



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Annual and financial reports 2007-08)

Members:

**MS C LE COUTEUR (The Chair)
MR B SMYTH (The Deputy Chair)
MS J BURCH**

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 6 FEBRUARY 2009

**Secretary to the committee:
Ms A Cullen (Ph: 6205 0142)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Committee Office of the Legislative Assembly (Ph: 6205 0127).

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Amended 21 January 2009

The committee met at 10.31 am.

Appearances:

Gallagher, Ms Katy, Treasurer, Minister for Health, Minister for Community Services and Minister for Women

Department of Treasury

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

ACTEW Corporation Ltd

Sullivan, Mr Mark, Managing Director

Stolt, Ms Marlene, Communications Manager

ACTAB Ltd

Kourpanidis, Mr Con, Chair

Curtis, Mr Tony, Chief Executive Officer

Wheeler, Mr Simon, Executive Manager, Corporate Services

Totalcare Industries Ltd

Pyner, Mr Jeremy, Chair

McDonald, Mr Tom

Exhibition Park Corporation

Sadler, Mr Tony, General Manager

Rhodium Asset Solutions Ltd

Moore, Mr Ken, Chief Executive Officer

THE CHAIR: Welcome everybody. I now formally declare this public hearing of the Standing Committee on Public Accounts inquiry into the 2007-08 annual reports open. I believe everyone has a copy of the privileges card. If anyone has any questions about that, please ask now. Before we proceed to questions from the committee, do you have an opening statement, minister?

Ms Gallagher: Thank you. I do not have an opening statement. I understand that Mr Sullivan does. I hand over to him.

Mr Sullivan: Thank you. It is a great pleasure to have the opportunity to appear before this committee. I guess, like a number of Assembly members, this is my first session with the PAC and I do trust and hope that it will be a productive relationship.

I would like to apologise for some key ACTEW staff who are not available. Ross Knee, our chief strategic planner, and Kerry McIlwrath, our CFO, are in the Federal Court on an important matter. They had to be there. We have a number of very capable people to pursue any questions.

A fair bit of change has occurred in ACTEW since the end of the 2007-08 financial year. Jim Service and Michael Costello have moved on from their positions as chair and managing director. Jim continues an interest in many business issues, while

Michael has assumed the role of CEO of ActewAGL. John Mackay has assumed the role of chairman of ACTEW. The board appointed me managing director from 14 July 2008.

While things change, some things do not change. The themes of the 2007-08 report, which you are considering, were: a strong financial return; a continuing concern about drought and climate change; a lack of rain, particularly reduced inflow; significant work on water security measures, including an enlarged Cotter Dam; planning for a Murrumbidgee to Googong pipeline; planning for a possible transfer of water from Tantangara Dam; and planning for a possible demonstration of a water purification plant. Progress is being made on all fronts.

We have achieved many things. The draft EIS on Cotter Dam has been released and closed and we are close to submitting a final EIS. Our planning on the other projects is advanced. We have seen Googong Dam come under the long-term leasehold of the ACT and ACTEW. We have advanced capital works programs, particularly in respect of Googong spillway and the Lower Molonglo Water Treatment Works. I think the challenges set out in our 2007-08 report remain the challenges of this financial year.

THE CHAIR: My first question is: what is the court case?

Mr Sullivan: The Queanbeyan City Council has challenged the constitutional validity of the charges upon water, the WAC, and the utilities charge. That is before a judge of the Federal Court at the moment.

MRS DUNNE: I have questions in relation to this test case. How confident are you of your case in regard to the WAC and the utilities charge? I have been approached by people who have said that the other side's case is very strong. What are the prospects for the case?

Ms Gallagher: We are in court; so we are obviously confident. It has got to this point. It has been running all week. I am not sure that it is helpful for me to speculate on what the outcome of that might be, other than to say that we are confident; otherwise we would not have pursued it to the Federal Court.

MRS DUNNE: Do you have any choice? If you did not pursue it in the Federal Court, would that not be a statement that the water abstraction charge was, in fact, unconstitutional?

Ms Gallagher: You do have choices about whether you pursue matters through the courts. The government has taken this decision. We would rather it did not get to this stage but, in terms of protecting revenue for the ACT and for the ACT budget, perhaps you are right; there was no choice. We are in the court now. It has been ongoing. I think it is day 4. We should have a result fairly soon.

THE CHAIR: Page 11 of the annual report talks about purchasing water from New South Wales. How are you managing that? A *Canberra Times* article today suggests that too much water was going to irrigation and electricity, and not enough was going to the environment. How are we managing this process?

Mr Sullivan: In the water security proposals that we put to government, we put forward a proposal to consider purchasing water downstream, storing that water in Tantangara Dam, to supplement the supply of water to the ACT. The government is yet to make a decision on whether that project will proceed. We have approvals to plan for it, to seek the necessary approvals between governments to trade water and to secure the necessary commercial relationships with the Snowy Mountains Hydro Authority to store and release that water in case we need it.

ACTEW has decided to pursue the purchase of water downstream and we currently have secured quite an amount of water in terms of general security water licences. We do not actually have much water; we have water licences. They are generally being purchased off irrigators. Our plan would be that, if the government proceeds with this project, we will convert those licences to high-security licences which bring actual water and take it up into Tantangara.

I think, for both the ACT and the river system, this should be seen as a positive move in that, of all the water, if you like, that flows through Canberra half is returned to the river. This would actually see water from Tantangara released down the Murrumbidgee. It would have an impact on the upper Murrumbidgee. It would be taken by pipeline, if the other proposal proceeds, to Googong Dam where it would form part of that reservoir used for the city water supply. As I say, half of it is then released from lower Molonglo back into the Murrumbidgee River as general release water and would flow down the Murrumbidgee River. It probably is a use of water which takes water off irrigation into household consumption and river flow.

THE CHAIR: Do you believe there will be water for purchase if the government decides to go ahead? You say you have got licences rather than water.

Mr Sullivan: It does sound quite strange but there is a lot of water to purchase from the Murrumbidgee River—actual water. Canberra's net water usage is between 25 and 30 gegalitres. From the ACT border down the Murrumbidgee, there is 2,200 gegalitres of water allocated out of that river system, mostly to farmers and irrigators. When we are talking about a significant increase in our supply, which could be, say, 10 gegalitres of water, we are looking at a system which has 2,200 gegalitres of water allocation along it.

The market for water is producing some results which some, I think, would see as positive. For instance, it is no longer productive or really economic to grow rice in the Murrumbidgee Irrigation Area, because you get more for your water than you get for your rice. As a going concern, you need to sell your water. You do not use it for rice; so you sell it. All sorts of people are buying water, be they state governments, the commonwealth government, ACTEW or others. So there is a fairly vibrant trade in water. Certainly in short-term water there is quite a bit of supply. Water licences, mostly general security, are available. There are not a whole lot of high-security water licences, but there are some.

MR SMYTH: This entails ACTEW buying properties?

Mr Sullivan: No, just water licences.

MR SMYTH: How many licences have you purchased?

Mr Sullivan: At all stages of the purchase process, if we go from an intent to exchange to finalisation, we have secured about 20 gigalitres of general water licences, which equates to about 10 gigalitres of water. Until last year you could exchange general security to high security at an exchange rate of about 0.55. There is currently a moratorium on that. The New South Wales government is probably going to resume it with a slightly lower exchange. We think it will be about 0.5.

MR SMYTH: How many licences was that?

Mr Sullivan: I would have to get back to you on that. It is probably six or seven.

MR SMYTH: How much did that cost?

Mr Sullivan: That is of the order of \$20 million—between \$20 million and \$25 million.

MR SMYTH: Was that \$20 million or \$25 million money that ACTEW had or was that money—

Mr Sullivan: It was money ACTEW had. What we have assured the government is that this purchasing of water pre any decision on the project remains a very prudent thing to do. If the government decided not to proceed with the Tantangara transfer proposal, water licences are, excuse the pun, very liquid assets and they will be saleable. We would not be in it to make a profit but we probably would, particularly if we bundled our holdings together for someone else. It is basically to ensure that, if the government proceeds, we can move.

MS BURCH: You made a comment about water coming from the top end of the Murrumbidgee and then the bottom end. In regard to our throughput, we are not locking water here? I am thinking about the health of the river. The system is getting adequate water throughput from our water supply?

Mr Sullivan: Say, half our usage goes back through lower Molonglo. Our stormwater is not ACTEW's responsibility, but basically it settles and then goes into the river system, which is where a lot of our other water goes; it comes out of the stormwater and goes into the river system. Yes, we store and we do have a desire to maintain our storages at a reasonable level but, over time—and the Murray Darling Basin Commission certainly agrees—our storage of water has very limited impact in terms of the flow of the rivers.

MRS DUNNE: On the subject of water purchasing, could you explain for the committee how we came to the situation where the government is still deciding whether or not we will go with the Tantangara transfer option whereby ACTEW is buying water licences? I do not think I fully understand your explanation.

Mr Sullivan: I think I suggested that, basically, the government has asked us to position ourselves, through planning, design, approvals and other work, that, if they wished to make a decision to proceed with any of the water security options other than

the dam, which is proceeding, to be in a position to move quickly if they say yes. That has involved, basically, a number of activities with government in respect of ensuring we can trade water—that is, across governments, including the commonwealth—with the Snowy Mountains Hydro Authority in respect of their role in storage and release, and understanding those commercial relationships.

Then the most important factor is the actual water. Water, from the purchase of water licence to actually being able to deliver the project we are looking at, had a lead time of two years. The board looked at this on the basis of saying, “If we started purchasing water now and the government said proceed, what advantage do we have?” That is very obvious. We will be able to deliver this project extraordinarily quickly.

The board then said, “If we purchase water and the government declines the project, in other words, says no, what risk are we running?” Basically, our risk is financial but we are operating in a market where the price of water continues to increase. The decision was that it was a very prudent thing to do and there was very little risk of any financial loss to ACTEW.

THE CHAIR: Okay. We will move on from this subject because we have only an hour to talk to you. You were talking about preparing for all alternatives. What is happening with the water purification plant project?

Mr Sullivan: We have proceeded on the water purification plant as requested by government; that is, we are advanced in the design of a demonstration water purification plant at the lower Molonglo plant. We have submitted development applications to proceed with that, we are advanced in its design and we are now waiting on the government’s decision as to whether to go beyond design.

MRS DUNNE: What is the capacity of the demonstration plant?

Mr Sullivan: Eight megalitres of water and it would flow back into the river.

MRS DUNNE: Presumably the assessment that goes with it is what will be done with the salt extracted from the purification plant.

Mr Sullivan: The salt extraction is a separate project between the ACT government and the commonwealth. But amongst potential strategies—and only amongst potential strategies—for salt extraction is to put a salt extraction plant at lower Molonglo. If all of those things happen, there are some synergies. But, as I say, at this stage our role in that has been basically to assist the Chief Minister’s Department in understanding the technical side of a salt extraction plan.

MRS DUNNE: What is the technical difference between a salt extraction plant and a water purification plant?

Mr Sullivan: Just the level of purification.

MRS DUNNE: So the water purification plant is a reverse osmosis plant, one presumes, with other purification mechanisms tacked on the end.

Mr Sullivan: It takes water to potable quality whereas salt extraction purely extracts the salts.

MRS DUNNE: So either way, whether you build the trial water purification plant or some other plant—one of the options is to build a salt extraction plant at lower Molonglo—what do you do with the salt that you extract?

Mr Sullivan: That is extraordinarily hypothetical because, as I said, there is no decision to build a salt extraction plant. If you build a salt extraction plant, you have to do something about the salt. But—

MRS DUNNE: Mr Sullivan, you have plans and a design in process for a—

Mr Sullivan: We have plans for a demonstration water purification plant.

MRS DUNNE: The by-product of that will be salt.

Mr Sullivan: It will discharge. We will not be extracting salt in our demonstration water plant. We will have a saline stream and a pure water stream and in the end they will merge back into the river. No salt is extracted in the demonstration water purification plant. The water is segregated into pure water, saline water, re-merged and sent back to the river.

THE CHAIR: And you have not done planning for if you eventually ever did extract. Okay.

Mr Sullivan: That is not for us. The salt strategy is the Chief Minister's Department .

MS BURCH: I have a question around general environmental management. Environmentally you are managing any release of water and all of that. Are you satisfied with the level of environmental management?

Mr Sullivan: Oh, yes. We have a very strict set of licence conditions for the quality of water, particularly of effluent, that we discharge from lower Molonglo. We also have, under the direction of the environmental protection agency, a requirement for environmental flows, discharges from various dams into the river system. Those environmental flows are determined by the EPA. They are drought condition environmental flows. We have certainly complied with all of those requirements and our relationship with the EPA is a very good one. We have breached our licence from time to time, and that is reported by the EPA, but not in a significant way.

MR SMYTH: Can I just clarify a point on the demonstration plant: all it will demonstrate is that we can take unclean water, split it into a clean and a saline stream and then re-merge it and put it into the river?

Mr Sullivan: It seeks to demonstrate that we can produce potable water from the supply and, secondly and very importantly, that we could operate such a system. Many of the critics of water purification would say it is operational errors and mistakes that are the major risk to water purification systems. The science of water

purification is fairly well understood and accepted. Yes, we will demonstrate that it works. But it would mean that the operators of our water supply system are experiencing and demonstrating a capacity in respect of such a plant. What we are asked to design is a plant that will purely demonstrate and so the product of that plant would return to the river.

MR SMYTH: And it is costing how much—the all-up cost of the project?

Mr Sullivan: To plan or if we built the thing?

MR SMYTH: Both. How much is the planning stage and how much—

Mr Sullivan: If we build the thing, I think it is about \$60 million to about \$100 million. The planning side of it is probably about \$8 million to \$9 million.

MRS DUNNE: Can I just clarify something about the demonstration plant. The discharge of water from the demonstration plant would be covered essentially by your existing licence to discharge into the Molonglo?

Mr Sullivan: It is just a bypass of the water coming from the Molonglo.

MRS DUNNE: And that is covered in the approval processes?

Mr Sullivan: Our approval processes basically allow for a net extraction of water, which requires us to put water back into the Molonglo and into the Murrumbidgee, and that will happen.

THE CHAIR: I have a general question on page 13, water restrictions. ACTEW obviously has two interests here. There is a limited quantity of water which you have to manage the demand for but, equally, you make money out of selling water. How do you manage those two conflicting aims?

Mr Sullivan: You hear the story that we make money out of selling water, and we do make money out of selling water. But the price of water is determined by the regulator, who looks at only three things: our asset base, what our return on that asset base should be and what, in this instance, he believes the volume of water that can be sold in Canberra is. And that determines price. So, if that then occurs and we use less water than he predicted, which is what we are doing now, we lose money on our water. But that is how it works.

Our overriding concern has to be about water security in the ACT. A water authority running out of water is a lot worse than a water authority that is not making as much money for its shareholders as it or its shareholders would sometimes wish it to make. So the balance is a fairly natural one. We have to look at our product flow and we have got to be able to say that we have got to have the water and to use it. Water conservation, including restrictions sitting with it, is quite comfortable.

THE CHAIR: You have had about 4,000 applications for exemptions. Why are people getting exemptions?

Mr Sullivan: The biggest exemption is for people who use lawn services—the Coochies of the world; the people who basically fertilise your grass or garden—and are eligible for a one-night exemption in order to water in the material. That is the overwhelming request for exemptions. Other exemptions can be for the aged and frail who find the current times for sprinkling their garden not suitable in terms of their condition; they will apply for an exemption to water at a slightly earlier time and we grant those exemptions. Then we have a range of other potential exemption requests.

MS BURCH: With the various workshops and your roadside signage, are you getting a feel that the community is shifting into water conservation?

Mr Sullivan: I think there has been an enormous shift by the community into water conservation. The roadside signs are very high in people's minds and I do not think you can go anywhere in Canberra these days without someone being able to tell you exactly what the water storage is, what we used yesterday and what it means for us. We would like more people to go to the workshops. We are investing in these smart gardens and smart water workshops. The response rate is good but we would like even more people to go to them because at them you do get some very practical ideas and some very practical assistance as to how you can save water.

MR SMYTH: Under the water conservation office on page 13 it talks about some public information campaigns such as save water for life. Can you point to where in the report I would find how much ACTEW spends on advertising each year? Do you do the advertising or is it done through ACTEWAGL?

Mr Sullivan: ACTEW does its own what we call communications. We do not have much of a product; we are not advertising or suggesting we are selling things. ACTEWAGL does advertising so you would need to go to them for advertising. We can certainly give you details of our communications programs. The biggest one was the water security projects communications program of last year. We ran a weekly advertisement in the paper about water and we do a number of the shows and things. We can certainly let you know them. There are the four-minute-shower ads and the 'because you can you don't have to' ads saying not to water your garden too much. Those are the sorts of communications products that we buy. We purchase those sorts of products directly.

MR SMYTH: So nobody here can tell us how much ACTEW spent on communications.

Mr Sullivan: I can.

Ms Stolt: I am sure we can get you that. They can get it.

Mr Sullivan: Marlene Stolt is our manager of corporate communications.

Ms Stolt: Typically, if you look at 2007-08, the Save Water for Life campaign, it is a campaign that runs heavily through the summer, spring and autumn months and then it is fairly quiet in winter. It is an all-year campaign but the bulk of the money is spent during the warmer months. Approximately \$500,000 is spent on communications for that campaign. I do not have a figure in my head as to how much of that goes to

advertising. That is something that we can certainly take on notice.

MR SMYTH: Can we get that breakdown?

Ms Stolt: Yes.

MR SMYTH: In the first quarter of the current year there is a lot of ACTEW and ACTEWAGL advertising on TV, particularly the young fellow with the dam ad. How much did that campaign cost?

Ms Stolt: Typically a campaign in the ACT costs between three and four hundred thousand dollars.

MR SESELJA: Could you remind us: was that dam ad with the gentleman telling us about Cotter Dam being built by ACTEW or ActewAGL?

Mr Sullivan: That is ACTEW.

MR SESELJA: That was ACTEW. That was run up until when? When did that stop?

Mr Sullivan: It finished about a fortnight before caretaker.

MR SESELJA: How is the commission working in relation to ACTEW advertising, on your understanding?

Ms Stolt: In comparison with ACTEWAGL?

THE CHAIR: No, ACTEW.

MR SESELJA: No, in relation to ACTEW.

Mr Sullivan: That campaign was planned to run at that time. Quite deliberately, it was chosen to run at that time but we had decided that we should not run it across the caretaker period.

MR SESELJA: What role, if any, did ministers, ministerial officers and ministerial staffers have in relation to the design or the commissioning of that advertising campaign?

Mr Sullivan: None. The shareholders, who are two ministers, were referred the final products as for information of shareholders and including the schedule, but they did not come back seeking change to any of the ads. The ads were dam, water purification plant, Tantangara and Googong pipeline. No, they were internal to ACTEW.

MR SESELJA: What was the purpose of that, particularly the ad about the Cotter Dam. What was the purpose of that?

Mr Sullivan: It was basically seen as a very important prelude to the release of the draft environmental impact statement. One of the things that we had found through surveying was that awareness of the water security projects was not as strong as we

wanted. We wanted a good response to the EIS draft that went out and the campaign was basically to ensure that Canberrans understood what potentially the largest piece of capital works program to occur in this territory for a long time was about.

MR SESELJA: Did that ad talk about the EIS?

Mr Sullivan: It talked about the dam proposal. It showed a mock-up of a completed dam.

MR SESELJA: Which advertising agency handled it?

Ms Stolt: That was Grey World Wide.

MR SESELJA: It was interesting because the same actor was in another campaign, I think, at the same time. Was ACTEW aware of that?

Mr Sullivan: We were aware of it after the event and we expressed our extreme disappointment that our engineer was a teacher, I think.

MR SESELJA: It was the nurses federation or the teachers federation?

Mr Sullivan: It was a New South Wales ad in respect of teachers.

MR SESELJA: It has to be said that that advertising campaign, right before an election, looked a lot like ACTEW talking up the government's plans on water security. There does not seem to be much other purpose that it would have served. The fact was it ran within six weeks of an election. We certainly got a lot of comment from people in the community saying it looked like electioneering.

Ms Stolt: As Mark mentioned, through our community surveys we have found that although the community are very well aware of the need to conserve water and they pick up those messages through the campaigns that we run in the summer months, there is a lack of understanding: "I am doing all this stuff to save water but what is ACTEW doing to secure supply?" Our main objective was to communicate to the community that there is both a demand and a supply side and both sides are being worked on.

Secondly, the other objective—why it was run in the winter months—is that, as I said before, we are quite busy and there are lots of messages from ACTEW during the warmer months on water conservation. It was therefore timely to switch and during the cooler months, when we do not have a lot going on with the demand advertising, to talk about the supply side.

Mr Sullivan: I would just say that ACTEW is the responsible authority for water security projects. I would ask you, if you say there was any part of that content that was political, to say so. I do not think there was. I did give you an explanation, which was being repeated. To say there does not seem to be any other reason but electioneering I dismiss. The reason is that we are embarking, in respect of the dam, on construction of one of the largest pieces of public works in this territory for a long time. It involves the environment, it involves the community and it involves an iconic

place like the Cotter. We wanted Canberrans to understand what was happening, as well as that there were three other projects in the pipeline. That is what we did. We took very deliberate decisions about the fact that these should not run over caretaker periods.

MRS DUNNE: Why was that decision made?

THE CHAIR: Let Ms Burch—

MRS DUNNE: This is directly in response to this. Why was the decision made that it should finish before the caretaker period if it was not about politics?

Mr Sullivan: It just seemed prudent to do so. It was not saying, “You can’t run a political ad.” It was prudent that such campaigns not run over caretaker.

MR SESELJA: But other information campaigns would run over caretaker.

Mr Sullivan: We continued with our weekly water information things, we continued with our road safe signs, we ran community information.

MR SESELJA: So why the distinction then between this advertising and others?

THE CHAIR: Unless you have a new point, Mr Seselja, we are really quite short on time. This is a new point and Ms Burch is wanting—

MS BURCH: It is sort of linked to Cotter Dam and development—I am referring to page 13, at the bottom—and it is around offsetting greenhouse gas emissions. Given that we are talking construction I would be pleased to know how that is panning out.

Mr Sullivan: The ACTEW Corporation board, endorsed by the ACT government, has committed to the total offset of the greenhouse gas costs of the construction of its water security projects. The ACTEW board has agreed that it would like to see the complete greenhouse gas offset of the operation of the new water security assets. We have engaged people and we have some of our own senior people now working through how we are going to do that. That will involve a variety of energy initiatives which will range from some traditional offset things like carbon sinks to the investigation of greater use of hydro facilities that are currently there and whether we can use more and some green generation opportunities that we see in the territory to the more traditional, but we would prefer not to just purchase renewable energy credits.

MS BURCH: What are the green generation opportunities you are seeing in the ACT?

MR SMYTH: Before we get there, can I just follow up on that?

MS BURCH: I suspect the green generation option is a quick one; it would be good if it were a long one.

Mr Sullivan: It is probably hydro. We have got the methane plants at the tip. We are

looking at whether we can consider the potential to reduce landfill in waste wood and perhaps assist the tip in moving from its current use of diesel generation, because it is not on the grid, to some form of wood burning generation. It is clean, it saves a lot of diesel and it reduces landfill.

MR SMYTH: Is that some sort of biomass generator?

Mr Sullivan: It is small but reasonably significant. All of these projects in the ACT are relatively small. It is at a very early stage.

MR SMYTH: I am sorry, I meant to ask Ms Stolt before she left: what is the communications budget for this year for ACTEW?

Ms Stolt: For the 2008-09 year, the communications budget is \$690,000.

MR SMYTH: So if you take \$400,000 off that, that only leaves you with \$290,000, which is 40 per cent less than you spent in the whole of last year, to run your summer programs.

Mr Sullivan: Why are you taking off the \$400,000?

MR SMYTH: Ms Stolt said that \$300,000 or \$400,000 was spent on the campaign.

Mr Sullivan: Last year?

MR SMYTH: No, in this financial year. So you have actually got less money over the summer months this year where potentially—

Mr Sullivan: Was your question for 2008-09 or 2009-10?

MR SMYTH: 2008-09.

Mr Sullivan: You wanted what was the budget for last year?

MR SMYTH: The budget for last year. I was told the annual communications budget is \$500,000. That was for 2008-09?

Ms Stolt: No, I said that the Save Water for Life campaign was budgeted at about \$500,000.

MR SMYTH: So that is \$500,000. What was the total communications budget?

Ms Stolt: For 2007-08?

MR SMYTH: Yes.

Ms Stolt: \$689,000.

MR SMYTH: \$689,000 in 2007-08, of which \$500,000 went on Save Water for Life?

Ms Stolt: Correct.

MR SMYTH: So this year we have got approximately the same—\$690,000—but we have already spent up to \$400,000 in the lead-up to the election. Is that correct?

Ms Stolt: The budget figures that I am talking about are in relation to the water conservation side of our business, so on top of that you would have to add the water supply campaign that we ran last year, for 2007-08.

MRS DUNNE: That was on top of the—

MR SMYTH: That is on top of—so it is additional money?

Ms Stolt: Yes, it was.

MR SMYTH: Is it possible to get a schedule of the ads that were run?

Ms Stolt: The advertising schedule?

MR SMYTH: Yes.

Ms Stolt: Yes.

MR SMYTH: Thank you. How much money for this year will then be run over the summer months to help with water reduction? Will it have the same budget as it had in 2007-08?

Ms Stolt: Save Water for Life?

MR SMYTH: Yes.

Ms Stolt: Yes, probably this year it is slightly reduced because last year was the first year that we launched the campaign. This year we felt that awareness is already there, so we do not necessarily have to spend as much money on advertising this year.

MR SMYTH: So it is not being reduced because we spent money on advertising we don't—

Ms Stolt: This year we are having some other initiatives associated with the campaign, such as water saving kits that we are distributing to householders as a trial.

MR SESELJA: What about the supply side? How much are you budgeting for supply-side advertising this financial year?

Ms Stolt: We normally factor in a campaign budget of, as I said, about \$400,000.

MR SESELJA: That is for the total year. How much of that \$400,000 is then spent?

Ms Stolt: A decision on whether we will run such a campaign has not been made yet.

MR SESELJA: How much of that \$400,000 has been spent in this financial year?

MR SMYTH: Could we have a reconciliation for both years, for the 2007-08 and 2008-09 budgets, for communications in total?

Ms Stolt: Yes.

THE CHAIR: We will take that on notice and we will leave this subject now.

MR SMYTH: When was the draft EIS put out?

Mr Sullivan: September.

MR SMYTH: September last year?

Mr Sullivan: Yes, and closed in November.

MR SMYTH: So the bulk of the campaign was run before the EIS was put out?

Mr Sullivan: It had to be, yes. We wanted people to respond to the EIS. We wanted to prepare them to respond to an EIS.

MRS DUNNE: But there was no mention of the EIS in the ad?

THE CHAIR: We are going to leave the ads.

MR SMYTH: It is important. You have run an ad to advertise something. Normally in advertising there is a call to action.

Mr Sullivan: If you can advise me how you could, in a 30-second ad, cover an EIS. If you say "EIS", people say, "What is it?" The EIS went for 10 volumes, or a double CD set. It was about people being aware that this was happening, and to think about it. And we know that it worked.

MR SMYTH: How do we know that it worked?

Mr Sullivan: Because we surveyed again, and the awareness of the Cotter Dam is extraordinarily high.

MR SMYTH: What about the awareness of the EIS?

Mr Sullivan: We had EIS workshops throughout the ACT, and there was a good awareness of the EIS.

MR SESELJA: Did you survey the EIS awareness?

Mr Sullivan: The EIS is actually run by ACTPLA. It is not ACTEW. We submit an EIS. The EIS process is not ours.

MR SESELJA: But that was the purpose of the advertising campaign.

Ms Gallagher: The purpose of the advertising campaign was to raise awareness of the Cotter Dam and other water security projects. That was the purpose of the campaign.

MR SESELJA: Ahead, we are told, of the EIS.

Ms Gallagher: And then people that are interested could find out more information and get involved in the EIS if they chose. You will not find any political interference in this campaign, Mr Seselja. You will not find anything, so keep snooping around—

MR SESELJA: But could you, minister, while you are answering, clarify why there was the break before caretaker, if it was not political?

THE CHAIR: Mr Seselja—

Ms Gallagher: Can you imagine if they did not? For god's sake, Mr Seselja, you would have been out there, in caretaker, going: "What an outrage! ACTEW is advertising." I stand by what Mr Sullivan has said. It was prudent not to, and that is the end of it. Can you imagine the Liberals if we had advertised—if ACTEW had advertised during caretaker?

MR SESELJA: But they had advertising.

THE CHAIR: Minister, Mr Seselja, we will move on to our next question from the committee.

MR SMYTH: Could we have the before and after survey results?

Mr Sullivan: Are we talking about 2007-08 financial reports?

MR SMYTH: We are talking about—

Mr Sullivan: We don't seem to be, but—

MR SMYTH: What we are talking about is—

Mr Sullivan: No, I am not going to release our communications material.

MR SMYTH: You are not going to?

Mr Sullivan: I will give you the details of the ads, I will give you when we ran them, but not all of our business intelligence.

THE CHAIR: Ms Burch has the next question.

MR SMYTH: So there is—

Ms Sullivan: In the context of the 2007-08 report. Ask next year.

MR SMYTH: Isn't it the point, Mr Sullivan, that the committee can ask any question

that it wants and the Chief Minister's directions for the production of annual reports say there must be an outlook section. You have such an outlook section that looks forward into this year and coming years, and it is quite within the realm of this committee to ask whatever questions we want.

THE CHAIR: I think we will have to—

Ms Gallagher: And we are answering all those questions, Mr Smyth. But I think it is fair enough—

THE CHAIR: On this, it will have to be taken on notice, Mr Smyth. We just cannot—

Ms Gallagher: —for intelligence from a survey not to be released publicly.

THE CHAIR: We are running a quarter of an hour late. Ms Burch?

MR SMYTH: Well, it is reasonable to ask for surveys, minister.

Ms Gallagher: I am not saying it is unreasonable to ask for them. I think it is not unreasonable for ACTEW to say they have some concerns about releasing that information. That is all that I am saying.

MR SMYTH: Well, we may discuss that.

THE CHAIR: Ms Burch?

MS BURCH: Moving on to assets and infrastructure, at the bottom of page 17 there is mention of negotiations on Googong Dam. Have those been completed, and are the other assets that we own secure and fine?

Mr Sullivan: The major asset we were concerned about was the Googong Dam. Through negotiations between the ACT government, the commonwealth and the New South Wales government, we saw a water agreement negotiated between New South Wales and the ACT and we saw the commonwealth lease the Googong Dam to the ACT for 150 years. The ACT government has subleased that dam to ACTEW Corporation, so it is secure as an asset.

MS BURCH: In your profile, there is mention of ACTEW China?

Mr Sullivan: Yes.

MS BURCH: Can you tell us—

MRS DUNNE: There is a whole financial report on ACTEW China.

Mr Sullivan: Very briefly, ACTEW China was created in 1996. It was basically a decision then by ACTEW to pursue business opportunities in China. Those activities, which were basically attempting to partner on water security or water projects in China, kept going until about the year 2000. It has been inactive since 2000. We have

applied to ASIC for its voluntary liquidation or deregulation.

THE CHAIR: On this same area, given there are a number of boards involved in the corporate structure and a number of individuals wear various hats, can you tell the committee who is a director on more than one board? For example, how many boards do John Mackay and Michael Costello sit on? I find it very confusing because there seem to be so many different structures. And do these people who are ACTEW employees draw salaries and directors' fees as well?

Mr Sullivan: With the ACTEW board that we set out in the report—and that is really the one that I am concerned about—for instance, I sit on the ACTEWAGL board. John Mackay is both the Chairman of ACTEW, for which he is paid a remuneration determined by the Remuneration Tribunal, and he chairs the board of ACTEWAGL, for which he is paid remuneration. I am not paid remuneration to sit on the board of ACTEWAGL. The general principle is that, if you work for ACTEW and you sit on boards, such as Ecowise, TransACT or other boards that we may be involved in, you do not receive a remuneration. As an aside—it is nothing to do with ACTEW—a similar principle flows to the Singapore Power—Jemena—and ACTEW, and AGL people who sit on the AGL board. So it is generally independent outsiders who are paid. The board of ACTEW is remunerated, other than I do not receive a director's fee. I receive my remuneration as managing director.

MRS DUNNE: While we are on the subject, where is Mr Mackay today?

Mr Sullivan: I do not know where Mr Mackay is. The chair of ACTEW has rarely appeared before the parliamentary public accounts committee. Mr Service came, I think, once in the last three years. This was about a period of ACTEW when Mr Mackay has had no relationship with ACTEW. He has been the chair of ACTEW since 1 July. He was the CEO of ACTEWAGL. So it is a report which had little relevance to John Mackay as chair.

MR SESELJA: But he was listed to appear today, wasn't he?

Mr Sullivan: I think that was a mix-up. There was no late change that meant he was not coming. He spoke to me a month or so ago and said he was not intending to come, and I think that is probably some little glitch between us and the Treasurer's office and then advice to the committee.

MR SESELJA: When was the committee informed, chair?

THE CHAIR: When he did not turn up.

MR SESELJA: Okay, so you were not informed.

THE CHAIR: Sorry, possibly the secretary knew before.

Ms Gallagher: Do you want Mr Mackay here, Mr Seselja?

MR SESELJA: We would have liked to question Mr Mackay. He was listed—

Ms Gallagher: I am sure we can arrange that.

Mr Sullivan: Mr Mackay is quite happy—

Ms Gallagher: I am sorry if it has caused difficulties for the committee.

THE CHAIR: I have a question on joint ventures. We have got joint ventures with AGL and Singapore Power. It is my understanding that you have got fifty-fifty shareholdings, so what do you do when you do not agree?

Mr Sullivan: We don't do it.

THE CHAIR: So either side has a veto?

Mr Sullivan: Effectively. Again, we are getting into ACTEWAGL business here. ACTEW has representatives on the ACTEWAGL board who vote on behalf of ACTEW. If we do not want something to proceed at ACTEWAGL, we know we can effectively stop it, and we are aware that the other partners can also effectively stop it. It is a consensus joint venture board. It is not a corporation.

MS BURCH: I have a question on investments, on page 24. You mentioned ACTEWAGL and joint ventures. You have listed a number of investments—Ecowise, TransACT and ACTEWAGL. What is the situation with the performance of ACTEW's investments?

Mr Sullivan: ACTEWAGL continues to perform very well. Its profit was above forecast last year. It continues to perform well this year. Ecowise has gone from being a disappointing performer to, in 2007-08, a strong performer and continues to improve in the water testing market. TransACT is making money, which is very nice. It has positive cash flow and is making a profit. So in the current circumstances we are very happy with those investments.

MRS DUNNE: Correct me if I am wrong, Mr Sullivan: TransACT was pulled out of a joint consortium proposal for the national broadband rollout. Why was that?

Mr Sullivan: TransACT is a proponent in the national broadband network tender and has been short-listed as a proponent in the process.

MRS DUNNE: Sorry; I must have—

Mr Sullivan: I think what you are thinking of is that it formally withdrew from the Optus-led national bid and decided to pursue its bid as a territory entity.

MRS DUNNE: Okay.

MR SMYTH: Can you update the committee on where the Williamsdale power station is at? It was announced, I think, in June, covered by this annual report, that it was to go ahead. Is that an ACTEW responsibility or is it ACTEWAGL?

Mr Sullivan: ACTEW has no intention of building a gas-fired power plant at

Williamsdale. ACTEWAGL, I think, did not announce that they were building one; they did announce that they were looking at the feasibility of such a plant.

MR SMYTH: Was the ACTEW board consulted before that announcement was made?

Mr Sullivan: No.

MR SMYTH: Given that ACTEW controls half of ACTEWAGL and it is a fairly significant infrastructure project, why wouldn't they have been consulted?

Mr Sullivan: I think the ACTEWAGL board would have made that decision. ACTEW basically regards its representation on that board as the way it involves itself in ACTEWAGL business. As a significant owner of the business, you operate through your representation on the board. Not everything goes back to the full board of ACTEW. We could not run a business that way.

MR SMYTH: So there was not a decision by the ACTEW board as to anything happening at Williamsdale?

Mr Sullivan: Yes, there is a decision by the ACTEW board in terms of Williamsdale.

MR SMYTH: What decisions were made by the ACTEW board?

Mr Sullivan: That decision was that to enable TransGrid to build a power station for the second point of connection to the ACT, which is very important to the ACT, ACTEW would agree to purchase the remaining part of a property that needed to be purchased for the establishment of the second point of connection.

MRS DUNNE: A power station or a substation?

Mr Sullivan: A substation, to allow the second point of connection—

MRS DUNNE: Okay. You said power station before.

Mr Sullivan: No, I said substation, I think. I said we were not building a power station. TransGrid are building a substation, which is, as I said, for the second point of connection to the ACT to the national electricity grid, which is extraordinarily important. TransGrid wanted a small parcel of land, which they identified. It required a purchase of a larger parcel of land, then its subdivision. TransGrid proceeded with purchasing the small subdivided part and ACTEW had agreed, basically to enable the second point of connection to proceed—I should say quickly but maybe I will say expeditiously; nothing seems to be quick—to remove that small problem in the transaction by saying that we would purchase the remainder and we would then dispose of it in a way that is commercially sensible.

MR SMYTH: Why was it a problem that there was this excess piece of land?

Mr Sullivan: They did not want it. They are a corporation that said, "We want this bit of land but we don't want the rest."

MR SMYTH: Couldn't they have done that?

Mr Sullivan: That may have taken another year and a half.

MR SMYTH: So is that our problem?

Mr Sullivan: Yes.

MR SMYTH: Why was that a problem?

Mr Sullivan: Because ACTEW is very involved in energy security in the ACT. The fact that the ACT has for this long—for six years since it was identified as probably the critical energy infrastructure issue for the territory—it was not going to sit by and allow another year to go by while ACTPLA could do subdivisions and other things. Mr Nash would not sell just a portion of his property to TransGrid; he would only sell the property to a single buyer. Basically, our role is to ensure energy security and water security in the ACT. We took a commercial decision. Again, the downside risk is very small; we will either sell it back as grazing land or, if there are other commercial opportunities, we will look at them.

MR SMYTH: I take your point that for six years nothing had happened to secure an electricity supply in the ACT. Minister, why had the government failed for six years to secure the second entry point for electricity in the ACT?

Ms Gallagher: You always start your questions with something that I cannot agree with—that we failed—

MR SMYTH: Mr Sullivan just said it had not occurred for six years.

Ms Gallagher: A lot of work has been done over—

Mr Sullivan: I did not actually say that. I said it had taken six years. The government had made a decision.

MR SMYTH: So nothing has occurred in six years?

Mr Sullivan: The government had made a decision. But deciding to have a second point of connection and delivering a second point of connection is a very involved exercise. We needed to take unnecessary impediments away.

THE CHAIR: Given the time, if you have more on this, we will have to take it on notice. Mr Seselja, one last question.

MR SESELJA: Was anyone in the government—ministerial officers, ministers—consulted on the announcement by ACTEWAGL about the feasibility study at Williamsdale which was made, I think, in June last year?

Ms Gallagher: I can answer for myself. I was not; I do not think so. But I can certainly check.

MR SESELJA: We do not have the relevant minister at the time here. I think it was the Chief Minister then.

Ms Gallagher: That is right.

MR SESELJA: So will you check for us and get back to us?

Ms Gallagher: I will. I did point out that I was not the relevant minister for this reporting period but apparently that does not matter; I appear.

MR SMYTH: But you were a shareholder for the entire period.

Ms Gallagher: Believe me: if I did not need to be here I would not be.

MR SMYTH: Can we quickly go to the global financial crisis. I notice on page 29 there is what you call the year ahead. What are the prospects for achieving the dividend of \$61.2 million?

Mr Sullivan: Our major revenue flow comes from a distribution from ACTEWAGL and those distributions from ACTEWAGL are on or above budget at the moment.

THE CHAIR: Thank you all very much for attending and for your contributions. I know we would all like to spend longer on ACTEW but clearly we do not have enough time. We would like to give you questions on notice by the end of next week for you to reply to in a couple of weeks.

Meeting adjourned from 11.31 to 11.44 am.

THE CHAIR: For the benefit of anyone who was not here earlier, I draw your attention to the privilege statement. We will now move on to ACTTAB. Thank you all for your attendance. Do you have an opening statement you wish to make?

Mr Curtis: No.

THE CHAIR: I will ask what seems to me to be the most obvious question. We have all read in the paper that there may be a situation with Tabcorp's withdrawal from its arrangement with ACTTAB. What will happen? Is ACTTAB still a viable entity?

Mr Curtis: The issue of our relationship with Tabcorp is probably somewhat sensitive and you will forgive me if we restrict the nature of the information that is disclosed, unless you want to go into camera.

THE CHAIR: We are happy to do that if you think that would be the appropriate thing to do.

Ms Gallagher: I think it is best. Our negotiations with Tabcorp are ongoing in terms of securing ACTTAB's future. At the moment, just at this point in time, in calendar time, if you do want further information it may be preferable to go in camera just for a short period.

THE CHAIR: I think that is what the committee would like to have happen. We will have a short adjournment and then go in camera.

Evidence was then taken in camera but later resumed in public.

THE CHAIR: We now return to the public hearing. I have a question on the operating costs for this financial year. There was some comment that this reporting year was a successful year in the local environment.

Mr Curtis: I guess the biggest factor impacting on the local environment is going to be product fees. The racing industries themselves, through government legislation in the respective jurisdictions, have imposed a fee on wagering operators, including TABs, for the use of the product. So in a number of jurisdictions we will be paying 1½ per cent of our turnover to the race clubs in those jurisdictions for the use of their product. That will have an enormous impact on our bottom line. Simon may have the exact figure, but it is probably about \$2 million.

Mr Wheeler: The product fees nationally will cost us up to \$2.7 million annually, which really eats into our bottom line.

THE CHAIR: I assume the small positive for the ACT is that we get product fees for our races? No?

Mr Wheeler: No.

Ms Gallagher: We have not introduced product fees.

THE CHAIR: We do not have as many races?

Mr Curtis: No. I understand it is being examined by Treasury at the moment. It has been introduced in some jurisdictions. The legislation has been challenged. The concept of product fees has been challenged in various jurisdictions. There are matters before the court. I think the cautious view adopted by the ACT government and the Treasury is probably the right one—to wait and see what the outcome of those court deliberations are prior to moving forward with legislation, if that is what is considered to be the way to do it.

MR SMYTH: The budgeted dividend for this year, 2008-09, is how much?

Mr Wheeler: It is about \$600,000.

MR SMYTH: If we have to pay \$2.7 million in product fees there is no dividend?

Mr Wheeler: The product fees will not be introduced until March this year; so there is only a part-year effect. There will still be a dividend this financial year. Going forward, depending on any other negotiations, that will not be the case.

MR SMYTH: In an article in the *Canberra Times* on 9 January 2009 entitled “TOTE Tasmania sale clouds ACTTAB’s future”, the last paragraph mentions that ACTTAB

was valued at \$31 million in 2001. What would be the current valuation of ACTTAB?

Mr Wheeler: I have no idea. I do not know who did that valuation in 2001. I think it may have been done under a former government.

Mr Curtis: Whilst turnover has increased, I think the whole wagering environment has changed. My own assessment is that, whilst the TABs will remain profitable and probably will remain profitable for another 20 years, there will be a shift of money towards fixed-odds wagering which, traditionally, in years gone by, was only offered on course. Now it is available not only on racing but on a whole range of sports and events.

The internet is being utilised to a greater extent. We have noticed that with the growth that we are experiencing. I know, from our competitors' experience with sports betting, there will be a shift towards sports betting in particular. I think the option of being able to wager on racing, utilising fixed odds, is very attractive and there will be a shift of moneys away from the TABs. I guess, as long as the TABs are in the market and offering those products, they will always be profitable.

Because of the growth in technology and the ability to access a whole range of providers, it is probably going to be a case of a number of these being eliminated through competition. It will be a case of consolidation in the industry and we could see a situation where, as I mentioned previously in camera, there may only be one TAB or a combined pool nationally, which would probably be the objective of the two largest players that are in the game at the moment. There are a lot of unknowns and a lot of uncertainty but that has always been the case with the wagering industry.

MR SMYTH: Could you take on notice and give to the committee the probable value of ACTTAB?

Ms Gallagher: We can certainly see how we can answer that question.

MR SMYTH: The only other question I have got is: in December there was a large amount of money paid to a large number of people and there was some speculation that it might have been used in poker machines and gambling. How was December for ACTTAB?

Mr Curtis: Simon might be best placed to comment on that.

Mr Wheeler: Fortunately, we did not see a lot of money flow to ACTTAB. It might have been poker machines that got it but we did not actually see that. It was a pretty stable month for us in comparison to the last year.

Mr Curtis: In fact, we have had a couple of weeks where our turnover has actually been down. The general trend has been a steady growth, probably around four per cent for the year. We have not really encountered the spike, I know, that has been seen in the club industry.

MS BURCH: I have a question on responsible gambling, following on from Brendan's question about a spike in December. Could you tell us a bit about the

strategies for responsible gambling across this program?

Mr Curtis: ACTAB, consistent with the ACT's mandatory code of practice, has a number of measures in place. We have operational procedures which are overseen by a coordinator of responsible gambling and compliance who ensures that all our staff that are involved in sales are trained in responsible gambling. That is conducted by Lifeline. There is periodic refresher training conducted.

If we happen to have operators that err in some way we ensure that they receive appropriate internal training and refresher training. Unfortunately, that is the nature of the beast. Mistakes are made and they have to be dealt with. We have an arrangement in place to ensure that mandatory and voluntary exclusions are dealt with. I cannot recall the numbers offhand but we may have as many as 20 exclusions at the moment where people have either been mandatorily excluded because of their behaviour or have requested to be excluded.

We also assist, through the responsible gambling coordinator, in obtaining counselling and advice for those people, should they desire to do that. Generally that is done through Lifeline.

MR SMYTH: The profit fell from \$5.7 million in the previous year to \$1.7 million this year. Is that true?

Mr Wheeler: That is true. The profit for the prior year was largely due to the sale of the Dickson premises, which was just over \$4 million.

MR SMYTH: The previous year was an inflated figure? This was simply a return to normality?

Mr Curtis: Yes. Dickson was sold for \$6.7 million.

THE CHAIR: Thank you very much for your contribution. We move now to Totalcare. Thank you very much for attending. Do you have an opening statement you wish to make?

Mr Pyner: No.

THE CHAIR: I guess the obvious question is: you have indicated that Totalcare is going to be wound up. When is this likely to occur?

MR SMYTH: This is the annual question.

Ms Gallagher: There is some optimism.

Mr Pyner: We cannot answer that. It is a perennial question but what we can say is that, given the performance over the last 12 months in terms of the superannuation liability, we have made significant progress. Whilst the end is not in sight, we would be hopeful that in this financial year the responsibilities and liabilities that we have will be discharged.

Mr McDonald: If I could correct my learned senior, we are hopeful that it will be by the end of the calendar year, not the financial year.

MS BURCH: At the back of the report, there is a long discussion on superannuation.

Mr McDonald: Yes.

MS BURCH: And the processes you have gone through to track down former employees.

Mr McDonald: Yes.

MS BURCH: Are you able to tell me the numbers that will benefit through this process and numbers to date that have been settled?

Mr McDonald: Yes, we can. Following the procedures that we articulate in the report—I will not waste the committee's time by repeating them here—we have a cohort of 1,928 former employees who were identified as being within the potential compensation structure. We have settled 327 cases, of which 36 have resulted in financial settlements, and that has totalled \$1,172,640.99, effective close of business yesterday. The total for former employees listed as no further action—for the benefit of the committee, there were many employees who were casual or temporary employees of Totalcare—was listed at 969. The total for remaining members listed for further action is 625. In relation to those, after settling 36 cases, we have sent another 99 deeds out in the last two weeks with respect to cases that have been settled but we are waiting for execution of settlement deeds. Those 99 will complete the cohort of former Totalcare, now ACT government, employees—so transferees from Totalcare into the ACT government.

In addition to that, we have another 292 settlement deeds in preparation or in the production line. We are very hopeful of pushing through those within the next six to eight months, and hopefully getting those cases settled. There are a number of folks whom we have not been able to contact, despite the fact that we have access to the electoral roll. There are those who do not live in Canberra, there are those who, because of the nature of the company's antecedents, do not seem to want to open letters from either Totalcare or Treasury—we have tried both—registered or otherwise. So it has been quite difficult, but we are in consultation with our lawyers as to how we will deal with any leftovers at the end of the identified settlement process.

All in all, it looks like there will be about 500 former employees who will be compensated for this. As I say, we have paid out a tick over \$1.1 million already. We are quite relaxed and confident about being able to deal with the rest of them in a timely way.

As you would have seen from the annual report, there have been a number of delays in the process, due to various law suits—not involving Totalcare, thank heavens, but involving a High Court case and things of that nature—and issues around ComSuper. But all of those have been resolved. I can also tell the committee that we have made arrangements with ComSuper—hence our confidence—that two of my staff will be embedded in ComSuper for three days a week, with the sole purpose of doing

Totalcare superannuation calculations. ComSuper will remain responsible for the accuracy of those calculations. But that was the best way we could see of getting our stuff handled as quickly as possible. We understand this has been dragging on. We want to compensate folk who are entitled to be compensated, in accordance with the shareholders' wishes, and we are proceeding with that task with all speed, now that we have overcome legal and other difficulties.

MR SMYTH: I have some questions that I will put on notice. With respect to the board, is Mr Zissler now off the board?

Mr McDonald: Yes, that is right.

MR SMYTH: Has there been a replacement appointed?

Mr McDonald: Yes.

Mr Pyner: You are looking at him.

MR SMYTH: Sorry?

Mr Pyner: In terms of Mr Zissler's position as chair of the board?

MR SMYTH: I note your elevation, but has he actually been replaced on the board?

Mr McDonald: Yes, he has, by Ms Sue Lebish CPA, who is the leader of our superannuation team.

THE CHAIR: I believe there are additional questions on notice from Mr Smyth. Thank you very much. That concludes our questions. We will now move on to Exhibition Park. Thank you very much for attending. Do you have an opening statement that you wish to make?

Mr Sadler: Not really, no.

THE CHAIR: Being a greenie, I am going to start at the back of the report, on the most interesting part. You talk about your ESD stuff on page 95. As you correctly stated, most of the environmental impact of EPIC is due to the hirers, not to yourselves. I am a regular attender of the Folk Festival, which does a wonderful job in terms of recycling in particular. What steps are you taking to encourage all of your hires—if that is the word you use—to live up to the Folk Festival's high standard?

Mr Sadler: Yes, I totally agree with you; the Folk Festival is by far the most outstanding organisation in looking after those issues. One of the concrete things that we are doing, and it will be done before 30 June, is building a recycling station on site. We have already got the tender process done. With the timing of the events, it will happen before 30 June, and we will then be running an education process with all the users to ensure that they use that upgraded facility.

THE CHAIR: Will that go as far as the Folk Festival goes with its composting of food wastes?

Mr Sadler: Ideally, yes. However, I think you would all agree that the patrons of the Folk Festival are perhaps different from the patrons at the show, Summernats and all the other events that we have.

MS BURCH: Looking at the highlights listed on page 13, one of them was “a permanent source of reusable water to irrigate the grounds”. Can you tell us what sort of measures you put in place to mitigate that challenge?

Mr Sadler: Over a series of capital works programs commencing in 2002—obviously we could not shut the venue down totally to put in a parallel irrigation system that would allow use of recycled water only for irrigation of the grassed areas, the last grassed areas that we had. We had to do it over a staged program, which we did, and which was completed. ACTEW then decided, for whatever reason, that the grey water would not be reticulated from Mitchell up to the Ainslie reservoir and then back down into the north Canberra area. Following that, in conjunction with ACTEW, we looked at perhaps using the water from the Canberra linen service, I think it is called—the very large laundry facility in Mitchell. There were problems with the actual quality of the water and the damage it may do. ACTEW looked at upgrading the north Canberra facility on Southwell Park. We put in a capital works bid, and the bid was put on hold until the result of that study that was undertaken. That has proved to be not an option. We then looked at water mining, at building our own plant to—

MS BURCH: What is water mining?

Mr Sadler: It is mining of the sewerage and treating it through a plant so that you can then use it for irrigation only. There are debates beyond my expertise about the health issues associated with that. Also, there has just recently been completed one half of the Gungahlin wetland facility, and there is one large lake that is perhaps a third full, immediately adjacent to our facility, and they have just started earthworks to create another pond on the other side, on what is the overflow parking for the racecourse, on the corner of Flemington and Randwick roads. I am not sure what the timetable is there, but they are actually physically working now. We have talked to ACTEW about whether enough water will come out of there to allow us to use the grey water. So that is where we are.

MR SMYTH: Minister, in the estimates in 2008, particularly on 19 May, when EPIC appeared before the estimates committee, the Chief Minister then said that the Stanhope-Gallagher government would control the—

Ms Gallagher: Did he use the words “Stanhope-Gallagher”?

MR SMYTH: No, I am using the words “Stanhope-Gallagher”. The Chief Minister said they would control the activities of EPIC. What control has been exerted and what changes have been made?

Ms Gallagher: I am not sure, in the context of that line of questioning in estimates, Mr Smyth. It is difficult for me to answer that question.

MR SMYTH: So arrangements are not changing or arrangements have changed—

admin arrangements?

Mr Sadler: In the recent administrative orders, the responsibility for EPIC was transferred from the Treasury to TAMS. That was announced in November. With the people from Territory Venues and Events, I am working through the due diligence process and in the process of transferring the staff and the control of the facility to TAMS.

MR SMYTH: So you are going from an independent corporation to—it sounds like you are about to be amalgamated with the department?

Mr Sadler: Yes, that is correct.

MR SMYTH: Is there a reason for this, minister?

Ms Gallagher: Again, I do not have the background detail of that decision. The AAOs are certainly happening now, but in the context of that discussion you raised earlier, from my understanding—and I will get back to the committee on this—there are some views around the synergies between EPIC and some of the functions that TAMS has and that is about it. In terms of taking away the board, that is certainly not anything that is currently before me or being considered.

MR SMYTH: So you are saying that the removal of the board is not before you or that it is not being considered?

Ms Gallagher: Both. I am not considering it and it has not been put to me.

THE CHAIR: How can you have a board and be part of TAMS?

Ms Gallagher: How can you be a board and be part of Treasury, which is what they—

MR SMYTH: The board reports to Treasury. I think what Mr Sadler says is that he is being integrated into Territory Venues and Events.

Ms Gallagher: Again, I will just have to get a bit more detail on that. Mr Bulless might like to add something.

Mr Bulless: I think one of the peculiarities of the annual report hearings is that the Treasurer is the responsible minister for the annual report, but since the annual report was finalised the AAOs have transferred responsibility to the Chief Minister under the TAMS portfolio. In terms of answering the question, I understand it is the Chief Minister's responsibility as to the future governance structure of EPIC. The Treasurer does not have a role on that at the moment and I think part of the confusion here is that we have a dual accountability arrangement.

MR SMYTH: Minister, you are ruling out the abolition of the board.

Ms Gallagher: What I said is it is not before me. It has not come before me in my responsibilities, but I cannot answer on behalf of the Chief Minister. I think Neil has

helped clarify that and perhaps that question is better referred to the responsible minister in that regard. I am sorry for the confusion.

MR SMYTH: That is okay, but perhaps Mr Sadler can answer. Are you aware of the abolition of the board?

Mr Sadler: If you would like me to make comment: clearly, I attend all the corporation meetings. Since the AAOs came in, Neale Guthrie, who is the chief executive of TVE, has been attending the corporation meetings and I have had meetings with Gary Byles, who is the acting head of TAMS, as well. The indication that the corporation and I have been given is that it is the intention for the corporation to cease and that the target date is probably 30 June this year, but that is contingent upon me and the TAMS people being able to satisfactorily do all the due diligence auditing. All of those things are required to transfer what is a large facility into another organisation.

MR SMYTH: So the board is going?

Mr Sadler: That is the intention. It is not my decision, but that is the indication that has been given to the corporation, yes.

MR SMYTH: And you have not been aware of this, minister?

Ms Gallagher: Obviously there was some development of this coming that has been managed through the Chief Minister's agencies but it would have to come to shareholders and appropriate briefings would occur.

MR SMYTH: Who are the shareholders?

Ms Gallagher: This is the one topic I have not had a briefing on and I said that before. I am not sure I can be that helpful in this discussion other than to say I can undertake to get back to you from information from the Chief Minister, or whether you have the opportunity to ask him yourselves.

MR SMYTH: I am sorry, you did not answer the question: are there shareholders?

Ms Gallagher: No, I have been informed there are not. My apologies.

MR SMYTH: I might just take it up with the Chief Minister. Mr Sadler, I note in your financials you have got some money with Treasury, which I assume is in the central finance unit, and you have got some money on deposit in external agencies.

Mr Sadler: Yes.

MR SMYTH: Can you tell us about the return from each of those sources of income?

Mr Sadler: Historically, and I will just say for 12 months, the return from the bank, which happens to be the National Bank, has been far greater than from the CFU, and consequently we have a lot more money invested on a fixed term in the National Bank on which we are currently getting eight per cent.

MR SMYTH: And so the expertise on the board has been most beneficial in turning it around. I think the corporation was set up in 1995-96.

Mr Sadler: No, we are up to nearly the 400th monthly meeting of the corporation. Multiply that by 12, and I guess it has been going nearly 40 years. The original act was in 1976, so I am just guessing that is when it was. It changed its name to the corporation about three or four years ago, but it has always had the same structure.

MR SMYTH: But under the guidance of the board and the investments they have made, you are getting a good return. The money that they have put with the government you are getting nothing on?

Mr Sadler: At the moment we are. When the fixed term deposit runs out, obviously with the financial things the way they are, we are factoring in that it will decrease. But, yes, the corporation does provide expertise on lots of things. The chairman is by trade a banker, which obviously helps in decisions, and we have a very competent CFO as well.

MR SMYTH: On the services that they now provide, if I have it read rightly, the fees all-up are about \$60,000 or \$80,000 for the directors. Will you have to buy that advice now or do you expect to get that advice from TAMS?

Mr Sadler: To answer that honestly, I would expect that would come from TAMS, yes. I imagine that is how it works.

THE CHAIR: Moving on to a different subject, at pages 13 and 14 you talk about the service station lease and that the service station provides a considerable amount of your revenue. What is the status of that lease? I can see the station is still there.

Mr Sadler: The tenders closed on, I think, 29 January, which was last week. I am deliberately not on the evaluation panel. It has been run for us by Procurement Solutions and two of the corporation members and they have the papers and are looking at it now. We are towards the end of reletting it and the restaurant that has been vacant there for about 10 years.

THE CHAIR: Also on page 13 you say that with parking you have capacity problems due to lack of access to land. What land are you losing?

Mr Sadler: Probably the first time anyone ever went to the Canberra show they parked on the dirt where the winery now is. That was traditionally where everybody parked. There is now the winery, so obviously that area is not available for parking. I mentioned the wetlands that are going on on the corner of Randwick and Flemington. For our big events we used to hire that from the racecourse, along with their parking, and use that. So gradually as there is encroachment on the facility we are losing what have been traditional parking areas. To compensate for that we have started enlarging what we call the northern car park, which is the car park on the Goulburn side of the facility, if you like.

MS BURCH: Again on that page there is a comment that your camping operations

have provided increased and you are looking to enhance that in the near future?

Mr Sadler: Yes, it has continued to increase. It is extremely successful now. By the end of April we will have completed a feasibility study which was funded by the government to look at our total tourist accommodation operation. I had a meeting with them this morning. They are at the stage where they have some drawings as to what may or may not happen. As I said, it will be completed and 13 April is the due date.

MR SMYTH: The future of the hotel: for some years, both at annual reports hearings and at estimates hearings, we have talked about the potential of a hotel. The government have announced that they are looking at doing the hotel separately from EPIC. Can you update us on what is happening there?

Mr Sadler: The only comment I can make is that it is being addressed within the feasibility study. I think I am quite well known for my views—that I believe the more you do in-house, the more money you make. Other people are of the view that government agencies should not be running motels. I am certainly not Basil Fawltly. I do not intend to run it myself. On the other side of the coin, we certainly run a very successful camping operation.

MR SMYTH: Part of the whole reason for the board was to look at the financial independence of EPIC. Has that been hindered by the lack of decisions from the government—for instance, in relation to making available to EPIC the hotel site?

Mr Sadler: Far be it from me, being a government official, to criticise any government of any colour. That is all I would like to say, I guess.

MR SMYTH: But it has been going for some time?

Mr Sadler: It has. For me personally and for the staff it has been very frustrating, yes.

THE CHAIR: Continuing on page 14, you say that the risk assessment associated with major events is low. In particular, you mention Summernats. Do you still evaluate Summernats as being a low-risk event?

Mr Sadler: A low-risk event?

THE CHAIR: Yes.

Ms Gallagher: I think it is low risk with your retention.

Mr Sadler: Yes.

THE CHAIR: Okay. Are we talking about the retention?

Mr Sadler: Yes.

THE CHAIR: That is probably an even better risk to talk about.

Mr Sadler: Everybody has read the papers. It is no secret that there was a downturn

of 20 per cent in the attendance. Our figures were down 20 per cent as well, and that was in catering and parking. We don't do all the catering, but all the other independent caterers were almost lineball, on 20 per cent down. So obviously that had a severe effect on everybody associated with the event.

I think the decision to hold it from 1 to 4 January, in hindsight, was a mistake. It was too close to the holiday and that sort of thing. It didn't have any impact on the neighbours or anything like that, with it being New Year's Eve. With respect to the economy, I think everybody is suffering, and it is probably at the luxury end. Most of the things we hold at EPIC are towards the luxury end. You only have to go to the show or Summernats once every three years. It is that type of event. So I think that had an effect. I think the promoter—and I have obviously had discussions with him since then—is probably looking at the possibility of larger markets and that sort of thing. So to answer your question, I would now move that out of low risk, even though it has been at the ground for 21 years. Traditionally, with our big events, we usually have five-year contracts. Until about three years ago, we have had that sort of arrangement with Summernats. There have been lots of ducks and drakes about subsidy of the event. I am sure you people are all aware of that from the media. Consequently, they have been holding out more for a one-year event to leverage their position.

THE CHAIR: Continuing with Summernats, on page 93 it is stated that they were fined \$5,000 for an EPA breach. Can you give us more details about that?

Mr Sadler: It was a noise breach on a Saturday night after 1 o'clock. The db was above the allowance.

THE CHAIR: Very likely.

Mr Sadler: Just on that, every year, for the major events, we have professional monitoring done by an independent person from ADFA. I have the draft report for this year's event and there is certainly no indication of any problems with this one.

THE CHAIR: Good. Any other questions?

MR SMYTH: I will work out which ones are relevant to ask and put them on notice.

THE CHAIR: Okay. Thank you very much for your attendance. We will now move on to Rhodium Asset Solutions. Mr Moore, do you wish to make an opening statement?

Mr Moore: No, thank you, chair.

THE CHAIR: I will start off questions then. Why did you not manage to complete the sale on terms acceptable to the territory?

Mr Moore: The first point I would make is that Rhodium was not trying to sell itself. The territory was conducting the sale process through Procurement Solutions, so I will defer to Mr Bulless on that question.

Mr Bulless: We have provided advice to various committees before about this, as Mr Smyth will recall. Last year we had engaged in a sale process and for the first half of last calendar year we were in negotiation with the party. Ultimately, those negotiations did not get completed because of a couple of external factors. Part of those external factors related to some policy decisions made by the commonwealth government in respect of Rhodium's core product, which is the reverse novated lease product. Effectively, what that meant was that Rhodium could no longer offer that product to the commonwealth government employees.

At the same time the domestic vehicle manufacturers withdrew government pricing available for that product, which meant that Rhodium could not offer the same discount level it had been previously offering. Coupled with that in terms of what prevented the sale from proceeding was that the person the company was involved with did find it difficult, because of the general state of the financial markets, to get access to finance. So the combination of those external factors and the inability to complete a financial refinancing arrangement effectively meant that the sale could not proceed on the terms they had come to the government with in their offer.

Under the procurement arrangements we are bound to tightly scrutinise offers and proceed through a sale process in terms of what we actually put into the market. That could not be completed. The company came back to the government offering a contract arrangement to manage the company, which was not what the government was procuring, and therefore the procurement arrangement had to be terminated.

The government in July last year then decided, based on the responses from the tender process and the outcomes of the convoluted negotiations, the intelligence we had gathered from that process and the external factors that were impacting on Rhodium in terms of what products it could offer into the market, that the best strategy was to wind the company down.

THE CHAIR: So you are going to attempt to sell it?

Mr Bulless: The government is no longer actively looking to sell the company. However—I will pass that over to Mr Moore—the board is continually looking at opportunities.

Mr Moore: What has been agreed as part of the wind-down is, firstly, to seek another provider for the ACT government fleet of about 1,100 vehicles. That procurement process has been initiated by ACT Procurement Solutions. We released a tender late in 2008 and Rhodium has not been involved in that process apart from providing information and support to Procurement Solutions. We are hopeful that another leasing company will be able to take those leases over within the next few months and that would lose about 1,100 leases from Rhodium.

We currently have about 3,400 leases under management, including those 1,100 and the main task in the wind-down is to find other providers for those leases or obtain agreement from the individual customers to terminate those leases early. So the first body of work is associated with leaving the ACT government fleet, as I said before, to another leasing company, and that is well advanced even though no contract has been signed.

THE CHAIR: I would assume that most of those leases are for only two years, so that this problem, at the worst, will take two years to sign? Am I suffering from optimism here?

Mr Moore: Yes.

Ms Gallagher: That would be great.

Mr Moore: The majority of the leases we have under management, which I believe stretch out to the year 2018, fit into the category of two to three years and mature by about the middle of 2011. But we have some truck leases that are typically up to 10 years that stretch all the way out to 2018. Part of the wind-down would be to try and transfer those leases to another provider.

One of our major clients, for example, is ACTEWAGL, and a lot of those leases are ACTEWAGL utility trucks. ACTEWAGL, with our encouragement, have already moved their new orders to another provider but we continue to be responsible for about 400 leases for their existing vehicles. Once we transfer the ACT fleet, we have now got an agreed procurement strategy, which will be run by the Rhodium board, to go to the market to seek another provider for the remaining leases. We are also in negotiations with ACTEWAGL about moving their existing leases and that might be done separately from our proposed tendering activity.

We expect by about 1 July, subject to ACTEWAGL, to have about 2,000 leases left under management, about 1,500 if ACTEW move, and that will be the focus of the board—to try and find another leasing company to take over those leases to enable the wind-down to occur sooner rather than later. Our estimate is that, if that tendering activity is completely successful, we could transfer those leases in the second half of this year and cease trading as a company hopefully by the end of the calendar year. Completion accounts have been audited, so we are looking at maybe by about 31 March next year, optimistically, if our tendering activity is completely successful.

We have developed a couple of other strategies if we are not completely successful. That depends on the degree of success—whether we move some of the leases or none of them. The board is looking at winding the company down by no later than, as I said, about mid-June, to cease trading in 2011—again, completion accounts, get them audited and complete wind-up by about 30 September 2011. That relies on us being able to find other providers for the leases that stretch at the minute right out to 2018, but that is a very long, thin tail of only a few hundred leases; the vast bulk of them, as I said before, mature in the next two to three years.

MR SMYTH: At the end of the day when the company is wound up, what value will come back to the people of the ACT—not having sold it; what do we get now?

Mr Moore: We have never declared a dividend in our brief life of a few years and with the uncertainty of how long the wind-down period will be it is a very difficult question to answer with any certainty, but on wind-up, if we were completely successful by 31 March next year, there would still be some equity in the company that could be returned to the territory. It may not equal the initial investment in

Totalcare fleet or in Rhodium—

MR SMYTH: Any idea of how much that equity could be?

Mr Moore: We could be looking at about \$3 million to \$3½ million that could be returned, but I would not like to be held to that number.

MS BURCH: On the bottom of page 4 with fleets it says 4,238 as the number of vehicles and you have mentioned ACTEW as a client. In this offhanding process, what is the client base that this fleet is across, and how is that being managed?

Mr Moore: If you exclude the ACT fleet of 1,100 vehicles, what we have left is a combination of operating leases and novated leases. To explain the difference: an operating lease is where we take the asset risk, if you like; when the vehicle is returned to us, we dispose of it. We are up for the profit or loss on sale. That is the type of lease that we have with ACTEWAGL. That has been quite a profitable product line for us in terms of management fees and generally the vehicles are disposed of for more than their residual value to us and we have been making some profits on disposal. Excluding ACTEWAGL, we have about 200 other operating leases. A lot of them are with the territory outside this core ACT fleet of passenger and light commercial vehicles. The vast majority of those territory operating leases are in TAMS and there are things like ride-on mowers for parks, road laying machines and so on.

The rest of them are novated leases, and this is where an employee wants to salary sacrifice a vehicle through their employer. We have had a product called a smart lease and through that product we were getting government pricing discounts but that was withdrawn by the manufacturers and that is written up in the report. That is one of the reasons why the numbers have declined, because it is now not as attractive to salary sacrifice a vehicle.

Our customers are ACT public servants but also commonwealth public servants. We have agreements with agencies such as Centrelink and the Department of Defence to provide novated leases to their employees.

MR SMYTH: Are any of your leases for the emergency services authority—fire trucks, rural fire service vehicles, ambulances and police cars?

Mr Moore: Generally, no. We have a very limited number of vehicles where—

MR SMYTH: Is it possible to get a breakdown of where the vehicles are?

Mr Moore: Yes, I have it with me. Do you want it by department—these are the stats to the end of December—or I could take it on notice.

MR SMYTH: If you could take it on notice and table that, that would be lovely. I note on page 1 in the third paragraph that it says:

During the sale process, the Board operated the Company on a *prudent caretaker approach* ... and did not pursue major new business.

Did it pursue any business?

Mr Moore: We continue to maintain our existing client base and if they wanted new leases with us we provided that through these master lease agreements with Centrelink or Defence. But we were approached, for example, as to whether we wanted to tender to take new leases from other companies that we currently did not have—new customers. Under that prudent caretaker approach we required shareholder approval if we wanted to do that and we chose not to.

MR SMYTH: So you have not come up with any new business over the period?

Mr Moore: Since the introduction of the prudent caretaker approach, that is true—with new clients.

MR SMYTH: Again on page 1 I note that the sale process was extended on a monthly basis on a number of occasions. Before the extension continued, was any advice given to the shareholders, or approval sought from the shareholders?

Mr Moore: Yes.

MR SMYTH: What format did the advice take? Were there verbal briefings or were there—

Mr Moore: It was a combination of written updates from the chair of the board on topical issues at Rhodium, including the impact of the sale process on the company, and on several occasions the board also met with shareholders.

MR SMYTH: Is it possible to get copies of the reports that were given?

Mr Moore: This was an exchange of correspondence with shareholders.

Ms Gallagher: I will have a look at it. It was usually part of a broader report from Rhodium, if I recall correctly, to the shareholders. But certainly whatever information we can be helpful with around those elements of the correspondence I am happy to provide. From my recollection, it really was about negotiations that are ongoing. There is still some work to do. We need to have a bit more time to do it. That was the flavour of the reports. But we can have a look through those reports and find out.

Mr Bulless: It is also important to note that the sale process was not delayed by things that the government or Rhodium were doing; it was delayed by the processes. The proponent on many occasions came back to the government or Rhodium seeking more information, seeking to negotiate or refine its offer. That was really the crux of the issue in terms of delays. It was not things caused by Rhodium or the government officers.

Ms Gallagher: Are you interested in a sort of timetable around that or around the—

MR SMYTH: I am interested in the advice that was given.

Mr Moore: For example, we stopped media advertising for new customers in Canberra because we thought we were being sold and towards the end of the sale process we advised shareholders that we sought limited advertising to our existing client base within Canberra to keep the leasing numbers going. What we had to promote to the preferred buyer was that Rhodium remained a going concern. It was that sort of exchange: this process has been going on for so long, we have lived under this prudent caretaker approach, we have kept the company going this long, but we think we need to get back in the market to keep the leasing numbers up. It was that type of correspondence, if you like.

MR SMYTH: Whatever you could provide would be appreciated.

THE CHAIR: I would like to ask a question about the organisational structure. I am confused. We have an organisational structure on page 5 but on page 64 it mentions you, Mr Moore, the Executive Director of MAXimusSolutions, and an amount of \$1.1 million paid. Presumably that was for a number of people.

Mr Moore: I wish it was for me, but no, it was not.

THE CHAIR: So where does that fit into the structure? There is not a MAXimusSolutions box in here.

Mr Moore: MAXimusSolutions has an agreement with the board, and we have had for three years, to provide senior management people at Rhodium. I first went to Rhodium in March 2006 for six weeks as a temporary CFO and I am still there. Gradually over that time the number of MAXimusSolutions people at Rhodium has grown to seven. That is the number we have there now. Those people occupy management positions in that structure. So I am a contractor provided by MAXimusSolutions but I am also the Chief Executive Officer in that structure. The amount of money paid to MAXimusSolutions is for all people there.

THE CHAIR: So a large part of the diagram is in fact MAXimusSolutions?

Mr Moore: Yes.

Ms Gallagher: I think you would understand that with the nature of Rhodium and what was the potential sale, and now the wind-down, it has been difficult to retain staff and recruit to positions. There is a need, particularly at the moment, to keep the staff we have got there.

Mr Moore: It is also consistent with the government decision to bring in a service provider, which may or may not be MAXimusSolutions, to manage the wind-down of the company. That decision has not been taken yet.

MR SMYTH: On page 29 there is a section on sponsorships. I notice that one of the sponsorships was for the firefighters union. When did that begin, how much was it for and why would Rhodium support the firefighters union?

Mr Moore: It was a very minor sponsorship of a couple of hundred bucks for a community based journal by the union. I thought it was a worthwhile pursuit for the

local area regardless of the fact that it was for the firefighters union. We have stopped doing it.

MR SMYTH: The union approached Rhodium and Rhodium agreed to it?

Mr Moore: Yes. Compared to our sponsorships of the Brumbies and ACTAADS it was really small.

MR SMYTH: So it was just a one-off thing for a couple of hundred dollars?

Mr Moore: Yes.

MR SMYTH: How much has Rhodium put into the live in Canberra campaign and what benefits has Rhodium got from it?

Mr Moore: That was before my time; that is how long ago it was. I would have to take that on notice.

MR SMYTH: So it is continuing at the moment or is it finished?

Mr Moore: No, it is finished. The only two sponsorships we have are the Brumbies and ACTAADS, the ACT Association for Advancing Disabled Sport Inc. The current board and the current management inherited both.

MR SMYTH: One last one on the financials on page 55 under trade and other receivables: I notice that at 30 June 2008 considered impaired was at \$887,000 yet at 30 June 2008 it is now \$1.2 million. Part of the commentary in the document is about improving your financial records. Are these debts that were not apparent? Can you explain how that has occurred?

Mr Moore: Yes. Rhodium's financial records were not good enough when I first arrived and we undertook a huge financial remediation project to the extent that we have now remediated those records. In combination with our IT system until about March 2007 we could not identify individual lease balances to verify debt. So we put in a lot of effort and a fair amount of time and resources to get the IT system and financial records up to date. As part of that we did identify individual lease balances and that verified our trade debtor balance and also the fact that a percentage of them were impaired as either a bad or a doubtful debt. It drove a fair bit of our operating loss for last year as we increased the provision for doubtful debt. We have a very active debt recovery team pursuing people to the ends of the earth for our money. Just because we have taken a financial hit, if you like, through the accounts does not mean that we have stopped pursuing those debtors.

Ms Gallagher: Chair, could I just add something quickly?

THE CHAIR: Sure.

Ms Gallagher: I have just been thinking through the matters related to EPIC. It would fit under territory events is my understanding, similar to Canberra Stadium, and therefore the questions the committee might have would probably need to go to

Minister Barr as he has portfolio responsibilities for that part of TAMS. That was my error again; I think I said that they would have to be referred to the Chief Minister. I am just thinking through it and not wanting to waste the committee's time.

THE CHAIR: Thank you very much for that clarification.

MR SMYTH: I have a few questions I will put on notice.

THE CHAIR: You would be happy to get questions on notice, I assume, from the committee as we do really have to close at this point?

Ms Gallagher: Yes.

THE CHAIR: Thank you all very much for your attendance.

The committee adjourned at 1.01 pm.