process unfolds, partly because the market testing process is seeking advice from the market about the various options around how we may deliver a government building and the various mechanisms on how that would be done.

So rather than appropriate it to a particular agency and then have to decide to repatriate it back to the budget because the government decides to go a different way based on the market’s advice, the appropriation is being provided to Treasury, much like the one above it, which is the accelerated land development.

MR SMYTH: We will get to that one in a minute. Can you break down the \$3.1 million then? What will it be used for? It mentions procurement planning and documentation. So how much is being allocated to market testing?

Ms Smithies: We have not got to the stage of actually breaking it down. This is a significant and new project. The market testing is underway right now, as of today. A lot of the money will be used around looking at procurement advice in relation to how to move the project forward in relation to seeking private sector partnerships.

MR SMYTH: But if you do not know what that is worth, how can you allocate \$3.1 million? Surely there is a budget number or a breakdown behind the \$3.1 million; otherwise you have just made it up.

Ms Smithies: There is some quite detailed costing around the estimates of how much the project will cost and how much the project will cost under different scenarios. We have taken a percentage of that—I cannot remember what the percentage is—in order to reach that particular amount. In line with normal methodology, the rule of thumb is around how much you invest in major projects in order to get them over certain gateways.

MR SESELJA: So what is that detailed amount? What is the amount you are projecting that would be spent? Obviously, there are a number of different models you are looking at, but how much is this project likely to cost?

Ms Gallagher: That is probably a matter before the government as well.

MR SESELJA: Hang on; Ms Smithies has just said that that work has been done.

Ms Gallagher: It has been.

MR SESELJA: We are now going out. Do we have an estimate as to—

Ms Gallagher: This is to progress the project to the next level prior to making a decision—

MR SESELJA: No, no. That is not what Ms Smithies has just said.

Ms Gallagher: about how and when to do this.

MR SESELJA: She said she was taking a percentage of the overall projected cost. To get the percentage of the projected overall cost, you have to have that cost. She said that that work has been done.

Ms Gallagher: Yes, it has.

MR SESELJA: I am asking the question: how much?

Ms Smithies: The cost under various models, I said.

MR SESELJA: Yes.

Ms Smithies: Obviously the end cost will depend on the model and the way we allocate, and the decisions need to be made.

MR SESELJA: So what is the range? What is the range of costs we are talking about for this government—

Ms Gallagher: I am not sure, while we are going out to market tests, that we need to be broadcasting the work that we have already done about this to the market. I do not know that that would be the smartest business decision to make at this point in time, Mr Seselja. But rest assured: if the government decides to proceed with the office block under whatever model we choose to—indeed, if we do not choose to go ahead—that will be fully costed and identified for your information.

MR SESELJA: Presumably anyone in the market will now be able to use the standard percentage based on your \$3.1 million. But looking at the specs, how many square metres are we talking about for this office complex?

Ms Gallagher: This is not my project. You can ask the Chief Minister that.

MR SESELJA: But it has been handled at some level in your department?

Ms Gallagher: No, it has not. We are holding a fund—

MR SESELJA: At no point has work been done on that?

Ms Gallagher: Treasury have been involved—

MR SESELJA: Okay, so—

Ms Gallagher: with costings, but it is not our project.

MR HARGREAVES: On a point of order, Madam Chair, can we just hear the answer before the next one?

Ms Gallagher: It falls under the portfolio responsibility of the Chief Minister; I am sure he will be happy to answer what questions he can. Treasury are involved. We are the holders of the fund that has been approved by cabinet to pursue further advice around how and if we go ahead with this project.

MR SESELJA: And given that you are spending money, we are entitled to ask the question.

Ms Gallagher: You are.

MR SESELJA: And you have done an analysis, Ms Smithies said. So what are the specs? How many square metres are we talking about for this building? Why is that such a difficult question to answer? I do not quite know what is amusing about it. What part of that is difficult to answer?

Ms Gallagher: I am telling you that I do not have it off the top of my head, Mr Seselja.

MR SESELJA: Okay; well—

Ms Gallagher: It is not my project.

MR SESELJA: You have got a lot of officials here.

Ms Gallagher: It is the Chief Minister's project and—

MR SESELJA: Perhaps one of the officials could tell us.

Ms Gallagher: it is appropriate that he answer—

MR HARGREAVES: Madam Chair—

THE CHAIR: Treasurer, you are saying—

Ms Gallagher: I think it is in the press release, though, that has been released. If someone could bring that to the estimates committee, it will be there for everybody to read. I just do not have it off the top of my head.

THE CHAIR: The Treasurer indicated that it is a project over with the Chief Minister.

Ms Gallagher: It is.

THE CHAIR: So that could be a question asked of the Chief Minister.

MR SESELJA: Indeed, but we can ask questions of Treasury as to what they have done. I wanted to go through some of the various parts of it. Will it be six stars?

Ms Gallagher: We are not going to go to those questions under consideration by cabinet. Some of those decisions about whether it is six stars or five stars, and whether it has solar panels on the roof and all that, have not been taken.

THE CHAIR: Could I move on to—

MR SMYTH: Just before you do, will the change of use charge be applicable on this building, given the government likes to be neutral in the market?

Ms Gallagher: I cannot answer that, Mr Smyth.

MR SMYTH: Are you responsible for the change of use charge?

Ms Gallagher: I am.

MR SMYTH: Yes. So the government will not charge itself the change of use charge?

MR HARGREAVES: Madam Chair, on that basis—

Ms Gallagher: That will be a matter the government looks at in the overall project—

MR HARGREAVES: Can I ask a question on that?

Ms Gallagher: We have not taken any decisions about it, other than to proceed to market test the project.

THE CHAIR: Mr Hargreaves, a supplementary?

MR HARGREAVES: Yes, it is a supplementary. It is just this: is it true that, if the government charges itself \$10 million worth of change of use, the revenue rate will go up by \$10 million and the change of use net nil? So it is a really dopey idea in the first place.

MR SMYTH: It is about market neutrality.

MR HARGREAVES: Just a thought.

MR SESELJA: It would depend on what model, presumably.

MR HARGREAVES: Just a thought.

MR SMYTH: Treasurer, you are responsible for competitive neutrality, are you not?

THE CHAIR: Could I move on to financing debt.

MR SMYTH: Seriously, you are responsible—

Ms Gallagher: Yes.

MR SMYTH: Yes, okay.

THE CHAIR: Noting—

MR SMYTH: So will you ensure competitive neutrality on this project—

THE CHAIR: Mr Smyth.

Ms Smithies: This is not a competitive neutrality issue.

THE CHAIR: Mr Smyth, could we move on. I do have a question. Noting the significant new debt that the government will now be undertaking to finance the capital works program, on page 212 of budget paper 3 it states that three to five-year government bonds will be used to finance government borrowing and paid back in full at around 2015. What provisions have been made to be able to repay that debt when it is due, or will it just be rolled over?

Ms Gallagher: Do you want to answer that?

Ms Smithies: At the moment—in terms of the repayment?

THE CHAIR: Yes.

Ms Smithies: Yes, that is right. At the moment, while we are assuming that this is the way that it will go out, there is actually—this is one of the things that we assess when we get to the time that it comes to borrowing. We will assess the state of the market, in particular the products that we can get—so how we borrow and the rate of borrowing.

In relation to whether it is a five or a 10-year repayment, in both cases the repayment of that sits outside the forward estimates and appropriate provisions will need to be made at the time that we reach those across the forward estimates, although it is possible for the government of the day—this will be a decision of the government of the day—to roll that debt over and refinance it in a different way. The territory's rolling debt at the moment is not particularly large. It could be handled as a continual borrowing and be rolled over, but that will be a decision for the government of the day in relation to how they will handle the budget in that year.

The cash profile, though—if you were to look at the cash profile and project the cash profile forward, it is entirely possible that the borrowing would be able to be repaid from the cash profile projected forward across that time period. But that is a long-term projection, and many things can change between now and that particular time.

If you then view this issue as an issue of balance sheet management and if the level of debt we are incurring in relation to the capacity of our balance sheet is too large then I think clearly the answer is no, on every indicator that we have. Every indicator would say that we do actually have capacity to repay, based on either our balance sheet or even our operating revenues to our liabilities as well. They are a couple of different answers to an issue about long-term balance sheet management, which is really what we get into when we start to borrow over a significant period of time.

THE CHAIR: But analysis was done around this. You have put in three to five years at this point. Some analysis was done that this was the most effective way to deal with this at this time?

Ms Smithies: The advice was—if we were going out tomorrow, that is most likely how we would do it. Going out in 12 months, it may not be. We will need to have a look at the market in 12 months. That is right.

THE CHAIR: Okay. With the budget plan, we have underlying expenditure growth. In BP3, if you go to page 21, the graph there has a 4.5 per cent annual expenditure growth—will not achieve a 1.5 per cent surplus as indicated, and the final two years would require growth of no more than 3.9 per cent. Is this an error or is there another plan or factor here?

Ms Gallagher: Sorry; where do you get the three point—I am just trying to follow your question.

THE CHAIR: If we have got a 4.5 per cent annual expenditure growth, and that will not achieve the 1.5 per cent surplus as indicated, and the final two years would require growth of no more than 3.9 per cent, I am just wondering if there is—

MR HARGREAVES: Where does it say that, Madam Chair?

THE CHAIR: If we go to—

MR HARGREAVES: I am just trying to find 3.9 per cent and I cannot find it.

THE CHAIR: Budget paper 3—

Ms Gallagher: I think that the missing ingredient is the savings.

MR HARGREAVES: Yes, page?

THE CHAIR: Page 21.

MR HARGREAVES: Yes, and which paragraph is the 3.9 in?

Ms Gallagher: I think the missing ingredient there is the savings.

THE CHAIR: Okay. So that comes in under your—

Ms Gallagher: Yes, we do have to find \$50 million worth of savings additionally in order to have a surplus.

Ms Smithies: Yes. So if you look at the diagram on 1.3.2, page 21 it is the expenditure line coming down—expenses, no savings and expenses with savings to get a surplus in 2013-14—sorry, a balanced budget in 2013-14 and surplus of 1.5 per cent of the budget by 2015-16. That is right. It is the extra savings—it is the whole savings program which is the 140 by the end of the forward estimates.

THE CHAIR: Of the forward estimates?

Ms Smithies: Yes.

THE CHAIR: Okay, thank you.

MS BRESNAN: I might actually go back because we have already raised infrastructure. I do not know if you want to go there. I imagine it is something else we will be interested in.

MR SMYTH: Before we get off the debts and the bonds could I go back to—

MS BRESNAN: Yes, you can go to that first.

MR SMYTH: I refer you to pages 212 and 213 of budget paper 3. Note 2 on table 6.2.1 makes reference to medium-term notes. It says:

New general government borrowing totalling \$250 million are estimated ... It is envisaged that the borrowings will be funded by way of a ... bond issue ... with principal to be repaid in full at maturity.

Am I right in saying that the maturity of that is in 2013-14, and I think the percentage total is in 6.2.2?

Ms Smithies: Sorry, does this relate to the inflation-linked bonds? There is no No 3.

MR SMYTH: The new medium-term notes, yes.

Ms Smithies: Sorry, is it—

Ms Gallagher: Is it note No 2 that you are—

MR SMYTH: It relates to note No 2. Above the first line in table 6.2.1, it is medium-term notes. When you go over to medium-term notes in 6.2.2, it says the maturity date of that is 2013-14, when there will be no outstanding principal. Where is that payment made in the financial statements?

Ms Smithies: I think we have got two slightly different things happening here. Pat, do you want to come up?

Ms Gallagher: So it is note 2 under 6.2.1 and then under 6.2.2 it is—

MR SMYTH: It is note 2. It is again medium-term notes. They mature in 2013-14 and they are against notes 2 and—Patrick McAuliffe, welcome!

MR HARGREAVES: The cavalry has arrived!

MR SMYTH: He just appears.

Mr McAuliffe: There is probably a poor use of words in there. As we explained previously, the intention is that at a point in time these borrowings will be repaid. It is probably more than likely that, in terms of the budget presentation, that is built in outside the last forward year.

I guess what we have just flagged here is, look, depending on the market conditions at the time, we may well borrow these for a three-year period or a five-year period. That is sort of the general market for medium-term bonds but the budget does not reflect the repayment.

MR SMYTH: So that is why I cannot find the repayment.

Mr McAuliffe: It is after the—it is outside the forward year period.

MR SMYTH: So is that a fair representation of what is happening—what has been put here in both these tables then? It looks like you are borrowing \$250 million. You are saying you are repaying the \$250 million but then you are not crediting the \$250 million in the statement.

Ms Gallagher: That is because we have not borrowed the money yet, I presume, and the terms of the loan have not been determined.

MR SMYTH: No, no—

Mr McAuliffe: I guess the—

MR SMYTH: It refers to maturity in 2013-14.

Mr McAuliffe: The principal-outstanding-at-maturity column on page 213—I guess that is just flagging when we do set our borrowings and have a maturity date that we will repay them at maturity. It is not flagging a particular year that they will be repaid.

MR SMYTH: But, if you come back to the columns, it says that the maturity is 2013-14. So you cannot relate the maturity date—

Mr McAuliffe: Sorry.

MR SMYTH: and the principal at maturity?

Mr McAuliffe: That is wrong. It should have been a forward year.

Ms Smithies: It is supposed to be 2014-15, I think, is what Pat is saying.

Mr McAuliffe: Yes, 2014-15.

MR SMYTH: So has that just put a \$250 million hole in your budget or is it just that it should have appeared in the 2014-15 year instead of 2013-14?

Ms Smithies: Yes.

MR SMYTH: Okay.

MR SESELJA: I have a question while we are on some of these estimates. On BP3 at the back—this is page 346, table F.18—it goes through the general government sector expenses by function. I know we talk about, firstly, real and nominal growth in government expenditure. I was just wondering, Treasurer, if you could explain something to me. In health it is obviously reflected that there is significant growth, and we see that.

We do not see that in other areas like, for instance, public order and safety. Public order and safety actually in the last year goes backwards in nominal terms as well as obviously real terms. What is the explanation for that and how much are we going to be relying on that estimate of expenditure in public order and safety in those outyears?

Ms Smithies: I would just like to give a bit of an explanation about these tables. These tables are prepared by ABS classifications on a certain set of classifications that are quite rigid and are meant to all line up into, essentially, the national accounts. They are not the way that we order and structure the business of government. Over the

many years that I have done this, they never have been done in a way that reflects the order and structure of the business of government.

I am saying that by way of explaining that, if you wanted a good understanding about what is happening on the growth of the Health bottom line or the Department of Justice and Safety's bottom line, it is probably best to refer to the financial statements in budget paper No 4. It is not that these are wrong but that they are based on a different bringing together of the building blocks of the classifications of what goes where. They are based on how the ABS would classify. Because they are not necessarily how we order our business, there is also a bit of apportionment that goes on in relation to how agencies do it. It is a bit more of an estimation in terms of how they apportion those expenditures.

So the question probably still stands but taking questions on these particular tables is probably not as helpful as taking questions on the health tables in the relevant part of budget paper No 4.

MR SESELJA: Okay. But just taking public order and safety for a moment, as I say, it is the one that stands out because it drops off in real and nominal terms. Education seems to drop off in real terms but it is still going up in nominals whereas public order and safety goes backwards. What would be the sort of factors in the national accounts and apportionment that would see spending on public order and safety going backwards in that year given that we see, obviously, expenditure growth right across the board for the most part?

Ms Gallagher: I think we should take it on notice, Ms Seselja, just so we get you the right answer.

MR SESELJA: That would be useful. Just another one on that—

THE CHAIR: So that question will be taken on notice?

Ms Smithies: Yes.

MR SESELJA: Obviously, when you have got your savings targets in things like education, you have got the efficiency savings in the outyears. How do these numbers in table F.18 relate to that? Do they take account of the fact that you are making efficiencies and therefore they are lower than they otherwise would be and so they are reasonably accurate in that sense?

Ms Smithies: Yes. Everything that is put through the agency financial accounts that you see in budget paper No 4 finds its way through into these figures. That is right.

MR SESELJA: Okay; so this takes account of the efficiency dividend in education and the \$18 million-odd that is listed?

Ms Gallagher: Yes.

MR SESELJA: So it obviously does not take account of the unallocated savings of, what is it, \$50 million-plus in the last year?

Ms Gallagher: Yes, 50—25-25.

Ms Smithies: And also, from memory, there are some slight differences in terms of how we consolidate this set of information from how we consolidate other sets of information which might make some other differences.

Ms Gallagher: Which is why we are taking it on notice.

Ms Smithies: Which is why we are taking this on notice, yes.

THE CHAIR: I am aware of the time. We have about 40 minutes left and we still have the next output class 1.3. Were there any final questions for this one so that we do not run out of time?

MR SMYTH: I am not aware that we did output class 1. I am not sure we did that one.

THE CHAIR: We did go through and ask a number of questions. Did we not then jump to change-of-use charge?

MR SMYTH: No, that is not true. We have had no discussion about the racing industry or gaming machines.

Ms Gallagher: Racing is not my—

MR SMYTH: Just in 1.2, the budget plan targets the unallocated savings that still exist.

Ms Gallagher: Yes.

MR SMYTH: Where will they be found?

Ms Gallagher: That is why they are unallocated at the moment.

MR SMYTH: And I am seeking your advice as to what your thinking is on how to find them?

Ms Gallagher: We have got that fund that you like to put media releases out about—the \$4.5 million fund—intact.

MR SMYTH: We do.

Ms Gallagher: The EREC has completed its first year of work. They have got a range of projects that they have identified through that which we will do further work on. The focus of the work, I think, will be on whole-of-government savings. I do not want to pre-empt the plan around that. But for example, we will be looking at—

MR SMYTH: You have made the claim that the targets will go back into surplus?

Ms Gallagher: Yes.

MR SMYTH: It is not an unusual expectation, you are going to tell us.

Ms Gallagher: No. It is just how useful it is. We put them there. We said we needed to find \$25 million. One year into the plan we have delivered savings already. Again, it is just about pre-empting work that has not been done. For example, there are areas that I would like to know more about in terms of whether there are opportunities for savings. Workers compensation is one of those areas. Insurance, we want to have a close look at. We have a number of projects underway that we will be pursuing this year.

We have taken the first one per cent from agencies. We have got a built-in efficiency measure across the forward estimates. I do not believe this unallocated savings can be necessarily delivered through further withdrawal from agencies as an efficiency measure. So we are looking for structural changes to the way we do our business at the whole-of-government level.

MS SESELJA: What is going to be guaranteed? For instance, in education, will schools in any way be quarantined from cuts in expenditure?

Ms Gallagher: We have not had the discussion about what is quarantined. The discussion around the budget plan has been very much, from the beginning, about gradual savings to get ourselves out of deficit rather than sharp, shock cuts to expenditure. So the focus of that has been, from the beginning, to minimise the impact of front-line service delivery to the community. I think we have achieved it so far, and our intention is to keep working along those grounds.

MS BRESNAN: In relation to the question Mr Smyth is asking, you mentioned you were looking at superannuation and insurance. So you are looking—

Ms Gallagher: Not superannuation. Insurance, yes.

MS BRESNAN: Insurance, yes. I apologise.

MR HARGREAVES: Workers comp.

MS BRESNAN: Workers comp, thank you.

Ms Gallagher: I do not want to get the industry any more agitated than they already are.

MS BRESNAN: Sorry, I should not have said that. Are you looking at the way you invest or the way you structurally do that, rather than looking at cutting programs? Is that what you are trying to do—look structurally at how government operates, in terms of those efficiencies, and actually get departments to operate more efficiently—rather than have to cut particular programs?

Ms Gallagher: Yes.

MR SESELJA: The AEU said to us that they did not see any more efficiencies at a departmental level than what you have got. You have got \$18 million as the allocated savings. Where are they going to come from? Where is the fat in education that is going to allow you to find that \$18 million of savings?

Ms Gallagher: I think that is probably a question best asked of the minister for education but I would say that the education budget continues to have new expenditure put into it through this budget and, indeed, every budget that I have been involved in. That really is a matter for the minister for education to respond to about implementing the savings task in his agency.

MR SESELJA: How much of this \$4½ million fund is being spent looking for savings?

Ms Gallagher: I do not think any of it has been spent, has it?

Ms Smithies: None of it, that is right. And the \$4½ million was the estimate of the—

Ms Gallagher: It was the max. It is the maximum. It is the limit of that much.

MR SESELJA: So at this stage it is zero, though, that has been spent?

Ms Gallagher: Yes. But we have a panel of providers there that we can call upon to—

MR SESELJA: But you have not called upon any of them yet?

Ms Gallagher: Not at this point in time but I expect we will.

Ms Smithies: We have actually issued secondary briefings into the market now.

MR HARGREAVES: You have got unallocated savings, which means that some more thought has to go into how things can be done differently to deliver the same quality of service to the people of the ACT for a lesser amount of money. Would you welcome a submission from the opposition on how to do that, Treasurer?

Ms Gallagher: Very much so.

MR SMYTH: When we tell them how to do it they laugh and decide to do it anyway.

MR HARGREAVES: That is before September 2012.

Ms Gallagher: I like the politicians' interpretation of it.

MR SMYTH: Are we not all politicians at these tables?

Ms Gallagher: Yes, we all do, do we not?

MR HARGREAVES: Before September 2012, though.

Ms Gallagher: Yes, or the estimates committee.

MR HARGREAVES: We could say that a formal invitation is being extended to the opposition to actually take part in the process as part of this collaborative parliamentarianism?

Ms Gallagher: Yes.

MR SESELJA: To summarise then, there is nothing at this stage out of that unallocated savings that is going to be quarantined? It could come from any aspect of government expenditure?

Ms Gallagher: That is right. We have not put any barriers around that but, as I said—and I can see this coming back to me in a media release to be issued shortly—the budget plan has been around minimising disruption or reductions in front-line services to the community. The budget continues to grow through 2010-11, 2011-12, 2012-13. We believe we will be able to make these savings without impacting on front-line services to the community.

That is how the budget plan is being structured. That is why it takes a number of years to get out of deficit, particularly because we understand the community has expectations around government service delivery and demand for government services continues to grow.

MR SESELJA: But none of those front-line services will be specifically excluded from having cuts applied?

Ms Gallagher: Not necessarily. It is not useful. I do not think it is useful at this point to exclude certain areas. For example, if it came back that there were very significant improvements that could be made to an agency's workers compensation handling processes but we could not go there because we had excluded that department from having any further savings to be taken from them, then why would you be looking? What is the use of doing it? You have to go in and have a look and see what is possible before you take this in about what to exclude. The only exclusion we have made—

MR SESELJA: But surely a lot of that work has been done to date.

Ms Gallagher: The only exclusion we have made in this budget is that the health department has been exempt from the further efficiency dividend measures going out, the one, the 1½ and the two per cent. So we have excluded it, based on the data we have got around the activity in health; plus they have got a built-in efficiency dividend that we have built in there since 2006 which requires them to make significant, millions of dollars worth, savings in reducing their overhead costs down to 100 per cent of the national costs for health. They have already got an efficiency dividend built in; so we have excluded them from that.

But in terms of the unallocated savings, because we have not determined where they are coming from, I do not think it is sensible, at the beginning of the project, to say there are a whole range of people that are exempt from it.

MR SESELJA: But it is not the beginning of the project, is it?

Ms Gallagher: It is.

MR SESELJA: Last budget you said—

Ms Gallagher: It is the beginning of the—

MR SESELJA: You said you were immediately commencing this savings process.

Ms Gallagher: Yes, and we did.

MR SESELJA: What you have come to us with is efficiency dividends, a couple of small savings and now a lot of unallocated savings. What work has been done in the last 11 months, since the last budget, where you can identify savings?

Ms Gallagher: Two-thirds of the savings required to bring the budget into surplus are delivered through this year's budget. So I would not—

MR SESELJA: Through efficiency dividends? But you have not identified even them. They are just something—

Ms Gallagher: Mr Seselja, if I could finish?

MR HARGREAVES: Hang on a second; let her answer the question.

Ms Gallagher: If I could finish.

THE CHAIR: Answer the question.

MR SESELJA: Are you chairing or not?

MR HARGREAVES: I would like to.

MR SESELJA: Why do you not chair then?

Ms Gallagher: I would like to answer the question.

MR HARGREAVES: I would love to.

MR SESELJA: You should have had the numbers. You did not do the deal.

Ms Gallagher: I would just like to answer the question, to be honest.

THE CHAIR: Mr Hargreaves!

MR HARGREAVES: I did not have the numbers.

MR SESELJA: You backed Meredith.

Ms Gallagher: I do not really care.

MR HARGREAVES: I would back Meredith against you any day.

Ms Gallagher: I just want to answer the question that has been asked of me, and I started.

THE CHAIR: Could we ask a question and then wait for an answer. That seems to work.

Ms Gallagher: In this budget, there is \$48 million worth of savings in this year alone. If we could just get our head around the targets ahead when we are simply asking for further savings of \$25 million and \$50 million next year and the year after, I do not think in a budget the size of ours it is an unreasonable ask. I am very confident we will be able to find, in a budget that is nearing \$4 billion—

MR SESELJA: You make the point well.

Ms Gallagher: I believe we will be able to find savings of \$25 million and \$25 million.

MR SESELJA: You make the point well as to why you have not identified those savings with all of the work you said you were doing over the last 11 months, but you have not been able to identify those, even though, as you said just now, you should, in a \$4 billion budget, quite easily be able to find some of those savings. Why has that work not been done until now?

Ms Gallagher: I did not say easily; I said reasonably. I think it is reasonable—

THE CHAIR: I think that we have covered this topic and I am aware of the time. We have 30 minutes—

MR SESELJA: She was still answering the question. I am not quite sure why you cut it off.

THE CHAIR: Because I am aware that we have got 30 minutes and we still have an output class to move to, which is about revenue management, which is rather important as well. You have a question, Mr Hargreaves?

Ms Gallagher: If I could just finish, I dispute—

THE CHAIR: Finish and then we are going to move on to 1.3.

Ms Gallagher: I dispute the fact that—last year, we said we were getting on with a savings task. We set savings for that financial year. I was very clear that we had further savings to make in the outyears, a significant savings task. We have been able to revise that back based on the strong performance of the budget and the economy, which has helped with that, but we have found significant savings in this.

Do not underestimate the work that has gone into monitoring that one per cent efficiency dividend to make sure that we protect services to the community. Each minister and cabinet have gone through every agency with every idea they have put forward to come up with their total list of efficiency savings, and those have been agreed to. That is a considerable piece of work. Do not underestimate it.

Now we have further work to do in regard to the \$25 million and the \$25 million. I do not think it is unreasonable that in the first year we have not been able to deliver all the savings across the forward estimates that we identified. The savings target has changed to reflect the changing circumstances, and now we move onto that second and third tranche of savings. I do not think that is unreasonable; I think it is completely in line with the budget plan.

THE CHAIR: Thank you. Mr Hargreaves, do you mind moving on to revenue management?

MR HARGREAVES: Thanks very much.

THE CHAIR: Mr Smyth.

MR SMYTH: We have not done GBEs. I was just wondering whether the minister would update us on the future of Rhodium.

Ms Gallagher: I thought we were doing GBEs on Monday. That is what is on the timetable that I have down here.

THE CHAIR: Yes; thank you.

Ms Gallagher: And we will have everyone here for that.

THE CHAIR: Revenue management. Mr Hargreaves?

MR HARGREAVES: Just a couple of curiosity things, just to satisfy my curiosity. I go to page 55, budget paper 3, table 3.1.11. If you want me to read it out, I will.

Ms Gallagher: Yes, I have got it.

MR HARGREAVES: It is a curiosity thing. Noel Towell has gone home; what a shame. The two that I am interested in—most of these revenue line items have an inbuilt increasing factor for one reason or another—do not. I was curious to know why they do not. One is the MLA superannuation contribution, which goes to \$30,000 and goes into forever. That is the one that Noel Towell would have been interested in. The other one is the contributions, which is a very interesting figure, \$17,559,000. It is pretty accurate, but it does not move at all into the outyears. I was just wondering whether there was something I missed. Certainly I missed the super, but I will get it.

MR SESELJA: Thinking about your super, are you, mate?

MR HARGREAVES: Mate, I have been thinking about my super ever since—it is such a generous scheme, but I have been looking forward to it. I thought I might go

and buy myself an ice-cream with it when I have finished.

Ms Gallagher: I did not get the second one you were talking about.

MR HARGREAVES: Do you want to just take it away?

Ms Gallagher: Yes. We will, yes.

MR HARGREAVES: It is nice and flatlined. I just wondered why; that is all.

Ms Gallagher: That was the superannuation and the contributions.

MR HARGREAVES: Contributions, yes. The bigger one was the contribution one, because it is such an accurate figure but it goes into the outyears. I was wondering, for example, is it because it—

Ms Gallagher: That is just about voluntary—

MR HARGREAVES: Yes, voluntary contributions.

Ms Gallagher: Voluntary contributions, so not expecting a big increase there.

MR HARGREAVES: Is it just that you do that in retrospect most of the time?

Ms Gallagher: I think it is probably safer—

MR SMYTH: It does seem odd that there is not even a CPI in the contribution on some.

MR HARGREAVES: Yes.

MR SMYTH: It would be the only part of the world that is going to remain flat for the next four years.

MR HARGREAVES: Except your super.

Ms Gallagher: In voluntary contributions to schools, in line with—

Ms Smithies: In terms of the contributions, we do not forecast contributions. It is one of the things we do not try to forecast. So we do keep it flat, as you suggested.

MR HARGREAVES: Just keep it flatlined based on what has happened so far?

Ms Smithies: That is right. As for the nature of that \$30,000, I think we will have to take that on notice.

Ms Gallagher: Because I do not think school contributions go up.

MR SMYTH: Excuse me, though. If it is other revenue, why don't you forecast it? It is included in the budget.

Ms Smithies: It is voluntary contribution fundraising—fund raising and excursion funds.

MR HARGREAVES: So the actual forecast, then, looking at this, is that it is not likely to be lower than last year. That is basically what you are saying. You do not know how big it is.

Ms Gallagher: And—I do not recall—I do not think we index the voluntary contribution. Maybe I will have to go and see what I paid, but I do not think it goes up very much.

MR HARGREAVES: You would update it in the midyear review or something like that?

MR SMYTH: So you are saying that, if you go to the actual—

Ms Gallagher: Have you got a revenue idea there, Mr Smyth?

MR SMYTH: budget at \$17,555,000 and the actual outcome is \$17,559—is that just a false figure?

Ms Gallagher: I think it is what we got.

MR SMYTH: Has somebody actually reconciled it? Is it? Has somebody actually reconciled it?

MR HARGREAVES: Yes. It has got it in the estimated outcome line. That is the third column from the left.

MR SMYTH: And it would be the only one that is exactly the same—both the budget and the estimate.

MR HARGREAVES: The second one with numbers in it.

MR SMYTH: And it will be for four years. Is that just guesswork, perhaps, Treasurer?

Ms Gallagher: We might come back to you on that. My understanding is that it is based on what was actually received in the final year and then just flatlined.

THE CHAIR: Okay. So we will get a clarification on that.

Ms Gallagher: We will get back on that.

THE CHAIR: I would like to go to budget paper 4, page 504, looking at revenue from land. The land revenue listed does not appear to correlate with the number of blocks being released. Why is it that the revenue will rise by about 80 per cent in 2011-12 when the same number of residential blocks—in fact, 40,000, I think, extra square metres of commercial land—will be released?

Mr Bulless: What year are you looking at?

THE CHAIR: You are on page 504?

Mr Bulless: Yes.

THE CHAIR: I am just wondering about the land revenue coming in. The revenue will rise by almost 80 per cent in 2011-12.

Mr Bulless: Yes.

THE CHAIR: But there seems to be the same number of residential blocks. I am just wondering why there will be this land release program going on but the revenue does not seem to be matching that schedule of release.

Mr Bulless: There are a couple of reasons for that. Part of it is the mix of the program—whether the LDA is developing it itself, doing joint venture or doing englobo. The reason I say that is that when they do it englobo they get the cash shortly after they do the sale, whereas if they do own development or through a joint venture the profiles are different.

THE CHAIR: Okay.

Mr Bulless: When they start developing Molonglo, we will not actually see land revenue from that for possibly a year or longer, depending on how the settlements happen. That is part of the reason. Part of the issue is what the program has been to date and what it will grow to over time. For example, in the 2009-10 year LDA is forecasting the offering of about 4,100 dwelling sites. Next year it is about 5,000, and the year after 5,000, and then 3,500 and 3,500. With that delay in mind, with the size of the program this year and the settlements that we would expect next year and the year after related to those releases, and given the mix of that program, the bulk of where we see the uplift in the land program is actually two years from today.

THE CHAIR: Okay.

Mr Bulless: That is reflective of the significant developments in Molonglo and some extra significant developments in Gungahlin and recognising that, with the uplift in both the industrial and commercial programs, while we are doing more, we will not necessarily see huge uplift of that, because effectively what we are doing is selling more land or serviced land without much being done to it.

So it is different. I guess that is part of the land program that is not particularly well understood. When we sell land, there is a very big difference between the value add that we get out of the land from it being developed versus just raw land which a developer will buy at a lower price and develop itself. Most of the industrial and commercial land we release has had nothing done to it; it is an englobo sale. The timing of those sales would be more immediate, but the value add, which is where we get most of the uplift in the revenue program through to land supply, is coming in the outyears. I know it is a bit complicated, but it is effectively the mix of the program

and the timing of the releases of the value add and the settlements of those value adds.

THE CHAIR: So when the money will come in. There is an accelerated or increased land release program that will go on over the next so many years. Land is obviously a large source of revenue. We do not have mines; we do not have forests and so forth. I am just wondering what sort of work has been done around the fact that it is a finite resource here in the territory. What are we doing? Are we doing any work or any modelling around how to make that a sustainable thing into the future?

Ms Smithies: This is some of the work that is with the chief executive land supply group to be done over the coming probably six to 12 months in terms of modelling those impacts and taking a look at the longer term footprint. LAPS may be better able to go into the details of that if you want.

Mr Bulless: Part of the money that is being provided to Treasury to centrally manage is related to that task. It is about looking at the pipeline of works for the territory. This is the planning and development and environmental studies et cetera that it has to do to facilitate the delivery of land supply into the future. Part of the land program that LAPS had published at the time of the budget includes 1,000 blocks of infill sites in the last two years—500 and 500. That is probably the beginning of the process of urban infill being identified through the current land program. Part of the accelerated program fund will look at more opportunities there and where opportunities lie to intensify some of the releases.

THE CHAIR: By the way, just on the mines and forests, I am sort of pleased that we do not have mines and forests.

MR HARGREAVES: I thought that was a revenue raising exercise recommended by the Greens.

MR SMYTH: We do get royalties from mines, though, don't we?

Ms Gallagher: What? Through the GST carve-up?

MR SMYTH: There is a question for you. Do we receive any royalties from mining in the ACT?

Ms Gallagher: It would be somehow reflected through our relativities generally.

THE CHAIR: Directly?

Ms Gallagher: No, not directly. I think there is mention in the Commonwealth Grants Commission stuff. Can I table a document in relation to the size of the office.

Ms Smithies: Is that a trick question?

MR SMYTH: I am just testing your knowledge, Ms Smithies.

MS BRESNAN: I have a follow-up on the land release.

MR SMYTH: Can I just clarify something? Of course, the government does not receive that as revenue. That is revenue to the LDA; what the government receives is the dividends, which are reflected in the table on page 54 of BP3.

Ms Smithies: Dividend and a capital distribution, so it is a mix. In terms of when it is brought together in the general government sector, it is a mix between dividend and capital.

MR SMYTH: Yes.

MS BRESNAN: I have a very quick follow-up on what you were talking about. You said there is a lag between when the land is being released and when the revenue is being received. Is that going to have any impact on maintaining budget surplus beyond those years when the profits peak?

Mr Bulless: No. The budget is predicated on the land program that has been published by LAPS through the Chief Minister. That has been modelled through the LDA. They provide the financial information to us. So the budget is underpinned by the program the government is releasing. Part of the nature of the program is that, it being indicative, it allows the government to change and reprofile the releases depending on market demand. That is what happened in this current year. It was originally about 3,000 sites; we have released an extra 1,000 in response to market demand.

MS BRESNAN: So when you get into 2014-15 and 2015-16, that has been factored in in terms of maintaining that budget surplus, working to the seven-year plan or now the five-year plan?

Mr Bulless: I think the short answer to that is that the forward estimates period as published in the budget reflects the announced land supply program, which is also a four-year program. The more general budget plan assumptions around expenditure growth and revenues are modelled around various growth rates. The extent to which a future land program may enhance that would be considered in the future budget process.

MR HARGREAVES: Where you could actually update the price of the land and everything else that has changed over time?

Mr Bulless: Yes, and the demand from the community et cetera.

MR HARGREAVES: I thought I read that somewhere, too.

MR SMYTH: I want to go to the parking fees on page 50 of BP3.

Ms Gallagher: Sorry?

MR SMYTH: Parking fees—page 50 of BP3—go up by 30 per cent. Can you explain how the 30 per cent increase is calculated?

Ms Gallagher: Parking fees? Again, this is not technically my responsibility—it is

under Territory and Municipal Services—but I will see if I can help you with that. I am just having a look for revenue. It does depend on where you park. Is that what you want to get an understanding of?

MR SMYTH: I want to understand how—I understand the largest increase was in Civic.

Ms Gallagher: It is.

MR SMYTH: A \$1.50 increase on an average of, say, \$9 is only a 15 per cent or 16 per cent increase.

Ms Gallagher: Yes.

MR SMYTH: So it either means an awful lot more—are there any new parking areas being established?

Ms Gallagher: No, there is no new parking.

MR SMYTH: So there are no new parking areas. What are the fees in the other areas?

Ms Gallagher: We can find out.

MR SMYTH: You can provide it later.

Ms Gallagher: I have seen it. It is available. It is under TAMS. They would have it.

Mr Bulless: I think you are comparing the estimated outcome to the 2010-11 budget. You will notice, if you look at the 2009-10 budget, that the collection was slightly lower than forecast.

MR SMYTH: Yes.

Mr Bulless: I think that was attributed to—I think it is more of a JACS issue than a TAMS issue, because they are the ones responsible for collecting it.

Ms Gallagher: Yes, through ORS.

Mr Bulless: At the time of the 2009-10 budget, I think there were some assumptions made about the number of car parks we would be collecting revenue from. During the course of the year, some of those car parks were sold. I think there are also some issues that JACS can provide more information on around a number of days where the workforce was not able to be out in the field because it was too hot—so for OH&S reasons. I think there were also some issues that a number of parking meters were vandalised and stolen during the year, and they took some time to replace because of sourcing the replacements. So there is a variety of issues that contributed to that underperformance in 2009-10. The increase in the next year really reflects the announced increases across the total.

MR SESELJA: Looking at revenue, we talked before about the potential impact across the board of the changes to the change of use charge. What analysis has been done on the potential impact on government revenue? I am thinking particularly of stamp duty. Obviously there is the potential, when you have got what is now a very low-yielding tax which is going up significantly, and you have got a tax that brings in a lot of money, that is, stamp duty—

Ms Gallagher: We are back to change of use now, are we? We have gone back to change of use?

MR SESELJA: Sorry, yes. I am asking about revenue. I want to know what modelling has been done and what potential impact there might be on other taxes, particularly stamp duty, as a result of the potential disincentive in certain areas to develop.

Ms Gallagher: We do not think there is disinterest in developing.

Mr Ahmed: If I can clarify, your question is about whether there will be any potential impact from the change of use charge on other revenue?

MR SESELJA: On other revenue. At first blush, if you have a tax that potentially discourages any sort of investment in property, for any decision that is taken, down the track you are going to lose potential revenue, stamp duty in particular, when those transactions occur. If the transactions do not occur you potentially take a hit on that revenue.

Mr Ahmed: Perhaps I should clarify: this is not a new policy. This is not a new revenue measure. We need to be very clear about that. There is no change in the formula and there is no change in the law proposed.

MR SESELJA: There is a change in the application, so we are getting to the bottom of it.

Mr Ahmed: No. There is no change in the formula—

MR SESELJA: But there is a change in the application.

Mr Ahmed: and there is no change in the law proposed.

MR SESELJA: Okay. So there is a change in the application and there is a change in the forecast revenue.

Mr Ahmed: Yes, that is right.

MR SESELJA: What I am trying to get to the bottom of is: does that have any follow-on—

THE CHAIR: Thank you, Mr Ahmed. That is on the transcript.

Mr Ahmed: I just need to clarify that we are not proposing that. The other thing is the

magnitude of the change. If I could go back to 2005-06, we collected \$12 million. We are forecasting \$14 million for 2010-11.

MR SESELJA: Of course, since then we have seen a lot of activity go up. So the question then—

Mr Ahmed: That is right. In that year the number of transactions which were subject to charge was about 136, from memory. Last year we had 161. We are taking an average for five years and making an estimate on the revenue. It is not an extraordinarily large increase. Compared to last year, the estimate for 2009-10, it would appear to be a slightly larger increase, but it is not to the extent that, in our view, it would inhibit activity in the territory.

MR SESELJA: Just on that estimate, you said the change appeared to happen in 2003. You said there was \$12 million—

Ms Gallagher: We have gone back to 2003, yes.

MR SESELJA: You have gone back to 2003. How did you come to these revised estimates? Given that it is all a site-by-site analysis, did you take what you were getting before this apparent change in arrangements occurred? How did you estimate how much extra revenue you would get, given that it would only be done on a site-by-site analysis and it is quite different, apparently, to how it has been happening for the last seven years?

Mr Ahmed: I can explain the method that was used. Professor Nicolls looked at just 2008-09. In fact, his report includes the information on the dual occupancy applications. He looked at all the applications for that year, applied side-by-side valuations for each of the sites and then calculated a figure. We have done that for a couple of other years as well and made an estimate of what would be the potential change in revenue or what would be the potential realisable revenue across the years. I have to point out that there is a large variance in the number of applications or the activity. As I said, back in 2004-05 there were about 80-odd applications—this is just from memory, but I can give you exact figures—rising to 161.

MR SESELJA: That would be great, thank you.

Mr Ahmed: It is in the report. There are large variants in the applications. We have basically modelled it and taken the low end of that.

MR SESELJA: Okay. I have one final question. There is uncertainty now as to how it will apply. I have just one example which you might be able to clarify for me. If someone was looking to redevelop a commercial site and—

Ms Gallagher: There is no problem with commercial; nothing will change. It is purely residential.

MR SESELJA: This is taking a commercial site and turning it into a residential site—so taking an existing office with an existing ability to use it for office purposes in an existing building and redeveloping it into apartments. How will the prior

value—

Ms Gallagher: Making a whole lot of money and then paying some of it back.

MR SESELJA: I want to know how the prior value will be taken into account in assessing the change of use under the revised arrangements.

Mr Ahmed: Prior rent value will be just the market value as determined by the professional valuers and as confirmed by the Australian Valuation Office. It is the same process.

THE CHAIR: Yesterday the Property Council came in to speak to the committee. They pointed out what they felt was a heavy tax burden on property in the territory. One of the things they put forward was extending the fire and emergency services levy. They made a suggestion about extending it, say, to cars. Has Treasury considered this? I understand from the Property Council that the New South Wales public accounts committee were supportive of this idea. Has that been modelled or looked at by Treasury so that you spread it across more people?

Ms Gallagher: I will let Khalid answer, but I should begin by saying that our data does not support the analysis by the Property Council that we are heavily reliant on property revenue when compared to other jurisdictions. Land is our major asset, so it is obviously a significant way that we can generate revenue. This is something that the Property Council put to us every year. Simply, when you break it all down, it is not supported by the facts. They have never been fans of the fire and emergency services levy—ever. I might let Khalid answer.

THE CHAIR: Well, it was an interesting suggestion.

Mr Ahmed: Just to follow up, when we are comparing various jurisdictions it is useful to exclude our local council type property taxes. Sometimes what happens is that they get included inadvertently by people in comparing our taxation with other jurisdictions' taxations. It might appear that we have higher property taxation, but we have got general rates which in other states would be in the local council accounts.

Coming back to the fire and emergency services levy, during the design of this scheme a number of options were considered, and certainly this was considered as well. We also had a look at putting it through the insurance company, as is the case in some of the other jurisdictions, but that would have been a bad design as well. What we did was to put it on the property, which is a more appropriate application of the levy. All the states—except, from memory, the Northern Territory—have this. This is not a unique thing to the ACT; they all have it.

I understand the Property Council did argue for a level of further complexity in the application of the scheme. That would have made the cost of administration too large. Logically, what they are saying is that to apply or design the scheme the levy is commensurate with the type of activity that every individual business undertakes. Conceptually, that is fine, but it becomes very difficult to administer such a scheme in a small jurisdiction when we have very few commercial areas.

THE CHAIR: Just on another one, the Henry tax review has come down. One of his recommendations was around collecting broad-based taxes around land. Has Treasury started any work on that?

Ms Gallagher: Yes, we are. We got the Henry tax review on the same day everyone else has. Obviously, it is a major piece of work. One of the things, once the budget is over and finished, that I will be giving consideration to is having some sort of local process set up to review the recommendations around state-based revenues and have a consultative process about reviewing our different sources of revenue and whether there are further improvements we could make around efficiency and improving the efficiency of our revenue base.

You would have to do it in a way that did not seek to reduce the revenue coming into the territory; for example, if you were to look at stamp duty, how you would offset the reductions in stamp duty. One of the suggestions coming through is to have that broad-based sort of land tax system that applies to all householders. There will be mixed views about that. Obviously homebuyers would love it—homeowners who are not planning on moving for a long period of time maybe not so much. We have been giving some thinking to it. I have not finalised my thinking. But I am approaching Henry and reading Henry with a pretty open mind about how we look at the work that has been done and see what we could apply here to the territory.

THE CHAIR: Thank you for that.

MR SMYTH: Just on revenue, I notice in table 3.1.3—

THE CHAIR: Yes, one last question, Mr Smyth, because we are out of time.

MR SMYTH: on page 40 that interstate lotteries are going down by five per cent. What is the logic behind that?

Ms Gallagher: Sorry, Mr Smyth. That was three-point—

MR SMYTH: 3.1.3—my favourite table, the taxation table.

Ms Gallagher: Of BP3?

MR SMYTH: Of BP3. Interstate lotteries this year have brought you \$15.6 million, the commission. Next year you are forecasting only \$14.7 million. Is there a reason why you are forecasting a five per cent drop? My understanding is that it goes up every year. John is now buying lots more lottery tickets for his retirement.

MR HARGREAVES: Yes, because the superannuation is so rotten!

MR SMYTH: That is right.

Ms Gallagher: We might take it on notice.

MR SMYTH: I have some more revenue questions. Can we come back—

THE CHAIR: Okay, I note that that question will be taken on notice.

MR SMYTH: Will we come back to this point on Monday?

THE CHAIR: We do need to move on to other output measures, but I will allow you that one, Mr Smyth, on Monday.

MR SMYTH: I have other matters on revenue.

Ms Gallagher: We have been waiting for it on revenue. Are you saving it up for Monday morning?

MR SMYTH: We have only just got there. There is so much more to do.

THE CHAIR: As mentioned at the commencement of the hearing today, there is a time frame of five working days for the return of answers to questions taken on notice at this hearing. In relation to questions on notice, the committee has agreed that written questions on notice will only be accepted for three working days following this public hearing for Department of Treasury, output class 1. I therefore ask members to provide any questions to the secretariat by close of business Wednesday, 19 May. Questions on notice pertaining to this output class will not be accepted after that deadline. On behalf of the committee, I would like to thank the Treasurer and officials from the Department of Treasury for attending today. I now formally declare this public hearing adjourned.

Ms Gallagher: Just before we go, could we clarify that we will start with Treasury at 9 o'clock? It is just that different officers will need to be available. On the running sheet it has Actew and all the rest of it, which means that some of these officers would not normally come. I want to confirm that they will come for the first bit and then we will move on.

THE CHAIR: Yes.

Ms Gallagher: Thank you.

The committee adjourned at 5.32 pm.