LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY

(Reference: Inquiry into annual and financial reports 2019-2020 and ACT budget 2020-2021)

Members:

MS N LAWDER (Chair)
MS S ORR (Deputy Chair)
MR J DAVIS

TRANSCRIPT OF EVIDENCE

CANBERRA

MONDAY, 22 FEBRUARY 2021

Secretary to the committee:
Dr A Cullen (Ph: 620 50136)

By authority of the Legislative Assembly for the Australian Capital Territory

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

APPEARANCES

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Amended 20 May 2013

The committee met at 9.30 am.

Appearances:

Barr, Mr Andrew, Chief Minister, Treasurer, Minister for Climate Action, Minister for Economic Development and Minister for Tourism

Chief Minister, Treasury and Economic Development Directorate
Leigh, Ms Kathy, Head of Service and Director-General
Miners, Mr Stephen, Acting Under Treasurer
Vroombout, Ms Sue, Acting Deputy Under Treasurer, Economic, Budget and Industrial Relations
Whybrow, Mr Mark, Executive Group Manager, Finance and Budget, Economic, Budget and Industrial Relations
McAuliffe, Mr Patrick, Executive Branch Manager, Asset Liability Management, Economic and Financial, Economic, Budget and Industrial Relations
Hedley, Mr David, Executive Branch Manager, Macroeconomic and Federal Financial Relations, Economic and Financial, Economic, Budget and Industrial Relations
Wright, Mr Robert, Executive Group Manager, Corporate
West, Dr Damian, Deputy Director-General, Workforce Capability and Governance
Croke, Ms Leesa, Deputy Director-General, Policy and Cabinet
Perkins, Ms Anita, Executive Group Manager and COVID-19 Public Information Coordinator
Noud, Mr Russell, Executive Group Manager, WhoG Industrial Relations and Public Sector Employment, Workforce Capability and Governance
Smyth, Mr Brendan, Commissioner for International Engagement
Cross, Ms Rebecca, Coordinator General, Whole of Government (Non-Health) Response to COVID-19
McPhee, Mr Ian, Public Sector Standards Commissioner

THE CHAIR: Good morning, everyone, and welcome. I declare open this morning session of the first day of the Standing Committee on Economy and Gender and Economic Equality inquiry into the 2019-20 annual and financial reports and the ACT budget 2020-21.

Before we proceed, I want to take a moment to acknowledge that we meet on the lands of the Ngunnawal people. I pay my respects to elders past, present and emerging, and the continuing contribution of their culture to this city and this region.

On behalf of the committee, I would like to thank you, Treasurer, for accompanying officials from CMTEDD who are attending today. For this part of the session, the committee will examine annual reports and budget outputs relating to the Treasury portfolio. I remind witnesses that the proceedings are being recorded by Hansard for transcription purposes, and are being webstreamed and broadcast live.

The proceedings are also being held in accordance with physical distancing requirements and room capacity limits in force at the present time. We are all responsible for complying with the COVID-safe requirements, and I ask you all to assist in this regard.

I remind witnesses of the protections and obligations entailed by parliamentary privilege. I understand that privilege statements have been emailed to witnesses via their respective DLOs. A copy of the privilege statement is also on the table in front of you. Could you confirm for the record that you understand the implications of the statement?

Mr Barr: Yes.

THE CHAIR: As the committee advised, it has decided not to have opening statements from witnesses at the commencement of the hearings, so we will now proceed to questions. Treasurer, I would like to start off with a general overarching question based on the Pegasus report. It states on page 37 that the ACT government's net debt has grown fairly steadily over the past decade, as a proportion of the territory's economy, and that the ACT government will need to raise additional borrowings to fund its expanded level of net debt. Can you outline for us, to start off, the long-term strategy for paying down the stock of accumulated debt?

Mr Barr: The territory's traditional method of doing so is operating cash surpluses and asset sales; obviously, inflation eats into the value of debt over the long term—the time value of money. They would be the three main ways. You get to an operating cash surplus by your revenues exceeding your expenditure. That said, the net debt position of every government in the world has obviously worsened during the pandemic. The ACT's position relative to the other Australian states and territories is very strong. That is reflected in the fact that we are now the only Australian state or territory still holding a AAA credit rating, and one of only about 12 subnational governments in the world with such a credit rating. Our net debt position has deteriorated. It will continue to deteriorate. But, as Pegasus says, it is not a matter of major concern at this time.

THE CHAIR: We have historically low interest rates at present.

Mr Barr: We do.

THE CHAIR: If interest rates rise, what effect will that have on net debt?

Mr Barr: On our net debt, interest rates itself, not, but on—

THE CHAIR: Paying off the—

Mr Barr: Yes. Most of our debt is held in longer term ACT government bonds—over a 10-year period, for example. We have some shorter term paper in the market, but we are going through a process now of refinancing, and lowering our interest costs. A practical example of that in recent times is that we repaid the commonwealth's billion-dollar Mr Fluffy loan, on which we were paying an interest rate of over three per cent, and refinanced it at around 1½ per cent. So we have saved a significant amount, about $20 million a year in interest payments, I understand.

We will continue that practice of seeking to take advantage of the lowest interest rates in the history of the modern world. The Reserve Bank has also indicated that it will continue its active engagement in the secondary bonds market, effectively guaranteeing low interest rates for the next three years. That is what the Reserve Bank have said, and they have been buying another $100 billion of state and territory paper. We will lock that away for as long as we possibly can, and that would give us the best surety over a decade-long span in terms of the rate of interest that we would pay.

Ultimately, of course, there will be a contribution of asset sales—namely, land—and operating cash surpluses that would contribute to stopping the debt profile growing, and over time repaying it. But that will be a multi-decade task. Australian government debt at the moment is approaching $1 trillion. The state debt of New South Wales is over $100 billion. An equivalent-sized jurisdiction, the Northern Territory, is currently at $8 billion, going to $12 billion. We are at around $4 billion, and at this point we are projected to get to about $7 billion. Comparatively speaking, the ACT is in a very strong position.

MS ORR: Can you elaborate a little bit more on the economic position we find ourselves in here in the ACT, given that it is a quite unprecedented time?

Mr Barr: It certainly is. Again, comparatively speaking, we have performed better than the other Australian states and territories. Perhaps Western Australia would be the other state economy that has performed strongly during this period. It has been challenging, though, because a number of our major industry sectors, particularly our export earning sectors, have effectively been reduced to zero or close to zero in terms of their economic contribution. International tourism and international education have both been very significantly impacted, and they were two of the fastest growing sectors in the ACT economy.

Counterbalancing that, though, has been the substitution effect of local private consumption shifting from things that people cannot spend on, because of public health directions, into other areas of the economy. It has been a bonanza for the home renovation and the household goods area. You see in the retail sales a very significant shift away from certain expenditure types to others.

The net impact is that some parts of our economy are still experiencing considerable stress; other parts are enjoying the best conditions they have had in recent times. I would anticipate that levelling out somewhat as we get further into the vaccine rollout that commences today. There is a sense that, with public health directions, uncertainty around border closures, investment decisions and the like, things will look a little different in the second half of 2021 than is the case at the moment.

Some of the other metrics that I am particularly focused on, Ms Orr, are employment and unemployment rates. We have seen at various points in the pandemic thousands and thousands of jobs lost, then a recovery. We have seen our unemployment rate increase but still be consistently a number of percentage points below the national level. But we have seen a shift in the labour market from some areas of employment that have increased during the pandemic to others that have obviously been quite dramatically impacted.

A measure of success in the medium term will be to keep our employment market strong, to see jobs growth, and to continue to make inroads into our unemployment challenge, noting that our position and our starting point are the strongest in the nation.

MS ORR: What challenges do you see coming up for employment, in keeping that employment rate and unemployment rate up and down, respectively, particularly in the context of the changes at a federal level, with things like JobKeeper phasing down or out?

Mr Barr: There has been quite a shift off JobKeeper, from program 1.0 to program 2, but there are still people on JobKeeper at the moment. There are some stats that were published by the commonwealth. We have seen just under two-thirds of the people who were on JobKeeper initially in phase 1 come off JobKeeper, but in the period October to December 2020, at the tail end of last year, there were still 16,800 employees in the ACT on JobKeeper. But that is down from 44½ thousand in the period April to September.

There will be a need in certain industry sectors for some ongoing industry support. I am aware that the commonwealth are certainly considering that. The two that are most pertinent for the ACT are international education and national tourism. But, comparatively speaking, compared with other parts of Australia, there is a little bit less—they are a smaller share of our overall labour market.

Where I would anticipate continued growth in employment will be in professional, scientific and technical services, in health care and social services. I would hope that over the medium term we can see the education and training sector recover from some of the earlier job losses that that sector experienced, and grow further.

The question of levels of employment in public administration and safety will obviously be contingent upon decisions of the commonwealth and the territory government. We are the two largest employers in this city. The commonwealth has around a quarter of all people employed in the ACT, and the territory government employs around one in 10 people in the territory.

MS ORR: Going back to the higher education sector, obviously, with international students not being able to come and study in Australia, that has had a big impact on that sector. When might we see students come back to the ACT, and what is the impact of any phased return?

Mr Barr: At the optimistic end of the scale, there would be a program of starting to bring international students back in quarter 2 of this calendar year, with a view to having some students back for semester 2. I think we need to be realistic that the capacity will be several hundred at a time, and it would be utilising the same quarantine arrangements that we have in place for repatriation flights at the moment. I wrote to the Prime Minister with a proposal to alternate between a repatriation flight and an international student flight each month, to begin that process. At this point the Prime Minister is yet to agree to that proposal, but it does remain a live option to start bringing international students back.

A potential acceleration of that program would be linked to the effect of a positive impact of the vaccination program. If the vaccines are proved to reduce the risk of individuals spreading the virus, and the primary purpose is to reduce incidence of severe disease and illness amongst people, the further we are into the vaccine rollout locally and nationally, the stronger the argument to commence a program of returning international students.

We have been working with the universities and with airlines so that, as soon as we get the green light from the commonwealth to issue the visas, we will be able to go pretty quickly on bringing the students back. The economic impact of that is very clear—in the order of about $50,000 per student, in a combination of tuition fees and spend in the local economy. Clearly, there is an economic benefit here, but I would argue also a significant social benefit to our city.

MR DAVIS: Treasurer, your directorate analysed the impacts and outcomes of the first seven years of the ACT's tax reform program and you have put forward tax reform options for the next five years. Can you describe these future options and what you hope to achieve?

Mr Barr: Yes. They are a continuation of the direction of tax reform, which has been to phase out the worst taxes—those that have the greatest economic drag, where the dollar of taxation impacts on economic activity and distorts decision-making. The worst of those taxes are stamp duties and insurance taxes. The territory became the first Australian state or territory to fully abolish taxes on insurance products in 2016-17. That was the completion of the first phase of the tax reforms.

That phase also involved a shift in taxation away from taxing labour as a factor of production. We did so by raising the payroll-tax-free threshold in the territory to $2 million, which means that a little more than 90 per cent of businesses that operate in the territory pay no payroll tax at all. It is a tax that largely falls on the payrolls of multinational and national-level businesses, with a small number of local businesses with a payroll of more than $2 million also paying some payroll tax.

In essence, your tax system can tax the three factors of production: land, labour and capital. The economic theory behind the reforms is that capital is highly mobile. It can go anywhere around the world to be invested in any range of economic activities. Stamp duties, commercial ones, are taxes on capital; so we have been moving away from those.

With taxes on labour, whilst their legal incidence falls on the employer, their economic incidence is largely shared between employers and consumers. Although there is an argument that they do distort employment decisions, they are less distortive than taxes on capital. Far and away the most efficient form of taxation available to our level of government is tax on land. It is very hard to avoid. You cannot roll land up and hide it somewhere to avoid paying tax, and it has the least distortionary impact on economic decisions.

The economic theory has been there for centuries. It has been reinforced—this tax policy switch—by every review of Australian taxation in modern history, culminating in the 2010 Ken Henry review, which was then followed by a 2011-12 ACT tax review, which was the basis for the recommendations that the government followed.

We have said we will undertake the 20-year reform in four five-year tranches. We are now embarking on the third phase of that tax reform. The priorities will be transitioning away from stamp duty and managing that transition across to our land tax basis.

The rate of land tax rates increases will be 3.75 per cent. Decisions on which areas of current stamp duty rates, and which particular property types, will be made in the coming months, ahead of the August territory budget. What I have said publicly is that our focus will be on the lower half of the property market in order to provide the maximum stamp duty cut benefit to those seeking to enter into the market for the first time or those downsizing to a smaller property. They are the principles that will apply.

MR DAVIS: Of the future options, Treasurer, that were described, there were a fair few in there; is there a preference?

Mr Barr: I will not pre-empt cabinet decision-making, but I would point you in the direction of initiatives that we announced in August last year that focused duty reduction on new purchases—both new land and off-the-plan purchases. We have had a program of supporting pensioners to be able to downsize duty free. That would be another area that I would highlight; then lower value properties. The exact tax rates for different properties and property values will be determined by cabinet in due course and announced ahead of the commencement of the new financial year.

THE CHAIR: You just mentioned pensioners; what about self-funded retirees?

Mr Barr: We can certainly consider that particular cohort. We have had some age-specific eligibilities. It becomes a question of looking at people's incomes versus people's wealth, in that your average self-funded retiree obviously has accumulated much more wealth than a first home buyer, for example. There is a policy question here about whether, in this next phase, government policy should favour low-income, low-wealth households, as opposed to low-income, high-wealth households.

These are quite legitimate policy questions. We have a number of different policy levers, obviously. There is an argument that if you support more downsizing, even for self-funded retirees, that will free up a certain type of housing stock that might have a downstream, second-round affordability improvement and a better allocation of the city's housing stock. I am open to considering those arguments, but there is also a very powerful argument, when you look at intergenerational wealth in this country, to focus our tax supports on those who have little wealth and low income. Comparatively speaking, they are the most disadvantaged people in our society. By ours, I mean Australian society. But it is an open question. We may be able to do a little bit of both.

MR DAVIS: I am curious as to whether Treasury has done any modelling. I am particularly interested in the 90 per cent of businesses with a less than $2 million turnover who have had a substantial reduction in their payroll tax. It is also fair to say that most of those small Canberra businesses are probably owned by people who invest in residential real estate, who have no doubt been concerned about the relative increase in their rates or land taxes. I am wondering if there has been any modelling of how, for that average Canberra businessperson, their total financial position is actually comparative—factoring in, obviously, the capital increases in the properties that they own, while their taxes have been increased relative to the payroll reduction. It is just so that we can spell out really clearly to people what their position is.

Mr Barr: This question is asked almost every year and, yes, we have a range of scenarios with a combination of reductions in insurance taxes, payroll taxes and stamp duties. It would obviously depend on, in any given year, whether there are any additional commercial properties purchased. In practical terms, with stamp duty abolished for commercial purchases up to $1.5 million, which is about 70 per cent of the market, an individual buying a commercial property in that context saves about $70,000 in stamp duty. A person in that circumstance, clearly, is well ahead, and that is a tax policy setting that is encouraging investment in that very small and medium business-friendly area, which is the nature of our tax policy settings. There are alternative settings. We could adopt the New South Wales situation, for example, for payroll tax, but that would effectively mean that you would be bringing a whole bunch of local, medium-sized businesses into paying payroll tax and giving a payroll tax cut to the big banks, the big supermarket chains and all of the big multinationals.

Again, faced with a choice about where we raise revenue, we have deliberately determined to see 27,000 businesses pay no payroll tax and have our payroll tax base focused on about 3,000 of the largest businesses in the world, in the nation and in the city. But that is a policy choice. It is certainly open to government just to replicate New South Wales in its policy settings. We would raise more revenue if we did that, interestingly, but it would be at a cost. With the people who would be paying that, it would be a transfer of wealth. The multinationals, the national-level companies—all the big guys—would get the tax cut and we would be collecting more revenue off medium-sized businesses in Canberra. We have rejected that approach multiple times, but it has been raised in this forum regularly over the 10 years that I have been sitting here answering questions.

MR DAVIS: Will you forgive me, Treasurer; I am a bit newer.

Mr Barr: Indeed, and I appreciate that. I have just given you a context for why we have made the decisions we have, and what choices have been before government over the years.

THE CHAIR: Mr Coe.

MR COE: Yes, thanks.

Mr Barr: Before you ask your question, I do note that you promised to go easy on me this year.

MR COE: It was a political promise! With regard to the credit rating, firstly, is that report public? Is it published?

Mr Barr: The—

MR COE: The Standard & Poor's report?

Mr Barr: They issued a note in August; then they issued a budget day response, but they have not yet publicly determined the rating from the period.

MR COE: Yes, but the report came out in September last year.

Mr Barr: I think it is on their website. It is up to them—

MR COE: So they have—

Mr Barr: Yes, they make these advisories for the market, not for—

MR COE: That is right, but you actually own the IP, don't you, because you do buy it?

Mr Barr: I think we buy their services, but I do not think we own the IP. I think they publish that on their website as part of—

THE CHAIR: Perhaps, for ease of reference, you could send the link through to the committee.

Mr Barr: Yes, that is fine.

MR COE: How much did that report cost?

Mr Miners: I do not have an exact cost. We bring Standard & Poor's in to do that rating as part of an ongoing, annual event, I do not have the numbers for the cost in front of me. We can certainly find that, and take it on notice.

MR COE: Yes, if you could. Do they win that in a tender or is it a single select?

Mr Miners: Yes, we do look at the market. There are really only two ratings agencies that you could potentially use, one being Standard & Poor's and the other being Moody's. For domestic issuance, S&P is really the company to use. In fact, a lot of other jurisdictions also just use the S&P as the rating. Really, they are the company to use. The other one out there is Fitch, but they are mostly international.

MR COE: Especially for the report—I think that was issued in September—how much toing and froing, or how different was the process this year compared to previous years, in light of all of the other changes?

Mr Barr: Our meetings have been over videoconferencing, rather than in person. It probably meant more time, actually, doing Q&A, it would be fair to say. Obviously, they have been assessing all Australian states and territories. We are on negative outlook, like the commonwealth, so the standard situation applies that if the commonwealth is downgraded then our credit rating goes the same as the commonwealth. We cannot have a rating higher than the sovereign national government.

With New South Wales and Victoria, who were the only other AAAs, being downgraded, there is risk, clearly. That said, our fiscal position has improved quite significantly between what we were projecting in August, when we held the rating, and now. There is still more upside to come, based on commonwealth Treasury advice on the GST pool. I referred earlier to some substitution effects going on within consumer spending. What has happened is that there has been a shift of consumer spending nationwide into areas that are subject to GST.

There is just more money in the economy as a result of quantitative easing from the RBA, cognate fiscal policy, and state and territory fiscal policy. When you look at household wealth and household income over the calendar year 2020, it did increase. Importantly, it increased the most for the lowest income Australians. Effectively doubling the unemployment benefit put a lot of money into the economy which was spent. That is clearly the case. High-income earners save additional money; low-income earners spend it. We have seen spending in the economy continue to rise. I think there is an upside of GST, which is the territory's single largest revenue item.

We have also had improvements in some of our own-source taxation lines, but underpinning all of this, Mr Coe, is that the strength of your economy is tied very clearly to the strength of your public health response to the pandemic, and you just need to look at the variances across the Australian states and territories. Victoria's economic situation is much more dire because they have had many more challenges with the pandemic—more lockdowns. That has had a much greater impact on their economy.

Our economy actually grew in calendar year 2020, which would make us one of the few economies, subnational economies, in the world to have achieved that. I think I am right in saying that we have had 30 consecutive years of economic growth. For every year that the territory has been self-governing, our economy has grown, which would again put us in a pretty elite class of subnational economies.

MR COE: It can be improvement, as you said, that has taken place since last year, in terms of the outlook. Comparing the pre-election budget update to the numbers that we saw a fortnight ago, especially with regard to net debt, it is worse in this update. What would be the reason for that?

Mr Barr: I believe net debt has improved marginally in each year.

Mr Miners: I will have to check that. The net debt numbers will always move, based on spending decisions of government, as well as things that affect our general borrowings. The infrastructure program et cetera is what drives those numbers in net debt.

Mr Barr: We will provide the committee with a reconciliation between what was in the August statement and this year.

THE CHAIR: Are you taking that on notice?

Mr Barr: Yes, we are happy to do that.

MR COE: No, you are right; there is a consistent—

Mr Miners: The reason for that improvement is the improvement in the headline net operating balance which will flow through, so those improvements in revenue flow through into the net debt numbers.

Mr Barr: As I say, I think there is room to be optimistic on the upside. In fact, once we get the next round of GST pool updates, we might see a further improvement there. I do not want to jinx us, so I will touch wood in saying that. Clearly, as I say, GST is our single biggest revenue source. With the budget papers, compared to where we thought we would be, we are about $200 million a year down on the GST, so there is still room for that to improve. A growing GST pool clearly would help us, but it is a matter of waiting and seeing. We will update it again after the commonwealth budget, which I think is coming down in May.

Mr Miners: Yes, they are back on their normal schedule.

MR COE: Going back to that net debt figure, the change that took place between the August update and the September pre-election update did have a deterioration—

Mr Barr: It is an accounting treatment, from memory.

MR COE: Is it accounting, is it election commitments or what is it?

Mr Barr: No, it would not have been election commitments, because that was a pre-election budget update. It was before—

MR COE: It was still early September.

Mr Barr: It could not have been election commitments because Treasury would not put in election commitments.

MR COE: In an election campaign, technically, it could be government commitments, but I am talking about whether there were government commitments in that period between August and September that impacted that deterioration.

Mr Barr: No. The whole point of having the August update right at the end was so that they would largely be the same.

MR COE: What was the accounting issue that led to that $300 million or so impact across the board?

Mr Miners: I will have to take that on notice and come back to you, Mr Coe.

Mr Barr: I think it is talked about in the—

MR COE: In the update.

Mr Barr: Yes, I think it is referenced there, but we will check that and provide it.

Mr Miners: I did not bring a copy of the PEBU with me.

THE CHAIR: Take that on notice.

Mr Miners: Certainly, all the reasons for movements between PEBUs are explained. I do not have a copy with me.

THE CHAIR: Treasurer, often in February we get the ACT tax expenditure statement. Has that been released this year?

Ms Vroombout: No, it has not been released yet, but we are anticipating that it will be released with the August budget.

THE CHAIR: Do you know the total amount of revenue forgone in 2019-20?

Mr Barr: If you are seeking what was forgone related to COVID, Treasury reported on that, so we will provide that information for you.

THE CHAIR: Is it strictly because of COVID that we are not having it in February? If it is in August, will there be another one next February?

Mr Barr: We will endeavour to catch up with the cycle. The election, the timing of the budget and the delay in the commonwealth budget have all contributed to the usual cycle being somewhat askew, but we will be catching up on that and bringing forward the 2021-22 budget in August. That is a couple of months later than would otherwise have been the case, but if we were to do it in June then we would be basically in budget season right now, and we are still doing estimates and all of this work. It is the combination of COVID and the election that has led to the delay in the cycle, but we will—

THE CHAIR: For each election cycle it is delayed; is that what you are saying?

Mr Barr: No, the election cycle delayed the budget. If there had not been an October election, I would have delivered a budget after the commonwealth. The commonwealth went on 6 October; I would have delivered a budget, say, towards the end of October or in November, as all the other states and territories did. As I indicated to the Assembly—and the Assembly voted in agreement, unanimously—it would make more sense for the budget to be delivered by the incoming government after the election. That is why we are where we are now.

THE CHAIR: We talked about international students. Will you be requiring a certificate of vaccination before people get on the plane?

Mr Barr: That would be an Australian government decision, because they control the international borders. I think it would be advisable. If I am asked at National Cabinet, that would be the view I would take—that it is advisable. There are potentially circumstances in which the vaccination may not be available in the country of origin of the student, but we would then seek to make arrangements for that to occur in Australia. They are decisions that the commonwealth will make.

Another factor in that context might be an airline policy, particularly if it is a foreign airline, as to whether they would allow people who have not been vaccinated to fly.

That is an interesting legal question. The Australian government can certainly require it of foreign nationals coming into Australia. The stated policy position is that it would not be mandatory for Australians. As to whether an international airline could mandate it, I think Qantas have talked about it, but I am uncertain as to the legal status of that.

MR COE: Going back to the tax expenditure statement, what is outstanding is the expenditure statement for 2019-20. That is usually published in February each year, so if the accounts have already been audited, surely the numbers are finalised?

Mr Barr: I think they would be pretty close, but—

MR COE: How could they not be? We have audited financials.

Mr Barr: I do not know. I will get the team to explain.

MR COE: Yes, please.

Mr Miners: A large part of doing that is that over the last 12 months, obviously, we have tried to focus our resources in that space on where they will be most useful. A lot of that has been involved in implementing the COVID initiatives. Obviously, a lot of the time of our team is spent on going through the costings process for the election, then moving on post-election straight into producing the budget. It really is a matter of allocation of resources and having the time to produce that statement. Now we will direct the resources to it and produce it. The logical timing for doing that is with the next budget.

MR COE: Why is it the logical timing? It is not usually produced at budget time?

Mr Miners: Yes.

Mr Barr: As soon as it is ready—

MR COE: What I am saying is: isn't that actually going into the busiest time of the year? It will be even less likely that you will be able to do that at that time. Isn't the whole point of this being done in February—

Mr Barr: Yes, it has coincided with the midyear update work, but as soon as it is ready, I will get it into cabinet and get it published. But it is not going to be radically different from the previous ones.

MR COE: That is why it is of particular interest, particularly with regard to some of the concessions that were offered. That is why it would be interesting to see what impact it actually had, because it is not—

Mr Barr: I think they are public. They have been published overwise, but—

MR COE: That is right; all in dribs and drabs, as opposed to giving that holistic—

Mr Barr: Sure—the consolidated one; I understand. We will get it processed as soon as we possibly can.

THE CHAIR: I think Mr Coe is going to be disappointed to miss it.

MR COE: That is right. Is it going to be in the next 2½ weeks, mate? I can delay my departure!

Mr Barr: All right; you're on!

MS ORR: Treasurer, you mentioned the debt refinancing program and how you have been able to save some funds, based on how you are managing that. Is there any more that you can add to that discussion?

Mr Barr: Yes. The budget papers outline our next approach to market. There is some previous debt that is maturing, so we will seek to refinance. Clearly, it is a very favourable market. There is no shortage of money floating around capital markets. The Reserve Bank's decision to purchase in a secondary market is an acute mechanism. Effectively, the paper sits in private hands for a millisecond, then it is bought by the RBA.

Possibly, it is the most assured I have ever been—Pat McAuliffe is sitting in the audience; I am sure it is the most assured he has ever been—that the ACT bond issuance will be taken up. He is nodding. Really, it is a case of what rate we will get, and a couple of external factors will influence that, including where the US benchmark rate is, and what is happening with domestic bank balance sheets at the time.

My practice has been to go and present to the bond market. In the past that has been both domestic and Asia-Pacific. This time around, I think it will just be a domestic approach; we will just present in Sydney. Most of our paper is taken up by domestic Australian banks, which will then be bought by the RBA, on the basis of their policy statement.

MS ORR: Treasurer, what is the reason for not going overseas to the Asian markets on that?

Mr Barr: Quite a bit would be COVID related. At the moment, because of the RBA intervention, it is pretty clear what the next three years will look like. They are buying in the secondary market in order to put the maximum downward pressure on rates. The stated position from the RBA governor, following the RBA board meeting last month, was that they are intending to do this for another three years.

Monetary policy is at absolutely full tilt. There is no more room for it to move. The RBA governor has said that their objective is to get some inflation back into the economy, to get unemployment down, and finally to induce some wage growth, which has been anaemic essentially since the Abbott government was elected in 2013. That is not a surprise because their stated policy intent has been to supress wages. They have achieved that, and the wage share of the economy has been dropping and dropping. They wonder why there is not money churning through the economy. It is because people do not have it to spend. It is pretty dismal economic policy.

But it is what it is; so we are grateful to the Reserve Bank for putting their foot to the floor to counter the federal government's wages policy and fiscal policy settings. There is a bit of a war between the Treasurer and the RBA governor. You can't really talk about it, except that I just have.

MR DAVIS: Treasurer, my question is particularly on brand. What is the time line for the ACT government's full divestment from fossil fuels?

Mr Barr: It is a good question. We are feeling well advanced, but I might ask Pat if he wants to answer.

THE CHAIR: If I could just mention at this point, at the changeover of witnesses, that there is a cleaner who will very kindly sanitise the stations. It is very important.

Mr Barr: You are very kind; thank you.

THE CHAIR: Thank you.

Mr Barr: We have made very good progress in reducing our exposure. Pat, tell us.

Mr McAuliffe: I do not have the exact numbers on me here today, but I think that this question came up at the first sitting of the new Assembly last year. Off the top of my head, the exposure we had was something like, out of our $5.2 billion total investment portfolio, around $39 million of companies. There were a number of small companies with some exposure. We have pretty much achieved that objective. We are starting another review this year. We have started looking at the current status of the entire policy. I suspect, once we have worked through that, we will be putting some advice to the Chief Minister around the next steps. I think it is fair to say that we have achieved that objective.

MR DAVIS: From what I have seen, the returns for the fund have been quite high. Given that, would you imagine that we have the capacity to divest quicker than we have been previously?

Mr McAuliffe: The returns that we are getting are not driven by any particular stock. Certainly, those few companies we have got that may have some fossil fuel exposure are not the driver behind the returns. Basically, the portfolio returns this year are being driven on the back of the broad equity markets. That is a function of where interest rates are at. Bond returns are pretty much zero at the moment and equity markets are exceeding all expectations. Year to date we are seeing around a 13 or 13.5 per cent return from equities. We want to make sure that when we are restructuring the portfolio, we are doing it in a considered and balanced manner. We still have to make sure that we are trying to achieve the broader diversification across the various sectors. We are not going to go down the path of blindly cutting things out without doing the proper analysis.

MR DAVIS: So is it on the—

THE CHAIR: Excuse me, Mr Davis.

MR DAVIS: That is okay.

THE CHAIR: Could you just confirm before you go on that you understand the privileges applications in the statement?

Mr McAuliffe: Yes, I do, Ms Lawder.

THE CHAIR: Thank you. I am sorry, Mr Davis.

MR DAVIS: That is okay. Thank you, Chair. You referenced the Treasurer's answer to a question during the first sitting week. Again, your question today notes, in reference to the fossil fuel holdings, that there is some or it is limited, but there are no specifics. Do we have any specific understanding of exactly how much exposure we have to fossil fuel investments?

Mr McAuliffe: I do not have it here in front of me, but I know every stock that we own and exactly what dollar figure we own on any given day. So the short answer is yes. I guess we are just trying to ensure that we have a balanced approach to this.

One of the things about the government's response to investment policy is that it is more than about not holding companies that have got fossil fuel reserve exposures, which there is a tendency for people to think about.

We have also got a policy that is taking out companies that have got large carbon emissions, which we think is probably as important, if not more important. Obviously, there is the stream of assets risk down the track of having companies with fossil fuel reserves. I think we have dealt with that. We are trying to look more broadly at things like companies that have got high carbon emissions, high carbon intensity. Our policy is a lot broader than just the fossil fuel reserves. That is why we are trying to make sure that we keep the whole portfolio structure in some sort of balance, as well as looking at all the other sectors that we want to make sure we are exposed to.

MR DAVIS: Yes, of course. I am sure you can appreciate that, particularly from my perspective, this would be a huge priority for government. I am re-asking a similar question, but I am just trying to get to the bottom of when the government thinks that they could have a time line or at least a maximum date as to when they think we could have divested.

Mr Barr: We are nearly there; we are 99.9 per cent there. It is about 30 million out of five billion, so it is a fraction.

MR DAVIS: That figure does sound better than 30 million.

Mr Barr: Sure, but you are talking about billions of dollars of assets, and we are down to the last little—whatever small measure you wish to use.

Mr McAuliffe: Just to give some broader context to the way that we manage the portfolios, pretty much all of our equity investments are managed under what we call a passive approach. They target an index and we track. You are probably aware that you have got the broad market index, like the MSCI World or the S&P 300. We actually have an index that is the parent that excludes those companies that we do not want to hold. That is how we are excluding some of those companies.

In order to then update that for further exclusions, there is a fair bit of effort involved in amending that index that we are trying to get to manage and follow. What we are working through at the moment is a broader piece of advice to the Treasurer about taking those other remaining stocks out, potentially, as well as saying, "Is there anything else that we want to do while we are at it?" So if we are going to go down this path, then we can maximise our efficiencies around how we reconstruct that index, rather than doing it in a piecemeal process. That will take some time.

Mr Barr: A useful example over the journey—it is not necessarily as relevant now—is that when we started this process, companies were undertaking a similar approach. They were getting out of fossil fuels as well. The policy question at the time was: do you punish them for doing the right thing by withdrawing and putting them on a blacklist? There are still some companies that have a diverse range of holdings.

Energy companies are a good example. It might be that 99 per cent of what they are doing now, up from 50 per cent, is renewable and sustainable, but they have still got this tiny legacy element of their activity that is fossil fuel related. But they want to get out of it; they have announced a date to get out of it. They are still notionally potentially covered in terms of saying, "Company X: one per cent of what they do is fossil fuel related." If they have made that transition then blacklisting them at this point would seem a bit pernicious, one would have thought. Part of it is also the timetable for particular companies, but what we have wanted to see is action. They are doing it, and we are nearly there.

As I say, there is no problem in providing the further detail. We are very close. It has been a journey that has been managed exceptionally well in the territory. There were plenty of critics at the time; the world was going to end and all the rest. I guess that these processes sometimes are too fast for some and not fast enough for others. Then you will get a small rump who do not believe in climate change and we are just going to say, "You're being silly anyway." That's life. It is a bit like people taking up COVID vaccines. Most people will and some people are a bit cautious and take their time. Then there is a small group of people who do not believe in it. That's life.

THE CHAIR: Thank you. A supplementary, Mr Coe.

MR COE: Where does that leave the holding of ActewAGL? Obviously, you own a gas company.

Mr Barr: Yes. That is a very good example.

MR COE: You own a gas company.

Mr Barr: No, we don't.

MR COE: Indirectly you half own a gas company.

Mr Barr: We are in a retail partnership, or a 50 per cent share, with a company that sells gas. We are working with that company on reducing the carbon intensity of their gas product. Of course, we have a range of other projects and programs underway in terms of a switch.

MR COE: True. The vast majority—not all of them—are not in the actual AGL company. The vast majority of those are directly with government, aren't they?

Mr Barr: Sorry, the vast majority of?

MR COE: Your renewable schemes are directly with government.

Mr Barr: Yes.

MR COE: They are not through Icon or—

Mr Barr: No, but we—

MR COE: joint ventures.

Mr Barr: AGL as a company have a policy position around how they generate energy. This is clearly a live debate. In the federal government, Angus Taylor is saying that we are going to have a gas-led future. There is quite an argument to be had about whether gas is an interim transition—and it is clearly better than your dirtiest coal-fired power—but then there is a question of whether you just jump over it to something better. We have been interested in the extent to which you can add or inject biogas into our existing gas network to reduce its emissions intensity.

There would appear to be at least a pretty strong national agenda, including the feds, on hydrogen. That is the direction we are travelling in. It is a good case though. I was asked, effectively: would we divest; would we privatise our share of the joint venture? I said no. People have this very simplistic view that we must divest. When I said, "So you mean privatise it?", I saw the look of horror on people's faces. It is a certain type of person who insists that now we must divest, and people also have very strong views about public ownership. When the two came into conflict, it was clear that the preference was a managed involvement through our joint venture in delivering a better outcome for the environment whilst not privatising a key territory asset. This is undoubtedly a policy tension. There is no doubting that.

THE CHAIR: All right. Moving on, do you have a substantive question, Mr Coe?

MR COE: Just a quick one, regarding the next round of bonds. I am just looking at page 198 of BP3.

THE CHAIR: Yes.

MR COE: You have got the expiration date of a $550 million bond in a couple of years.

Mr Barr: Yes.

MR COE: Obviously you are going to get a nice transition to a much better rate than that.

Mr Barr: I would hope so, yes.

MR COE: In terms of the actual length of these bonds, are you seeking longer than 10 years? Or is that just getting too tricky for the market?

Mr McAuliffe: At the moment we have been really targeting that 10 years. We tend to only have, more or less, an annual requirement. We have been able to continue to push out our curve by—

MR COE: Just rolling it over or a reissue?

Mr McAuliffe: Extending it by another 12 months each time that we do an issue, and it has worked out. It gives us a pretty nice yield curve. In the early parts there were a few little gaps. I think that the starting point is a little over 10 years. We have an estimate for this financial year of around another billion dollars still to do. At the moment we are looking at around a 2030 maturity for that. It is a pretty nice sweet spot in the market for us.

When the Chief Minister asked whether we think we have any concerns about issuing, the answer is no. New South Wales, Queensland and SAFA have all been out the last few weeks. Their bond issue has been two to three times oversubscribed. The demand is there. They have actually been issuing longer with 2030, 2032, 2033, 2034 maturities. We could go there, but I think that at the moment the 2030 spot has been a little bit quiet. There is also a trade-off of what investors you lose at a certain maturity point. A lot of the bank balance sheets will drop away after 10 years. They do not want to hold bonds of that length on their own balance sheet. Bringing it back to the year that we are targeting will give us a better opportunity to maximise that investor base.

Mr Barr: There is a lot being absorbed by the market. Just having a quick look, Victoria will be out in the order of 25 billion; New South Wales, 25 billion; Queensland, 10 billion; South Australia, four billion; the NT, two billion; and us and Tasmania about one billion.

MR COE: I guess the crux of the question is: going 10 years downstream when we have $50-odd billion from this year alone coming up for maturity, what are the risks associated with that? Are there potential benefits for going—I know this sounds a bit crude—nine or 11 years, for instance, so that you are not caught in that traffic jam of sorts in 10 years time?

Mr McAuliffe: That is what we are trying to manage. We are always looking ahead at where our maturity dates are so that we can minimise that refinancing risk down the track.

MR COE: I am not just talking about the ACT's internal—I am talking about the overall offering.

Mr McAuliffe: Agreed. That is why we try to keep an eye on what all the other states are doing; we try to not be out there in the market at the same time. Since late last year yields have picked up as well. The curve has actually steepened. That is the other trade-off. The longer we go it is going to be a bit more expensive, even though it is still low comparative to last year. It is about putting all of those things in the mix. You mentioned that we have got that maturity. I think that the—

MR COE: 550 million.

Mr McAuliffe: Yes. The other thing that we have got in place, which is a very big focus of Standard & Poor's, is our liquidity. What they want to see is whether your next year's worth of principal and interest repayments are actually funded in advance. That is another part of our strategy in trying to manage that refinancing risk and trying to navigate what others are doing. We will have those sorts of things funded, hopefully before they mature, so that the money is in the bank when they mature and we have got it there to repay it.

MR COE: Thank you.

THE CHAIR: I would like to ask about something in the budget outlook, page 128, about supplies and services. The expenses comprise supplies, repairs and maintenance, consultant and contractor expenses, as well as payments for ACT Policing. Expenses are forecast to increase by 14 per cent. Can you tell me which specific categories will see an increase in expenses?

Mr Miners: We will have to take that one on notice. The increase is spread across a range of the categories. That explanation at the top is all of the things that are actually covered under supplies and services. To get a more detailed breakdown I will need to take that on notice and come back to you.

THE CHAIR: Thank you. Could you also take on notice, unless you know the answer now, how many consultants have been hired by the government since 2019 and how many contractors have been hired by the government since 2019?

Mr Miners: You are talking within CMTEDD or across the whole of the government?

THE CHAIR: Across the whole of the government.

Mr Miners: I will have to take that on notice. I do not have those numbers.

THE CHAIR: Thank you.

MS ORR: Chief Minister, I just want to go back to the question of coming out of what has been a pretty tough year financially with COVID, the bushfires, I would note, and also the hailstorm. You have planned to really progress a lot more of that recovery, particularly in the context of the economic growth we have had and the economic outlook we had prior to this year. Can you contextualise it for the ACT, I guess, not just the world?

Mr Barr: Clearly there are a number of internationally exposed sectors where the recovery will be largely contingent on the effective vaccine rollout leading to, in the first instance, less state border closures and then, presumably, more movement of people internationally, although the prevailing view from the vantage point of February 2021 is that international borders would open progressively to other countries that have a good COVID record and a strong vaccine program rather than, I suspect, just being opened unilaterally. Again, that ultimately is a decision of the Australian government. That decision has pretty big implications for a number of industry sectors in the territory.

Where I think that the domestic border closure issue is important is clearly around domestic tourism, and it is also around labour mobility. We have been getting a number of reports of challenges, both for the public sector and the private sector, regarding infrastructure projects. For example, particular skilled workforces or, in some instances, even individual workers are unable to travel because of state border barriers.

I think that pretty key to a more sustained economic recovery and a bit more normality will be an end to border restrictions, which the optimist in me says may be possible to be a thing of the past by the middle of the year. That will, of course, depend on the decisions of individual jurisdictions, so it is not really my place to say what the public health advice would be. If the vaccines are effective, then that ought to make that process easier, which will help a number of industry sectors locally to either access the skills that they need to grow or for certain projects to not be set back. Obviously, the economic benefits that will flow from the completion of those infrastructure projects will then be available for the wider economy.

We will be paying a lot of attention to where the commonwealth go in a post JobKeeper 2.0 world. The commonwealth are giving thought, it would seem, to an even more targeted industry assistance package that would support those internationally exposed industries. What that might mean for the university sector, if they were to do anything there, would obviously be very critical for the ACT economy. While perhaps not having the same economic impact but being equally important, from an industry perspective, will be the international tourism sector.

Unemployment, as I have mentioned, is the other key metric. Our policy objective is to get unemployment back to where it was pre-pandemic. There are a number of different measures of that. One is the headline rate. The other, which is related, is the participation rate, which fortunately has been nation leading or the second highest in the nation and has stayed very high. What you can read from that is that people are not discouraged long term from being in the workforce, which is a good sign.

The other two areas to focus on are the total number of jobs in the economy and the total number of hours worked, and seeing both of those measures increase. We get a couple of different intersecting datasets there: payroll jobs through the single touch ATO system and the monthly unemployment data, and then you get some other secondary measures of success. A full employment objective is really the best sign that our economy has recovered.

You can argue that an unemployment rate of 2.9 per cent, when we went into the pandemic, and more job vacancies than unemployed people is about as close as a modern economy is going to get to full employment. We were essentially there. The question is: can we get back to it? Where are those jobs going to come from? There is a question of how we might be able to leverage some additional investment from a couple of more labour-intensive industry sectors to see those jobs come back.

The public sector will be a contributor, but not the biggest contributor, I suspect. We will continue to employ more staff in some areas of ACT government to meet emerging needs in the community, but I think that, in large part, the employment growth will come outside of the public sector.

MS ORR: I was going to ask what you saw as the pathway to that, but I do not want to pre-empt you.

Mr Barr: It is going to be business investment levels increasing. That has been challenging, but they were very weak going into the pandemic. The commonwealth have endeavoured to stimulate that through instant asset write-off tax measures and the like. I think that the single biggest factor there, in terms of private sector investment, is confidence. Once there is confidence that border closures and economic activity will not be stifled by public health directions and we get through the worst of the pandemic, then it is pretty clear in a number of sectors that there is going to be pent-up demand and business investment will flow pretty strongly.

To link back to my earlier answer to Mr Davis's question, if our tax policy settings are such that we are not whacking great big stamp duties on small and medium business investment, particularly in property and assets, then we will be in a good position to benefit from that private investment upswing. Meanwhile, of course, the government will continue its own public works program to enable economic growth.

MS ORR: Great; thank you.

MR DAVIS: Treasurer, I trust that you are familiar with the health economic assessment tool, known as HEAT, developed by the World Health Organisation?

Mr Barr: I have heard of it, yes. Am I an expert in it? No.

MR DAVIS: That is okay. Going to my substantive question, is Treasury using that HEAT model for the economic assessment of active travel programs?

Mr Barr: Treasury may not be, no.

Mr Miners: No, not that I am aware of.

MR DAVIS: No.

Mr Barr: As to whether the sponsoring agency is, you would need to ask them. We can find out. Treasury would not be using that filter to assess budget business cases, but it may be being used by the agencies to put them forward.

Mr Miners: In fact, we understand that TCCS does use that as their tool.

MR DAVIS: I see. Is there a reason that TCCS would use it and not Treasury when developing economic modelling for active travel programs, when that was the original intention of the tool?

Mr Miners: When these proposals come forward, they are usually developed by the agencies and then Treasury will review those. If it is something around active transport, it will come from the agencies. They will do all that analysis and a valuation at the start. It will come into Treasury for review, so it will have any information that comes from that type of modelling in it; but we would not start that process and therefore would not undertake the direct modelling ourselves.

MR DAVIS: When the budget submission has come through from a department like TCCS, would the modelling developed by HEAT be a factor in the Treasury's decision-making processes?

Mr Miners: All the information that comes through is a factor in the decision-making. We will look at all of that right through from the broad macro—how much can be afforded—to looking at proposals and the relative effectiveness of different proposals. It is a broad range. Yes, any information in there would be factored in. Again, we would chase information that we think is missing from the decision. It is a very broad process.

Mr Barr: Of course, Treasury just provides advice; cabinet makes the decisions.

MR DAVIS: Of course. Thank you.

Mr Miners: Sorry, Chair. Just before we jump into the output classes, there are a couple of answers that I can give to some of those earlier questions put on notice, if that would be useful.

THE CHAIR: Sure.

Mr Miners: The first one is around the cost of the contract that we have with S&P. We have a five-year fee repay on that. For that service it is $774,000, rounding it up slightly, over five years. The other question was around what was in the PEBU in terms of the changes.

MR COE: Yes.

Mr Miners: It was accounting changes. Between when the economic and fiscal output came out and the PEBU came out, we had the actual auditors' updates to those; we had actual audited outcomes. As part of that there were some revisions, namely around the treatment of leases. So, basically, it was the flow-on of those effects and refinements in the presentation of the accommodation lease options to make sure that it was completely consistent with accounting standards.

MR COE: Right.

Mr Miners: They were the changes.

MR COE: Is that the accounting standard 1059 issue that was raised?

Mr Miners: Yes, it is the AASB 16 leases. That then flows through to 1059.

MR COE: With regard to the 1059, is that now fully adopted across the ACT government?

Mr Miners: Mark, are you in a position to—

Mr Whybrow: There were two issues. The one that—

THE CHAIR: Sorry, could you just accept the pink privileges statement?

Mr Whybrow: I do accept the privileges statement. Thank you, Chair.

THE CHAIR: Thank you.

Mr Whybrow: The issue that Mr Miners is talking to is around the accounting standard AASB 18, which is leases. There are two references in the Pegasus report that talk about that. First, they are questioning, I think at the top of the last page of their summary, how that was being treated. That was disclosed in the 2019-20 statements. It was also disclosed in PEBU. Standard 1059 is around the accounting standards for public-private partnerships that is coming into force. We will be looking at having that assessed and incorporated in the 2021 budget.

MR COE: Okay.

MR COE: Thank you. Back on infrastructure finance: going on from the obviously pretty attractive rates that the ACT government is getting in the bond issuance, how does that change or impact decisions about how PPPs operate?

Mr Barr: Future PPPs? It would probably make them less likely would be the headline answer.

MR COE: Yes.

Mr Barr: It is not impossible, but less likely. It would depend on the asset type.

Mr Miners: Finance or cost is one of the factors that are involved in making a decision about the type of financing that we use, the interest costs. There are various other factors, including the type of asset; where the expertise lies in delivering the asset; the length of the asset; the type; and the nature of it. It would be one factor that would be considered in the mix of factors.

MR COE: I turn to the operating statement and impact of light rail stage 1, which is on page 281 of BP3. It unpacks that total availability payment, in effect, with the interest—

Mr Barr: It is 279, isn't it?

Mr Miners: Which is it?

MR COE: 281, I think.

Mr Miners: Page 281 is a blank page titled "Safer families".

Mr Barr: It is 279.

Mr Miners: Yes.

MR COE: Right. There is a slight difference between the online version and the printed copy.

Mr Miners: Yes, I will note that.

MR COE: It is page 281 online, but 279 for you people that have a printed copy.

Mr Barr: That is a fair call.

MR COE: It was rare as hens' teeth on level one, let me tell you that. Obviously that interest payment is pretty significant and works out to be a fair bit higher than what we are getting on bonds at the moment. Therefore, with regard to stage 2, be it 2A or 2 proper, are you considering a more traditional contract for 2A for financing?

Mr Barr: We would certainly look at that, yes.

MR COE: Are you in any way tied to either the operation of stage 1 or the contract of stage 1 as to what financing options are available for stage 2?

Mr Barr: I do not believe so, no.

MR COE: No? Okay. Are there any infrastructure projects that are in the pipeline that have either been announced or have been foreshadowed where there is active discussion about whether it is a PPP or a more traditional contract?

Mr Barr: Not the hospital, no.

MR COE: What about CIT, for instance?

Mr Barr: No, there is nothing unique about that building. It is not a—

MR COE: Yes, but you could say a similar thing for the courts as well.

Mr Barr: I think there was a DCMO, wasn't there, in terms of the building there?

Mr Miners: Yes, the courts provided a good opportunity at the time to have someone come in and do that as a package and the PPP stacked up at that time as the best way to go forward.

MR COE: What is the embedded or effective interest rate for the courts project?

Mr Miners: I do not have that off the top of my head. We would have to take that on notice.

Mr COE: Yes, if you could; thank you.

THE CHAIR: You are taking that on notice?

Mr Miners: Yes.

MR COE: Thank you.

THE CHAIR: I would like to ask about revenue management and refer to a printed copy of the budget outlook, page 154. It is table 3.5.13, the sales of goods and services. All good?

Mr Barr: Yes.

THE CHAIR: Parking fees are forecast to increase by 14.8 per cent in 2021-22 and then 13.9 per cent in 2022-23. What is the rationale for such big jumps in parking fees?

Ms Vroombout: I think we would have to take on notice the detail of that, but there were some freezes in parking fees as one of the COVID initiatives. That would explain part of the increase, but I would have to take on notice the further detail.

THE CHAIR: Thank you. In a similar vein, why are outpatient fees forecast to increase by 34 per cent in 2022-23? It is in the same table.

Ms Vroombout: Again, I would have to take that one on notice.

Mr Barr: It is a health question, but we will take it on notice; let them know and they can—

THE CHAIR: Thank you.

MR DAVIS: Treasurer, does Treasury do economic modelling to determine the cost-benefit of arts spending?

Mr Barr: Treasury? I do not think so, unless there was a specific proposal that came forward. Treasury does not have a standing capacity to model anything just for the sake of it. The way that the ACT government is structured is that it is one administration. So if there was a desire to model the economic benefits of arts spending, then that would be initiated through the arts portfolio. Treasury just does not randomly decide that we will model this and we will model that.

MR DAVIS: That is okay. If we do not do cost-benefit modelling, what modelling, if any, does Treasury do in relation to arts spending?

Mr Miners: We look at a couple of things. The main one, again, is when business cases come in. It will depend very much on the nature of the spend. If it is about ongoing funding, most of that is smaller things that come through each year. We just do our normal budget evaluation of those in terms of whether it represents value for money, check that it is aligned with the staffing being used et cetera and that it all lines up. Some larger capital projects will come through from time to time and we will do an evaluation of those through the budget process on a project-by-project basis to determine that they represent value for money and, again, that they are likely to deliver the outcomes that are being proposed. Those are the main frameworks. With larger proposals, a large capital investment, there would be a fuller business case; there would be much more analysis of those types of projects.

Mr Barr: I guess, as a headline summary, Treasury operates more like a finance department than an independent think-tank economic modelling organisation. Our government is too small to have all of those stand-by capabilities. If we wanted economic modelling on a particular industry sector, we would have to commission it. We do not retain in-house capabilities.

MR DAVIS: That makes sense. What I am saying is: if most of the economic modelling cost-benefit analysis et cetera comes from the respective departments when they make budget submissions to Treasury, what is the framework that you use? You use the example of whether it is good value for money. What are the processes? What policies does the Treasury department put in place to make that determination?

Mr Miners: There are lots of different bits to that in how it works. In the first instance, Treasury works quite closely with agencies when they are developing policies. Again, this is a little bit scaled by size. For very small things, we do not spend as much; for larger things, we spend more time. We often work with agencies. We will work with the economic development area; we will work with all the directorates to help them with the policies that they are bringing forward and the proposals to work through. Right from a very early stage we make sure that we get a good understanding of what they are bringing forward.

The second thing is that, when we look at the frameworks, we use a framework—template is the wrong word—which is about asking questions around policies. One of the things that treasuries do is see every policy. We have a really good way of benchmarking across policies because we have often seen it before as our collective memory over time. We will think about things that we have seen before: is this a good approach to use; does this approach work if it is in the arts space; is this going to generate community activity? We have seen these things before and we know whether or not they have worked because they have typically come around before. We use a lot of that in terms of institutional knowledge.

We will look at the number of staff that are typically required to do something. For example, if there is a grants program in the arts sector, we would look at the number of staff required to manage that and benchmark that against other grants programs, either in arts or in different sectors, to try and determine whether it is value for money. We do all those sorts of things as a routine course. It will differ depending on the proposal, again, because every proposal is slightly different. It is a framework of using as much benchmarking as we can, using detailed cost-benefit analysis where required on large projects, and doing a case-by-case assessment of every policy as they come through.

MR DAVIS: I asked the question because I feel that with arts funding, more than most other areas of government expenditure, it is very difficult to make decisions based on historical context or when money has been spent before. The very nature of arts and arts culture and that sector is that it is forever diversifying. I just wonder how the Treasury approaches giving advice on whether a proposal is good or bad, particularly in instances where the arts community, or even the arts department, presents budget submissions that are unconventional, untried or untested, as artists are inclined to do.

Mr Miners: Can I just—

Mr Barr: I was just going to observe that it is not quite as simplistic as good or bad, Often the choices before cabinet are to choose between the greatest policy idea ever—so excellent policy ideas, some very good ideas, some good ideas and some average ideas. Be aware that if a bad idea makes it through the rounds, generally bad ideas get chopped off well before they—

MR DAVIS: Perhaps that was a bad choice of words, if you will. I am just trying to explore the Treasury department's thinking on brand new innovations which, I imagine, come from the arts sector.

Mr Barr: No, I would not say that. I would say that we get innovative proposals from across government. In fact, sometimes areas that you think and expect that you would get more innovation from you get nothing, and it is very disappointing.

MR DAVIS: I will not ask you to name them.

THE CHAIR: Mr Davis, are you asking specifically about arts or are you asking about how they differentiate—

MR DAVIS: No. In reference to arts funding modelling, I am trying to get a really good understanding of how you make a decision on whether or not to fund something arts.

Mr Miners: Can I come back to the point that the Treasurer made? Treasury does not decide what to fund. Cabinet will decide what to fund and the government will decide what to fund.

MR DAVIS: Based in part on your advice, obviously, yes.

Mr Miners: Based on our advice, but Treasury is not the only person in the room. I think that one of the really key features—

THE CHAIR: In fact, Treasury is not a person.

Mr Miners: Thank you; yes, indeed.

Mr Barr: Even the Treasurer is not the only person in the room.

Mr Miners: Treasury is not the only source of advice. The way that we try and provide that advice is to make sure that all of the information that ministers and cabinet need to make decisions goes into the room. That is our role in that. It is not for us to rule things in or out. Yes, we do provide advice and the advice we provide is based on our experience in looking at value for money. As Treasury—and, as the Treasurer said, the finance role—that is a key part of what we do. We have seen a lot of policy come through and we provide that advice into the room as well. From our perspective, Treasury has always been about making sure that ministers have all the information available in front of them. That will include everything coming from the arts sector or the health sector or whatever sector it is to make sure that they can make a good decision. The Treasury role is to make sure that all that information goes in. That is what we try to do.

Mr Barr: The bottom line and my experience over a decade is that—we have about $7 billion now in revenue and we receive expenditure proposals each year such that, if you agreed to them all, you would be spending $21 billion or more—you can never agree to everything. A truism of the ACT budget is that a third of it will be spent on health and 25 per cent will be spent on education. I do not think that there has been a government in the history of the territory that has had the appetite to reduce those two portfolios' share of total territory spend. In fact, in most instances, the pressure is there to grow those areas of expenditure faster than the rest of the budget.

What that does is put immense pressure on the remaining 45 per cent of expenditure, of which the arts is one area. There is a view—and this is what the community wants, as demonstrated over 30 years of both public opinion surveying and election results—that they want most of their money spent on health and education, and that is pretty well what happens.

New initiatives in the budget are about one per cent, often, of the total spend. All these things tend to be at the margins. We spend a lot of time poring over one per cent of expenditure, which is fine because they are new decisions that are taken each year. As the economic advisory report notes, most ACT government spending is locked in, and there is little or no appetite from any elected member of the Assembly to radically change that.

MR DAVIS: Do not challenge me.

Mr Barr: To use the words of Sir Humphrey Appleby from that famous TV series *Yes Minister*, it would be courageous to go out and advocate for less spending on health and education.

Mr Miners: Just a very valid point: the other thing that, obviously, we take into account is government priorities. When we are providing advice, we are very cognisant of those. We also engage with different sectors. We have a budget consultation process where we go and engage. It was a very productive issue. We actually went out and talked to various sectors, including the arts sector, and had input from them.

I was just thinking of a small example. There was a proposal a few years back to replace some of the seats in the Canberra Theatre Centre. What does Treasury know about how good the seats are? Well, I sent the staff over to have a look at those seats and sit in them. They came back and said, "Please replace them." We will engage in often very simple ways to get a good understanding of what the problem is and get it firsthand.

MR DAVIS: Great; thank you.

MR COE: Can you please clarify, Treasurer, what was the final number of properties that actually got the freeze for residential rates?

Mr Barr: From memory, 110,782, but someone will tell me the exact number.

MR COE: It was reported about a month ago in the *Canberra Times* that your office initially said that only 18,000 properties would be increased. The following morning it was revised to 36,000, and figures from ACT Treasury published under FOI will show the actual number was far higher, at 60,295. What was the issue with regard to the numbers?

Mr Barr: Someone misread a table. I think the information was presented as cohorts of properties, where the increase was zero to one per cent, one to two per cent and then two to three per cent.

MR COE: So the misreading happened in government?

Mr Barr: I believe so. I think an incorrect figure was given and that was corrected. Then there is an argument about real versus nominal. In real terms, that is actually a decrease because inflation was a little over one per cent. These are somewhat pedantic discussions, but an error was made that was corrected for the newspaper as quickly as possible. Yes, that error was made; it was acknowledged that it was a mistake and it has been corrected.

MR COE: Sure. But, according to the article, the correction happened the following morning, which was 18,000 properties and then it was adjusted to 36,500. Then it is reported that the full figure of 60,295 came through FOI.

Mr Barr: Yes, so that would account for the properties that had been zero and one per cent increase, which is where you get to the argument about is that a nominal increase. It is a nominal increase, but zero is zero, so that is not technically an increase. The information was presented within bands of how many properties had zero to one per cent, one to two per cent, two to three.

MR COE: So 60,000 is the number of households that had a nominal increase?

Mr Barr: Possibly, although for some the nominal increase could be as low as one dollar. So 110,000 or thereabouts had a decrease and then the balance would have either been zero or an increase. They were in different levels of increase, and that is where the error occurred. Then there is the question of whether you are talking about nominal or real. For those who do not understand the difference, nominal being a dollar amount and real being adjusted for inflation.

MR COE: Therefore, are we going to see catch-up provisions in effect or are things going to be paused?

Mr Barr: We have said that the average increase across the forwards for all properties is 3.75 over the next phase of tax reform. The live question for government is will we taper down the rebate to smooth that out? That is a decision we are yet to take. I would not permanently keep the $150 rebate; I can say that. The question that we will mull over, depending on the state of the economy—and I have said this publicly already—is will we have a transition? I will not pre-empt that decision at the moment other than to say that we are obviously considering it. Then it could be a question of is that across the entire cohort or is that for particular household types? You could apply it to pensioners; you could apply it to a number of different concession holders.

MR COE: Property prices have been increasing pretty steadily.

Mr Barr: Yes, a function of low interests is asset price inflation.

MR COE: It also means that there is a fair bit of bracket creep, potentially, with regard to the number of properties in the different thresholds, assuming it rolls on to the AUVs.

Mr Barr: Yes. Obviously, that is now on a five-year lead basis, so an increase is moderated over five years. So the thresholds and/or the marginal tax rates are adjusted to effectively ameliorate bracket creep. It is not like the income tax system. We set a global amount that we wish to collect and that is then distributed. Properties may move relative to each other, but there is a total cohort and that does not mean that there is bracket creep.

MR COE: So in light of that, especially with regard to conveyance duty, in addition to rates, being the property taxes and then land tax as well, what impact is this increase in property prices going to have relative to the trajectories that you have got for the total revenue for the property taxes?

Mr Barr: That will obviously depend on what further decisions we take on stamp duty reductions, depending on the property type. I saw this in the Pegasus report, which is very cheeky of them, given the fact that the total number of properties in the city has grown by 25 per cent since tax reform started. So you have a bigger base, so the volume of transactions is going to increase. There is a difference between the volume of transactions and the tax rate, so that is pretty fundamental and basic accounting and economics. So whilst Pegasus provided some interesting questions and interesting analysis and commentary that I take on board, that one was not a particularly fair observation because there are now 180,000 properties in Canberra when there were 130,000 when tax reform started.

So, yes, there will be more houses transacting because there are more houses, but the tax rate that is applied to each transaction is lower than it was nine years ago. That is the reality. Our city and our economy continues to grow and so what you need to be assessing is what would the revenue rate have been if you had 15,000 property transactions at the higher tax rate as opposed to 15,000 property transactions at the lower tax rate. That would be a fair analysis, and that has not been undertaken by Pegasus.

Fortunately, it has been in the tax reviews that we commissioned. I refer the committee to the analysis and the work that has been undertaken there that shows, in fact, that we are slightly below revenue neutrality, particularly for the residential sector. We are above it for commercial. But net, combine the two, below. That is about right, is it not, Mr Miners?

Mr Miners: That is correct, and the commercial side does not take into account the changes in payroll tax.

Mr Barr: To go to an earlier question from Mr Davis.

MR COE: In terms of the assumptions that are built into this budget, what is the outlook for property price increases? There is housing market commentary on page 31.

Mr Miners: There is also commentary on page 143 where it talks about residential conveyance duty, again reflecting the movements in the housing market. So we are getting higher activity as well as higher prices, and that will drive additional revenue through that sector, again subject to policy decisions by the government.

MR COE: Yes, but obviously some assumptions are built in. So what would they be? Obviously, population growth is another variable in all of this, but there still have to be some assumptions on property prices.

Mr Hedley: Firstly, I agree to the privilege statement. I am the executive branch manager in the revenue and forecasting area that looks at these rates. We will have to take on notice the exact property price numbers that are applied, but we have assumptions around the volume of transactions and property prices. The simple way of answering this is that the property market has picked up quite quickly in the ACT and nationally.

At the time that we prepared the budget estimates, we had seen some of that and we had built in some of the improvement in property prices into the revenue estimates, but it is fair to say that the market has picked up quite quickly and is continuing to improve, and so we will not have necessarily captured all of that. What that means in terms of conveyance duty is that we probably expect conveyance duty to continue to pick up, but that is just reflective of the strength in the market and the confidence in the ACT economy of people purchasing and transacting properties here.

Mr Miners: The assumptions we make are also very highly dependent around what happens with population growth into the future, as you mentioned, Mr Coe. At the moment, in the estimates we are using population growth based on what the commonwealth is telling us because the main driver of population at the moment is purely natural increase and it will very much depend on when the borders are open.

Certainly, as we look into the future, that is one of the key assumptions that is being taken. We are using the commonwealth numbers on population and that is flowing through. I think that there is probably some upside to the population numbers being put out by the commonwealth, and if we get that then that will certainly create an upside to all the estimates and, again, create flowthrough right through the land release program et cetera, as well.

MR COE: Just to clarify, can you take on notice what assumptions are in this budget for the number of transactions and property growth, and if you have any working numbers for what it might be, given that you have now got more evidence and more information and it is constantly evolving, that would be useful.

Mr Barr: Yes, happy to do that. An observation I make is that while Treasury has generally been able to get within several thousand dollars for accuracy when revenue forecasting for rates, this one is wildly fluctuating.

MR COE: And that is going to be easier when you reverse engineer it.

Mr Barr: Indeed. Yes, that is right. But you cannot reverse engineer the property market, as Mr Davis would know.

MR COE: There still have to be some figures that you use.

Mr Barr: Sure, and happy to provide them.

MR DAVIS: As the Treasurer notes, I have a slightly different job now. I note the language being that the property market is improving in the context of house prices increasing. Does the government consider increased prices in the housing market to be an improvement?

Mr Barr: It is an interesting observation. For the majority, yes; but for those who do not own an asset, no. This is a very interesting question. When we talk about housing affordability do we mean we want the principal assets of the majority of householders to be worth less? That could be a stated policy objective. It would meet with pretty fierce opposition, I imagine, from the majority of property owners.

I would not look at it in nominal terms; I would look at it as perhaps a proportion of income. I think that would be a better measure of both affordability and the desirability of that asset increasing in price. Like it or not, there is a wealth impact that when people's principal assets are increasing in value, they feel wealthier and they spend more. That is an economic truism for the Australian economy. If the counter were to be true—that asset values were falling—then people who have mortgages would find that the share of the asset that is owned by them would be in some difficulty. Then, of course, you have the really pertinent question of those who have just entered the market and may have done so with a five or 10 per cent deposit and having all of their equity evaporate and finding themselves in a great deal of difficulty.

It is a very complex policy area, but we tend to gloss over it or simplify the issue when we talk broadly about housing affordability. One of the reasons that houses are expensive in Canberra is that they are the biggest houses in the world—our houses are bigger per square metre. Most people in the world live in houses that are less than 240 square metres, which I think is the average house size or thereabouts—house size, not apartment—for the ACT.

We have also just witnessed, as I was alluding to earlier, householders—those owners of property—shifting a massive amount of expenditure out of overseas holidays and domestic tourism and going out to dinner and all the rest. They have ploughed that money into their properties, increasing the value of the properties and improving the asset. That is another factor that will increase house prices. A house is something that people invest in, as well, with a view to growth. We have people who invest in housing as an investment class.

MR DAVIS: I have met a few of them.

Mr Barr: Yes, I bet you have; more than me possibly. That is exactly the issue. It will depend on your perspective is the short answer to a long and complicated question but one that we do think about and which is a factor. I just make the observation that we have expensive houses because they are big and well equipped. That is another factor that is so often overlooked when comparing Canberra house prices to elsewhere. As we all know, a well-equipped house at $3000 to $4000 per square metre fit-out as opposed to a very basic property at $1500 per square metre fit-out will give you two very different asset prices.

MR DAVIS: Although many Canberra renters would argue that the value of rent that they are paying is not necessarily proportional to the value of the asset that they are renting. I can think of a few rental classes in the inner north, in particular.

Mr Barr: I guess it would depend, to a certain extent, on what drives that decision to rent in a particular area. Presumably, there are some offsetting reduced costs, be that transport costs and some intangibles around lifestyle or otherwise that lead people to pay more to live in certain areas. I do not want to digress too much but there is a fascinating lived example in Sydney of a build-to-rent project at the old Sydney Olympic Park that is attracting people from all over Sydney, not because of its location but because of the quality of the rental arrangement—the longevity, the never being kicked out and the concierge and other services, which people are interestingly paying more for.

Renters of service is another interesting question but that will vary depending on your landlord. It would seem that as the build-to-rent market really kicks off in Australia in ways similar to the US, some of that service add-on and certainty, plus potentially location, will lead to a better rental service for those who choose to rent for a variety of reasons.

THE CHAIR: I want to ask about territory banking accounts. Volume 2.1 of the annual report shows that the territory banking account total assets increased by $629.9 million. Can you explain why and where did that increase come from?

Mr Barr: Cash at the bank at a moment in time, really. Money was not expended; it is still in the bank account. That is probably the short answer, isn't it?

Mr McAuliffe: Last year we had a number of large borrowing transactions. The first big one was to refinance the asbestos loan, and then we went to market, probably around about April, with the onset of COVID. Markets were pretty tight, so we borrowed a lot of extra money at that time to have sufficient liquidity to manage that risk of not being able to access the markets again and all that uncertainty that was going on around the revenue base for the territory. I am just trying to find the page, but I am pretty sure that it was just more cash held at the end of the year.

THE CHAIR: It is around page 200 of volume 2.1, depending on whether you have an online or paper version. In a similar vein, the total expenses for 2019-20 were $438.9 million lower than the original budget. Can you explain why that was the case?

Mr Barr: We may have to take that on notice.

THE CHAIR: Sure.

Mr McAuliffe: Yes, I will come back to you with those. I dare say that the main reason for the expenses will be lower interest costs, both through the lower interest rates on our debt and the expense number, which also includes the interest that we pay to the agencies that invest through the central investment platform that we have. So our earnings last year were a lot lower than expected, but I will clarify that in a response.

THE CHAIR: With respect to maintaining sufficient liquidity in the territory banking account, considering the economic impacts of the pandemic, are you going to make any changes to ensure that sufficient liquidity is maintained?

Mr McAuliffe: No, in fact, we are reinforcing the liquidity thinkings that we introduced not just last year—we have been doing it for a while. We are going to continue to be conservative in that regard.

Mr Miners: We need to make sure that we hold sufficient liquidity and that we can always pay the bills. Mr McAuliffe and the team do a lot of work in making sure that those levels are right. Certainly at one point through the crisis there was more concern about being able to get to markets, but at the moment there is no great concern about being able to raise funds when we need them. So we can balance that liquidity at those levels.

THE CHAIR: The committee will now adjourn for a short break.

Hearing suspended from 11.27 to 11.44 am.

Appearances:

Barr, Mr Andrew, Chief Minister, Treasurer, Minister for Climate Action, Minister for Economic Development and Minister for Tourism

Major Projects Canberra
Edghill, Mr Duncan, Chief Projects Officer

THE CHAIR: For this part of the session, the committee will examine annual reports and budget outputs relating to the Treasury portfolio and specifically Major Projects Canberra. On behalf of the committee I thank you, Treasurer, and your accompanying officials from Major Projects Canberra for attending today. Could you confirm that you have read and understood the implications of the privilege statement?

Mr Edghill: Yes, thank you.

THE CHAIR: We will now proceed to questions, and we will start with Ms Orr.

MS ORR: Now that commonwealth has finally granted approval for stage 2A of the light rail, what is the next anticipated step and the indicative time frames over the next 12 months?

Mr Barr: Yes, so the commonwealth environment department has given EPBC approval. That is one of two commonwealth approvals, the other being the works approval that will be necessary from the National Capital Authority. Then a third approval requirement is an approved DA from the ACT Planning and Land Authority for the works that are on non-designated land. That is where we are at. I will ask Mr Edghill to talk us through the time frames.

Mr Edghill: Over the coming 12 months or so, as the Chief Minister mentioned, a large focus will be on making the final planning approval submissions that need to be made, the NCA works approval in particular, which we will be looking at later in Q3 or early Q4 of this calendar year.

In order to get to the works approval application point, there is ongoing design work that is needed to be undertaken by Major Projects Canberra. Depending upon the outcome of the commonwealth planning approval process, that will culminate in early physical activities, primarily utility relocation activities happening potentially towards the back end of this year or early 2022. In turn, that would feed into the next step in the process, which is the component of the project of raising London Circuit. So 2021 will be a particularly busy year for the project and Major Projects Canberra.

MS ORR: So you will be seeking planning approvals for stage 2A imminently?

Mr Edghill: Towards late Q3 or early Q4 this year.

MS ORR: That was from the NCA, is that correct?

Mr Edghill: This is from the NCA. As the Chief Minister mentioned, we have received the environmental approvals from the commonwealth under the EPBC act, so that is done. The next major approval is the NCA works approval. There are some slivers of the corridor which fall within ACT planning jurisdictional controls, so there will also be a need for DA applications to be made as well.

MS ORR: So, fingers crossed, we could have all the approvals done this year or at least submitted?

Mr Edghill: Yes, that is a little out of our hands when it gets into the NCA but, certainly, we would be looking to make the application later this year, with a view to obtaining the actual approvals themselves if not later this year then in the first part of 2022.

MS ORR: I appreciate that there are a lot of variables in this, but how fast do you hope to be able to move once you have the approvals to start getting stuff underway, broadly speaking?

Mr Edghill: It is an interesting and complicated project. A few parts will be moved in parallel. In terms of the physical works that need to happen in the 2A corridor itself, the first part of this project, as with any linear infrastructure project, is dealing with the utility services, either relocating or protecting them. So they would be the first physical early works we look to undertake.

Following that, the project rolls according to the raising London Circuit component of the project, so bringing the southern portion of London Circuit at grade to Commonwealth Avenue to allow our vehicles to get from London Circuit onto Commonwealth Avenue. Following from that, you get into rail systems and stops and so forth.

Some activities will need to happen in parallel which will also be progressed throughout the course of 2021. Light rail stage 2A involves a wire-free component, so we will also be progressing the works that are necessary, not only to work out what orders need to be put in for light rail vehicles for stage 2A but also to work very closely with Canberra Metro and CAF, the vehicle supplier, around the retrofitting process of the existing stage 1 light rail vehicles. If you can ever see them from above, you can see a space on the roof where the batteries can go, so we need to work through that process. There will also be some minor necessary works at the depot in Mitchell to accommodate the wire-free running aspects of stage 2A.

MS ORR: Am I right in assuming that vehicles were future-proofed for this and it is now just picking up that option.

Mr Edghill: Correct.

THE CHAIR: This budget has $1.47 million for the design and raising of London Circuit, and you mentioned that earlier. How did you arrive at that figure to go in the budget?

Mr Edghill: So the first part of the raising London Circuit works is primarily to design those works before a procurement is finalised for them. So that is primarily the design work required this financial year to progress that aspect of the project.

MS LEE: The chair just mentioned the $1.47 million. On page 7 of budget statements I there is an entry that refers to light rail stage 2A, design and raising London Circuit. Next to that it says the budget is $631,000. Can you give an explanation as to the two different amounts?

Mr Edghill: I understand that there will be capital and recurrent aspects of that work, and the table on page 7 is the recurring payment section.

MS ORR: When you say “raising”, what does that actually mean? I imagine that we are not going to have like a little conveyor belt that lifts it up. What works are actually involved in doing such a project?

Mr Barr: It is a big project.

Mr Edghill: It is a big component of the project by itself. It involves primarily civil earth works to effectively create an earth embankment, in the first instance, that raises London Circuit at a reasonable gradient for vehicles and pedestrians from where it is today up to the level of the Commonwealth Avenue overpass. Two important points: the first one is, even though light rail will be travelling only on one side of the raised London Circuit, you need to raise both sides of London Circuit otherwise you come around from the other side and—

Mr Barr: Hit a brick wall.

Mr Edghill: Yes, so that needs to be done. The works on that southern portion of London Circuit, as you would know, there are corners around London Circuit. You would be beginning the ramp up to Commonwealth Avenue from roughly the proximity of where those corners are or a little bit beforehand.

MS ORR: So there will be a ramp on both sides or one side?

Mr Edghill: Both sides. London Circuit and Commonwealth Avenue used to actually be graded at one point in the distant past. So, effectively, we will be restoring it to where it was historically. Once the works are complete, you would not know that it used to be a bridge and an underpass—there will be an intersection where you can turn left or right on to London Circuit.

MS ORR: So it will be quite a big change?

Mr Edghill: It will benefit not only the light rail project—we need an engineering solution to get the vehicles from London Circuit onto Commonwealth Avenue and vice versa—but that element of the project is also being progressed with a view to some of the other benefits that it will offer some of that pedestrian connectivity from the city area down to the waterfront.

ORR: You mentioned that the gradient had to be suitable for pedestrians. I was going to ask what thinking you have done around pedestrian access and how pedestrian access will be improved because it is not a very pedestrian-friendly place right now.

Mr Barr: I make the observation that the pedestrian connectivity is an east-west perspective as well as a north-south one. What that will mean is that the southern part of the city stops just being an intersection of freeways; it will also be a very significant piece in the puzzle for how the city is connected to the waterfront. It bridges over or fills in one of the two major impediments.

Another piece of work that is now complete an essential part of preparing for this is the Edinburgh Avenue extension that now connects up to Vernon Circle. When London Circuit is raised, that area will go. So the cloverleaf that comes into view heading north on Commonwealth Avenue and you take a left-hand turn and swing down underneath onto London circuit, that you will not be able to do once this project is underway. Your left-hand turn access will be Edinburgh Avenue, which is about another 50 metres around Vernon Circle. But that project is now finished, and it was essential to have that finished before we could start the work on this next phase.

MS LEE: Was there a business case or a formal assessment done at all in terms of coming to this figure of $1.47 million? If so, is it publicly available?

Mr Edghill: That would have gone through the ordinary budget business case process.

Mr Barr: Yes, it has obviously been part of the long-term city planning framework. The City Renewal Authority and Transport Canberra and City Services are also involved, together with Duncan's team at MPC.

THE CHAIR: During the election campaign there was a suggestion from a Greens candidate of having express light rail. At the time, the transport minister said it was impossible and very poorly thought out. Are you investigating that now?

Mr Barr: Not in relation to stage 2A, but that is not the subject matter of the Greens' policy proposal. The extension to Mawson was part of the policy position, from memory. So we are looking at that as part of stage 2B.

THE CHAIR: So it is not impossible?

Mr Barr: It is very expensive. I think the view of the transport minister—but you can explore this with him—is that it is very expensive and unlikely to be a way forward. There would be better ways to address the perceived issue in relation to express services. Part of that could be timetabling in terms of whether particular services leave Woden at particular times.

You have a little window to examine eventually running all-stop services versus limited-stop services, depending on the frequency. Unless you were going to augment tracks and effectively allow for overtaking, you run the risk of one service running up the back of the other. So there is an obvious physical limitation. There will be an examination of what level of express services can be provided, but my starting point as Treasurer is that I think the cost benefit is pretty low.

MR DAVIS: Treasurer, you referenced the transport minister's thoughts in relation to stage 2B and cited that it was his opinion that perhaps the stage 2B proposal would be too expensive. Are you aware of any modelling that the government may have at its disposal that would lead him to such a conclusion and, if so, is it publicly available?

Mr Barr: It is simply a reality of extra track to allow overtaking, depending on the time frame of frequency between services. If they are 15 minutes apart, then you certainly could run an express service, as in a limited-stop service; but if you are running them at a much closer frequency, then, unless you have overtaking lanes, effectively the light rail vehicle that is not stopping would run up the back of the one that is. That is pretty basic physics or transport logistics.

MR DAVIS: To my question around expense, what is and is not expensive is relative, and the transport minister has expressed the view that you have cited that the stage 2B proposal as suggested would be too expensive. Surely he has reached that conclusion based on some information?

Mr Barr: Well, yes—about $60 million per kilometre of track minimum, depending on where the overtaking components would be. It would depend on if they had to be in areas where there was bridging or anything like that and would depend on the width of the median. It is not impossible but, frankly, I would like to get stage 2A built before we worry about which stops are bypassed. It is not a major priority of the government at this time; we are focussed on stage 2A.

Mr Edghill: There are four primary issues: one is the cost of duplication of the track. There are technical issues associated with where you would do that in the 2B corridor. The third issue is that even if you had express services in one part of the system, you would then create bunching in peak hour, in particular at the city end of the system, and it would have knock-on effects for the stage one portion of the route.

The other issue is that light rail systems are designed as a turn-up-and-go service, where passengers know that they can turn up and another light rail vehicle will come along shortly. With overtaking services, depending upon exactly how it was organised, particularly in peak hour, if you were not getting on at a terminus or at a stop where the tram is actually stopping, you could find yourself waiting quite a long time.

THE CHAIR: So, for those four reasons, are you saying that it is quite unlikely that there will be express services, especially value for money or return on investment?

Mr Barr: I will not seek to conduct an analysis. It depends on what you mean by express. It is always possible that it would not stop at certain stations on certain services. That is how train networks work. At this stage that is a problem for the late 2020s. Let’s worry about getting stage 2A built, which is the focus of the government.

MS ORR: With the raising of London Circuit, when might a tender be released and when will we start to see the progression of that? It is a little bit different to the approvals for the light rail itself, is that right?

Mr Barr: Probably the first quarter of 2022 would be the date. Within about 12 or 13 months of where we are now.

MR DAVIS: My question is around gas. Does MPC have a policy around gas connection at new projects?

Mr Barr: Well, the government has a policy; MPC implements that. A practical example is the hospital. I think another example is at CIT, the new Woden campus.

Mr Edghill: Correct. Ordinarily Major Projects Canberra deals with infrastructure projects in two ways. There is the part of our organisation that assists other directorates with their infrastructure projects. We sit behind them in what they are doing. Then there are the designated major projects, which we hold the budget and have the direct ministerial accountability for. Because those projects are large and complex, we pay close attention to the implementation of broad ACT government policies in relation to each of those projects.

Of our three designated major projects, of course there is no component with light rail. The Canberra Hospital expansion is being designed on the basis of it being an all-electric facility, in which we have been quite forward leaning in terms of hospitals of that nature across Australia. Then there is the CIT facility, which is at a relatively early stage. With the potential exception of some areas that we need to work on closely with our colleagues at CIT—some of the cooking facilities, for example—that is also proceeding on the basis of an all-electric design at this point.

MR DAVIS: Just to be clear, you raised the CIT Woden as a point. Is it still the intention at the moment to put gas connection there, or are we investigating the options around induction cooking and providing—

Mr Edghill: Yes, we are definitely investigating that. We are at a stage of the design process where some of those decisions have not been locked in. Part of what we need to do in Major Projects is work very closely with our colleagues in CIT. So we will ultimately be guided by what our client, CIT, needs. I think that with the potential exception, which is still to be resolved, of some of the cooking facilities which are needed, the facility as a whole is progressing at the moment on the basis of an all-electric design.

MR DAVIS: Treasurer, does the government have a position on whether gas should be connected at the CIT Woden campus, based on our plan to transition away from fossil fuels?

Mr Barr: It depends on what sort of gas you are talking about—not connected to the mains network, I think, if that is at all possible. It may be that the next evolution for the gas cooking sector is using biogas. I know that some chefs prefer gas; others do not. I suspect that CIT will need to provide training packages for both. Certainly, using bottled gas, given the quantities that would be used, would be pretty limited. To go into a massive infrastructure spend to pipe gas in for the purposes of training in cooking would seem a bit over the top. So I am sure that there would be an innovative solution.

MR DAVIS: In the interest of future-proofing our investment, surely we accept that those who are training to be chefs today are not likely to be working in gas kitchens for the remainder of their working life.

Mr Barr: We do not know that for certain because we do not know whether, in fact, bottled biogas will become a viable cooking option. I would not rule it out. Then, ultimately, if hydrogen becomes an alternative use at some point in the future—you need to change the appliances if you are using hydrogen gas. That is probably not its best purpose. Its most likely purpose is going to be propelling heavy vehicles as a fuel type; but biogas could well work. Certainly there is a lot of industry interest. It would be better to capture it and use it that way than just have it pump into the atmosphere, so—

MR DAVIS: So we are not ruling it out at CIT Woden. What about the Canberra Theatre precinct?

Mr Barr: We are ruling out gas main connections.

MR DAVIS: Okay, great.

Mr Barr: But I am saying bottled biogas, for the purposes of teaching, could well be used.

MR DAVIS: Thank you, that is clear. Will the Canberra Theatre redevelopment have gas connection or any gas use?

Mr Barr: We are in the early stages of the project, but I would not have thought so. I do not think that it is a big energy user, so I do not think that it would need it.

MR DAVIS: Would you be comfortable taking that question on notice so that I could know for sure?

Mr Barr: I can but I do not know the answer finally yet. The project is at a very early stage but my assessment is that it is not a big energy user. We would need space heating; that would be its major call on energy. So I think that could be managed. It might require some electricity network augmentation within the CBD, but time will tell on that.

MR DAVIS: Okay, thanks.

MS LEE: Chief Minister, can I ask about the big battery project here, or is that in your capacity as climate action?

Mr Barr: No, that is climate action; it is not MPC.

MS LEE: I want to go to the cladding rectification project. How many ACT government buildings have been identified with cladding issues?

Mr Barr: This is Minister Vassarotti's area. MPC are assisting. From memory, it was in the 30s.

Mr Edghill: It is 21.

MS LEE: Have you been able to do an assessment about how many out of the 21 require major works or complete redoing and how many are minor modifications?

Mr Barr: Why do we not take it on notice, given that it is Minister Vassarotti's area? I am happy to take it on notice but it is with another minister, so I think that it is probably best that I not—

MS LEE: Jump in and try to answer.

Mr Barr: Yes.

MS LEE: I understand. I might ask the rest of the questions of Minister Vassarotti. Is that better?

Mr Barr: Yes, sure; but if you want to put them on notice, we can make sure that there will be answers for you.

MS LEE: Perfect. I will do that as well. Now I am just talking about MPC as an ACT government organisation. Besides the major projects outlined in the budget—obviously the big ones being light rail and Canberra Hospital—what other infrastructure projects does MPC intend on delivering or have in the pipeline?

Mr Barr: CIT Woden and the theatre, arts and cultural precinct are the other two big ones. Then there is the usual array of smaller projects.

Mr Edghill: We do not hold the budget for those other projects; we assist other directorates. Essentially, anything else which is being delivered by the ACT government—with the exception of some SLA projects and some other areas where we assist to varying degrees—for the most part, we would be involved in one way, shape or form with assisting other directorates in delivering their capital works program.

MS LEE: Do you have a priority list of the projects going forward, or does that depend on the other directorates who are implementing those projects?

Mr Barr: The projects that would be added for MPC to be the principal deliverer is a cabinet decision. It would be based on recommendation from, I guess, the Treasurer. Involvement in other projects would depend on the complexity of the projects. Essentially, the distinction is whether this is something that we do regularly. The education department is building a new school every year. They have been building new schools for 30 years of self-government, so they do not need a lot—schools are schools. That is pretty straightforward. It is when you are delivering a new asset class for the territory, for example, that you would call upon MPC's expertise as a major project manager.

MS LEE: Are there any KPIs for MPC?

Mr Barr: Yes. It is outlined in their budget papers.

Mr Edghill: Correct. We are essentially a delivery agency, so once another directorate has worked through its own prioritisation list and received approval from cabinet through the budget process to proceed with a project, our role is to deliver those projects—work with our directorate partners to deliver those projects as appropriately as we can.

MS LEE: Chief Minister, very soon after the election, you raised some concerns about the ability of the territory government to meet its infrastructure program into the future. Can you expand on that and whether you have had discussions with MPC, as appropriate, and what you have done to ensure that that does not become an ongoing issue?

Mr Barr: In the previous session, we were discussing some of the challenges for both public and private sector infrastructure projects that are pandemic related—the availability of skilled labour and provision of certain material supplies, depending on the nature of projects. Yes, we certainly have been discussing the timing of our approach to market on certain large procurements and then the distinction between those and, as I was referring to earlier, the projects we do regularly that are absorbed, in large part, by our local contractors—so, probably, to put a monetary value on it, in the sub-$100 million market. But there is not infinite capacity; you cannot overload.

A particular area that we have been looking at is the timing of when tenders go to the market, so that they are not all coming at the same time. Mr Edghill, through MPC, is working on a coordination effort with directorates around the schedules being as equally proportioned as they possibly can. There are, to be frank, some institutional challenges there, because just the annual timing of a budget cycle means that if you get new funding for a project at the commencement of a financial year and you need to do six to nine months of preparatory work, then your project is going to hit the market in the final quarter of the fiscal year, and it has always been thus.

We have certainly looked at effectively separating the initial funding for design, feasibility design and DA ready before making the allocation of construction capital for a project, so we look at it as a two-gate process. That has been in place for some time now in terms of managing the capital program. The other thing that the government can do is effectively have a smaller, secondary round of capital, which we have done in mid-year updates, so that we have, effectively, a June round and then a February round in the year. That helps spread projects out a little. Then the final factor, which is very much beyond our control, is what is happening in other, bigger markets.

The comments that I made were a reflection of my engagement with the national peak body Infrastructure Partnerships Australia. Mr Edghill's market sounding is that there are some areas of the Australian industry and infrastructure that will be at 110 per cent capacity for a period of time and so there are both risks and possibilities for the ACT in that context.

Infrastructure Partnerships Australia's advice is that the size of our projects enables tier 2 contractors to be involved as well. We are not just in the tier 1 market: we do not have $10 billion tunnelling projects or $30 billion rail infrastructure projects, where you must be a massive company in order to be able to take on the risk of delivery. Our projects that fall in the half a billion dollar, $250 million, $300 million range are open to a wider national field, so that is a positive for us, I understand; but it will depend on the asset and what other states and territories are doing in that space.

A great example is that we hit the market at the absolute right time for light rail stage 1. That is universally acknowledged throughout the Australian infrastructure market. We had four excellent consortia bidding, shortlisted to two outstanding consortia and then, ultimately, picked one. New South Wales and other governments that went into the market a bit after us did not have such a great experience with their light rail procurement. I will leave it at that.

MS LEE: Obviously there are some industries where we might be able to see growth, as opposed to the other way round. What are some of those in the context of the ACT market that you see? Is there a whole-of-government strategy that you have to ensure that our local skills capacity is as high as it can be?

Mr Barr: Yes. Clearly we have a very strong program in terms of civil works. The issue, I suspect, will be two to three years hence on residential construction. Not so much single residence but mid-market and apartments. The question there is whether population growth will return to towards 2 per cent per annum once international migration is allowed again.

The policy question that I have posed to the commonwealth, which is on the agenda for the next treasurers' meeting, next month, is whether the commonwealth will seek to catch-up on what will effectively be two years of almost zero migration. If so, my presumption is that they would not seek to do it in one or two years. To put raw numbers on this, we were taking as a nation about 300,000 new international migrants a year. That dropped to 30,000, I think, for 2020, and will presumably be not much more in 2021. So we are talking about half a million people. They are not going to take 800,000 in one year. That would overwhelm our supply side. Will there be a 10-year 50,000 increase and will we have 350,000 a year for the next decade?

The commonwealth are considering that and, to their credit—and I want to acknowledge Treasurer Frydenberg—they are going to have that conversation with the states and territories, which is a good thing, because we bear the infrastructure pressures associated with the increased population. I note that there are very different views around the country on the migration program. Some states and territories are desperate for the extra people. NT and South Australia are very high profile in their desire for more population.

MS LEE: No surprises there.

Mr Barr: Sydney and Melbourne are not so keen on it. So part of the policy question will also be regional dispersal and how that might be mandated. Then it intersects with the labour market and then the question of skilled migration versus humanitarian, family reunion and the like—and this links back to answering your actual question around skills—with a view to how much of our local skills needs will be able to be met through training people who are already in Australia versus bringing in particular skills.

That is the subject of a lot of consideration by skills ministers, with work that is ultimately coming to treasurers and National Cabinet. I do not want to pre-empt that because I do not know exactly where the commonwealth are going to land on it. What

I can say is that there is, again, a wide variety of views, depending on where in the country you are and what sorts of skills shortages you are facing.

I see that as an economic opportunity for our education and training sector, in that, between CIT and our universities, I think that we can offer some new courses in areas where we have skills shortages. That is part of the thinking and rationale behind the UNSW Canberra expansion, and the reason we have chased that, because I think we can draw students from across Australia into those institutions, which is a good thing for Canberra, as well as meeting our own local skills shortages. I guess that it is going to end up being a mix of local training and skill importation in certain areas. That is probably where it will end up.

THE CHAIR: Treasurer, the ACT government infrastructure plan from 2019 outlined the importance of a new rectangular stadium and possible sites for development. It no longer appears to be in the picture; it is not in the budget.

Mr Barr: No. There was some funding in last year's budget to complete some work, and that work has largely confirmed that it is just feasible on the Olympic pool site, which would require some realignment of Parkes Way. You will note that there is money—and the commonwealth have agreed, given it is their road—in the budget matched between the commonwealth and the ACT to look at that, as well as the Coranderrk roundabout intersection issue.

THE CHAIR: Is that the one with the ponds in the middle?

Mr Barr: Yes. It is effectively between the convention centre and CIT but more towards the lake, that roundabout. That is the area of further work at this point in time. A very steep-gradient stadium, not dissimilar to the stadium that the New South Wales government built in Paramatta—that would be the sort of steepness and narrow footprint that would fit on the Civic site.

THE CHAIR: When you have put together the infrastructure plan and a business case, how many jobs will the construction of this project entail?

Mr Barr: A project like that? Four or five hundred, I suspect.

Mr Edghill: I have not done the analysis but it would at least be in that order. By way of rough comparison, CIT Woden is expected to produce, over its build cycle, about 520 jobs. I imagine a stadium is a bit more complex than the building at CIT, so it could potentially be north of that number.

THE CHAIR: As part of that business case to get it on the infrastructure plan in the first place, could you outline some of the other major sectors and businesses that may benefit from this project?

Mr Barr: From the stadium?

THE CHAIR: Yes.

Mr Barr: There would be ancillary retail and hospitality services, depending on the location, to bring extra people into a precinct, and it also depends on the nature of other uses. Principal to the investment decision is how often the venue would be used. The more tenants, be they sporting teams or more uses, the greater the spillover economic benefit for the precinct.

THE CHAIR: In that initial planning stage, would it have its own parking capacity included in the stadium?

Mr Barr: Very limited. Your only option would be under. It would not meet its parking—if you assumed everyone drove. But then no stadium in the world now is really built with a view that everyone who attends is bringing their own private vehicle. It is just not feasible unless you put it in a paddock in the middle of nowhere and said you were going to have it ringed by 20,000 cars, which is effectively what we have at Canberra Stadium, except the paddock is shrinking, and that just does not work. It is a transport nightmare.

So you have got to plan these things for where there is effective public transport and try to get as many people as possible to attend using public transport. That is the model in Brisbane, Melbourne, Sydney and Perth. That will be how we will proceed. It could not be on the basis that you would have to find 20,000 car parks. Of course most sporting events are on weekends or in the evening, so there is existing parking within the CBD that would not be being utilised as heavily at those times. So you could spill into some of the existing car parks.

MS LEE: What is the time frame in terms of the next steps?

Mr Barr: For consideration of a stadium?

MS LEE: Yes.

Mr Barr: I have said that, from the government's perspective, it sits behind the theatre precinct. We are talking about the theatre precinct being a 2024 to 2026 proposition in terms of commencing construction and conclusion. So it is hard to see a stadium going to market before the middle of the decade. Plus, of course, we still need to answer the question of whether you would incorporate a pool within the stadium precinct as well. It could be done. It would add to the cost but it could be done. So that is another factor we need to consider. And if it is not there, then where else is it?

MR DAVIS: Highlighted in the annual report, you stress that in the 2020-21 year there was a challenge for MPC in terms of getting the right information at the right time across government. What strategy have you got in place to make sure that, going forward, there is clearer information sharing?

Mr Edghill: Thank you for the question. If I may, I will very quickly correct a number I said before. I noted that there were 21 buildings; that number is 23, sorry.

There are effectively two ways in which we are ensuring that we are getting the right information we need. The first one is to work exceptionally closely with each of our colleagues across the service. For our major projects we have dedicated project boards where we have our other directorate colleagues around the table. But also, we have been working very hard within the other part of our organisation to make sure that we are liaising exceptionally closely with other directorates. I have a focus, and the ACT government has been making progress, on the way that we capture project information through our PMARS reporting system, which gives us access to more timely project information, which in turn helps us to manage projects on our own behalf and on behalf of other directorates.

MR DAVIS: Are you confident, based on those plans, that the challenges you have identified should be overcome, perhaps even by the next reporting period?

Mr Edghill: There will always be challenges, no doubt. But we are striving to do the best that we can.

MR DAVIS: Challenges so great that they were highlighted in the annual report is why I asked the question.

Mr Edghill: I have every confidence that we are doing our absolute best to do the best that we can.

MR DAVIS: Noted, thanks.

THE CHAIR: We will now close off that session and move to the ICRC.

Appearances:

Barr, Mr Andrew, Chief Minister, Treasurer, Minister for Climate Action, Minister for Economic Development and Minister for Tourism

Independent Competition and Regulatory Commission
Dimasi, Mr Joe, Senior Commissioner
Weier, Dr Annette, Chief Executive Officer

THE CHAIR: For this part of the session, the committee is examining the annual report and budget outputs relating to the Treasury portfolio, specifically the Independent Competition and Regulatory Commission. On behalf of the committee, I thank you, Commissioner, for coming along, and other officials, as well as the Treasurer. Could you confirm for the record that you understand the implications of the privilege statement?

Mr Dimasi: Yes, I can confirm that for the record.

THE CHAIR: Thank you. Your annual report mentions that the commission used a variety of consultation methods over the past year to make it easier for interested parties to put their views and evidence forward. Could you expand a bit on the methods that you used and what you found worked best?

Mr Dimasi: We have a public consultative process for most of the activities that we conduct. That involves, usually, putting out issues papers, draft reports and final reports. There is a pretty clear, fairly standard process. We ask for submissions; we hold public forums. We have also set up a committee of interested groups—consumer groups, employer groups and others—that we meet with, I think, two or three times a year and run through the topical issues and get them to have a closer understanding. We have done all of those things. We have used survey methods to gain information about some of the work that we have done. So we have been using a range of activities.

Dr Weier: We have also put what we call a feedback form on our website so that if someone wants to just give us some short feedback rather than a full submission, it allows them to do that as well.

Mr Dimasi: I think they all have their merits—because your question was about what works best. They all work for different customer groups or user groups, for different interest groups. We need the written submissions for our reports. We need to have something on the record. But we know not everyone is capable of doing that, so we will try to talk to their representatives, like consumer groups or the employer reps or whoever it might be. The short feedback—I think they all have their place. We have tried very hard to get people to come along to the public forums. We are holding a couple soon on various things that we do. We have found benefit in all of those things. They just provide different inputs from different interested parties to our processes.

THE CHAIR: So there is nothing new, special or different relating to the pandemic?

Mr Dimasi: In terms of the pandemic, we have not had a public forum, I think, since. Let me take that back. We have had online forums, as everyone else has had, and that has been an important part over the past year. A lot of the things that we have done in the past year have been virtual. Written submissions are written submissions; it does not matter what the circumstances are. But certainly with the face-to-face meetings we have moved to provide virtual access to the commission and to our processes. We have been doing that extensively.

Dr Weier: Our consultative committee has been online too. It makes it easier for people to attend, as well as for COVID, so we have continued that. We also upgraded our website a bit over a year ago and we are sending out emails to our stakeholders and encouraging people to go on the email list so that they are updated and do not have to continually monitor our website.

THE CHAIR: Have you found that useful, the online forums, as something that you might continue in the post-pandemic world, whenever that might be?

Dr Weier: Yes. We think it has worked well particularly for the consumer representatives. Some of those are volunteers and so they find it quite difficult to get time out of their normal jobs to attend committee meetings. They have expressed a preference, because they avoid having to travel, that we continue the online delivery of those meetings.

MS ORR: Your report notes that four of your major work streams have finished up. I want to get an idea of what you are looking at doing next.

Mr Dimasi: We are about to finish off a couple of important pieces, but there are a few more that are coming along. We have to do an annual adjustment for water and sewerage and also for electricity. That is there year on year, so that will be done. Also, the government have indicated that they will be asking us to provide some assistance in the electricity space, in the transparency initiative, where we will be developing a code, and we are getting ready to do that. That is something that we are getting underway already.

We have been doing a range of methodology reviews. That is just keeping our tools up to date and relevant in modelling work for the pricing of the retail price of electricity and also of water and sewerage. We have done quite a lot of that and there is still some more that we will be doing over the course of the year. We have been updating our consumer protection code and the licensing reporting. So a bunch of things are there for this year. We expect to be, certainly for the first half of the year, quite busy, and then I guess we will see what pans out. Dr Weier might have a few more that I might have missed.

Dr Weier: We have just updated the licences. One of the things that we do in between price investigations is to check things like the licences and the codes to make sure they are all up to date and to update these resources when we are not really busy. We are also finishing off the stage 2 advice to the government on the crematorium competitive neutrality issues.

THE CHAIR: When is that competitive neutrality stage 2 advice due to be provided?

Dr Weier: We have been working with Canberra Cemeteries. They put in their proposal at the end of last year. We have had some questions and there has been a bit of going back and forth with them so that we fully understand what they have been doing. We have now completed that assessment and we are giving that to the senior commissioner later this week at our commission meeting. Once he has approved that, the scope of work requires us to give it to Canberra Cemeteries so that they can review it and give any response to any issues that we have raised. Once we get their response back then we can finalise it. We expect it to be in the next few weeks.

MS ORR: In the next few weeks?

Dr Weier: Unless something goes wrong—but hopefully it will be in the next few weeks.

THE CHAIR: So you do not have a due date when you are required to report back on the referral?

Dr Weier: No.

MR DAVIS A little while ago the ICRC made a number of good recommendations around the electricity market and protections for consumers. I note that a lot of those recommendations were taken on board and actually form part of the government's parliamentary agreement. I am curious to know what the progress is on developing a reference bill for those consumers.

Mr Dimasi: Our role, from what I understand the government has indicated, will be to develop a code. That is something that we are progressing at the moment. The reference bill is, of course, a matter for the government.

MR DAVIS: Of course. What is happening on the obligation to proactively contact the consumer to inform them of better electricity plan offers? Has that work already commenced, along with development of the code?

Mr Dimasi: We are waiting to get the formal request for the work, but I think the indication of the government has been pretty clear that, as per our recommendation, there will be two key things. One is setting a reference bill so that offers made by retailers are compared to that reference bill, so that people do not offer discounts that are off some high bill that means very little. That reference bill work is, I understand, underway. The code that we are, I believe, being asked to develop will be to ensure that that is done and to ensure that retailers are required to provide information to their customers about a better offer, if there is a better offer. Again, that is part of the code requirements that we are currently working to draft. These are things that are on the way, but all the nuts and bolts are being developed at the moment in getting it done.

MR DAVIS: I am sure you would agree that even the best policy, the best possible framework for this piece of work, would be ineffective if there just were not enough energy retailers in the market to provide enough options for consumers. Do you feel there are currently enough energy retailers in the ACT to provide competition?

Mr Dimasi: There are a number of retailers. Of course, ActewAGL is still the dominant retailer. There are quite a number of others, and if you simply looked at the number of retailers you would say that it looks like a competitive market. But it is a bit more complex than that. Effective competition requires not just a number of retailers. The complexity that could be in the market with a particular product or service might make it difficult to have what I would describe as good, solid competition.

Part of helping the market work well, or work better, is helping consumers to understand what they are being offered, what the alternatives are and what else is available, without them having to do undue searching and requiring a whole lot of expertise—because, again, that could be part of the barrier to making a market work effectively. So, yes, there are a number of retailers but it needs more than just the retailers. It needs a bit of assistance, if I can put it that way, to make sure that the market does work effectively.

MR DAVIS: Who or what would you suggest provides that assistance?

Mr Dimasi: That is what our two recommendations to the government were all about: trying to help consumers understand better what they are on, what the other offers might be and what else might be available, without having to get a PhD in finance or economics to work their way through the thing. It is about trying to make it simpler. These things require a fair bit of hard work. What might be simple to some of us still might not be all that simple to others, so we are going to have to keep working at it. We have a role to play, we believe. The government has indicated that it will be asking us to assist in doing that, and we are there to assist.

MR DAVIS: When you were formulating those recommendations in the original report, were there other jurisdictions, either in Australia or anywhere else in the world, that you could cite that have, if not best practice, at least a very good approach to providing this sort of consumer support?

Mr Dimasi: Yes, there what is called a DMO, default market offer, that the AER has that is applied to a number of jurisdictions. There is the VDO, the Victoria Default Offer, as well. So there were other jurisdictions and we looked at those jurisdictions, and we are looking at those jurisdictions, to see what they do.

In Australia we do better than most, to be honest, but I think it is also fair to say that in the ACT, because we have regulated prices, the base prices, we did not have quite the same degree of problem that some of the other jurisdictions had, because there was implicitly a base price there for people to look at and, if they did not want to move away, at least the price that was set by the ICRC was amongst the lowest in the country. So there was already a degree of protection.

We talked about surveys. We did a survey of 1,000 customers and they still found it pretty confusing to compare market-based offers, and market-based offers are becoming more and more available and more and more common for customers. As customers move from the regulated tariffs to those market-based offers, it becomes simply more important that there is a common point that they look at that enables them to compare like with like a bit better.

MR COE: Can you please tell me where things are at with water for golf courses and any regulatory issues that might be impacting the current price?

Mr Dimasi: I understand that the government has indicated that it will ask us to provide some pricing advice as part of its review on non-potable water for golf courses.

MR COE: I see that is in the statement of intent as well.

Mr Dimasi: Yes.

MR COE: As far as things stand at the moment, what are the potential issues?

Mr Dimasi: We have not started looking at it, so I cannot get ahead of myself here, but we have seen the arguments from the golf clubs that the cost of water is very high. Even when they use non-potable water, they are arguing that it is high compared to others. Depending on what the government asks us to do, our advice would be to try to ensure that the prices that have been offered reflect efficient costs relevant for that market. That is what we would be looking to do.

MR COE: Obviously it is going to have a different impact on different courses.

Mr Dimasi: Yes.

MR COE: The Belconnen situation is quite well publicised.

Mr Dimasi: Yes.

MR COE: As it stands at the moment, is there scope for the government to take action or is it a regulatory or even a legislative issue?

Mr Barr: I will step in quickly. We have provided a hardship fund, a relief fund, so as to address the—

MR COE: The cause.

Mr Barr: Yes.

MR COE: Or the effect.

Mr Barr: It has been a very wet summer, so some of the immediate issues around bills at the moment are less, but I am certainly aware in the Belconnen case that there is a pending longer term decision. We have sought to effectively buy some time for the commission to take a look at the issue and to provide advice to us.

Mr Dimasi: I can add to that that Icon can negotiate with the golf clubs. The regulatory constraints are about maximum prices; they can offer lower prices. But the downside is that they have a total amount of costs. What the regulatory scheme will not allow them to do is to recover that from household consumers, for example. So they face that regulatory constraint. We will need to have a look at all the options for the use of non-potable water—what is possible and what a reasonable cost might be.

MR COE: Marginal cost is just part of the story, but do you think the marginal cost of getting recycled water from the lower Molonglo to Belconnen is relatively light? I realise that it is only part of the story.

Mr Dimasi: Yes, part of the story. Yes, absolutely. That is probably right. It depends on—sorry to the non-economists—whether you are looking at long run marginal costs. What is the relevant costing methodology that would need to apply?

MR COE: I am getting flashbacks from PTSD at the moment.

Mr Dimasi: Yes, sorry. Marginal cost is a very simple concept but can become very complex very quickly once we get into the utilities and some of the fixed costs and other things that are associated with it. These are the issues that we deal with. We understand these issues. We would be looking at what is the relevant costing methodology and what are the costs that are really relevant that we need to take into account.

THE CHAIR: In additional to marginal costs et cetera, do you look at the costs in other jurisdictions?

Mr Dimasi: We do. Where it is relevant, the way we regulate is that we do not necessarily recognise all of the costs that the utility might incur. They have to be efficient. If they come to us with a whole bunch of costs and they say, "These are our actual costs," we might look at them and say, "Yes, they might be your actual costs. We are not disputing that. But are they your efficient costs?" That is what we are there to tick off against.

There are a number of ways that we deal with that. Part of that is that we will look at other firms with benchmark—that is the terminology that economists use—to have a look at what other utilities in other jurisdictions do. We will look at what are the relevant costs there. That is part of the process that we use to come up with the so-called efficient costs in making the determinations.

THE CHAIR: You mentioned that yours is the highest cost, if you like.

Mr Dimasi: Sorry?

Mr Barr: The maximum price that can be charged.

Mr Dimasi: The maximum charge, yes.

THE CHAIR: It does not mean that individual organisations could not negotiate with Icon Water.

Mr Dimasi: They could.

THE CHAIR: But, realistically, what bargaining power do they have with—

Mr Barr: Large customers.

THE CHAIR: We are all customers.

MR COE: It is a monopoly. We cannot go elsewhere.

THE CHAIR: It does not mean we have bargaining power.

Mr Dimasi: The National Capital Authority could just put up its own pipe on the Molonglo and do something. There is also a risk of bypass. Even natural monopolies have some risk of bypass. We have learnt that over the years, across a whole range of natural monopolies.

They are natural monopolies but not without threats and, especially if you take a longer term view, not without some risk. If they lose big customers, they still might have the same total amount of fixed costs spread over a smaller range of customers, and that is no good for anybody because that means the smaller customers are hurt and it is an inefficient outcome for the community as a whole. That is why it is always best to try and come up with a reasonable way forward with these things. I think that is for the benefit of the community generally.

THE CHAIR: We will break for lunch. Thank you for appearing before us today.

Hearing suspended from 12.58 to 1.45 pm.

Appearances:

Barr, Mr Andrew, Chief Minister, Treasurer, Minister for Climate Action, Minister for Economic Development and Minister for Tourism

Icon Water Limited
Hezkial, Mr Ray, Managing Director
Yau, Ms Joy, Chief Financial Officer

THE CHAIR: I declare open the afternoon session of our first day of hearings for the Standing Committee on Economy and Gender and Economic Equality inquiry into the 2019-20 annual and financial reports and the ACT budget 2021. Before we proceed, I acknowledge that we meet on the lands of the Ngunnawal people and pay my respects to elders past, present and emerging and the continuing contribution of their culture to this city and this region.

On behalf of the committee, I would like to thank the Treasurer and the managing director and accompanying officials from Icon Water for attending today. For this part of the session, the committee will examine the annual reports and budget outputs relating to the Treasury portfolio, specifically Icon Water.

I remind witnesses that the proceedings are being recorded by Hansard for transcription purposes and are being webstreamed and broadcast live. The proceedings are also being held in accordance with the physical distancing requirements and room capacity limits in force at the present time. We are all responsible for complying with COVID-safe requirements and I ask you all to assist in this regard.

I remind witnesses of the protections and obligations entailed by parliamentary privilege. I understand privilege statements have been emailed to witnesses via respective DLOs, and a copy of the privilege statement, the pink form, is on the table. Could you please confirm, out loud, that you understand the privilege implications of the statement.

Mr Hezkial: Yes.

Mr Barr: Yes.

Ms Yau: Yes.

THE CHAIR: As the committee advised, it has decided not to have opening statements from witnesses at the commencement of the hearing. We will now proceed to questions. I will start with a question about your community service obligations, which were halved to $6.8 million in 2019-20 and increased back to $11.3 million in the 2020-21 budget. Could you talk about the reasons for that change?

Mr Hezkial: I might refer that question to Joy.

Ms Yau: The increase is primarily related to the COVID rebates. The COVID rebates are twofold. One is the hotels rebate for four quarters; the second is the clubs rebate for two quarters. Setting those aside, the rest of the rebates compare to previous years there or thereabouts.

THE CHAIR: Are you confident of reaching your $11.3 million in the current year?

Ms Yau: That is a forecast, so at this stage it would be hard to comment on that.

THE CHAIR: When you made those forecasts—it would have been some time ago—what sorts of assumptions were you basing them on in terms of our coronavirus situation? Were you expecting that we may have moved further out of it or still be in the main grip of it? How did you come up with that figure?

Ms Yau: If I could talk more broadly on COVID and our expectations in terms of impacts at Icon Water, overall, COVID, from a financial aspect, has not had a significant impact on Icon Water in terms of our cost base. The key areas that I would highlight would be twofold. One is the price freeze; the second is debtor performance.

I will speak first on the price freeze. At 1 July 2020, COVID was yet to play out, so the potential financial implications for the ACT economy were not yet known. At that time, we were considering whether to increase our prices to the maximum allowable price. After considering the impact on the economy, Icon Water chose to freeze prices; by that, I mean to freeze the average household bill to a 200-kilolitre household. The cost implication of that for Icon Water was a $3.7 million impact in terms of revenue not collected.

The second key impact from a COVID financial implication perspective is from a debtor perspective. I will just refer to my notes. We have been very conscious of the potential implications from a customer perspective. I will speak to that first in terms of what we are doing for our customers and then update you on what that means from a debtor perspective.

From a customer lens perspective, we have expanded our Staying Connected hardship program to also encompass small businesses. We have put a pause on escalating debt recovery action and a pause on interest on overdue accounts. We have increased the flexibility for customers to pay their bills, whether this be through payment arrangements or payment extensions.

Overall, a key focus for us has been on ensuring that our customers are talking to us. We find that when there is active dialogue, we can ensure that we understand our customer's personal situation and act accordingly. During this time, we have put on extra resources in our customer contact centre to proactively reach out to our customers and encourage them to work with us. On the whole, that probably covers our focus for our customers.

In terms of how that translates from a financial implications perspective, in summary, it would be fair to say that the arears for the residential water customers is generally holding steady. This is a result of the blitz of activities that we have had underway in increasing the overall dialogue and the ongoing benefits from JobKeeper and JobSeeker.

Generally speaking, when our team makes contact with customers, the customers are willing to set up a payment arrangement or to pay in full. The accounts with insufficient contact details are the ones that we are seeing accumulating debt. We will be considering a gradual transition back in terms of the credit management lens. The business arears is a greater concern for us, with some large balances outstanding and some payment arrangements in place.

As the coming months unfold, we are keeping a close eye on overall debtor performance, being very targeted in our discussions, and continuing to ensure that our customers are actively speaking to us and we can support them. A key focus for us is that debt does not accumulate, so we work closely with entities such as ACTCOSS in terms of how we support the community.

THE CHAIR: You mentioned that the customers you had insufficient details for are the ones where it is harder to enter into a payment plan. How does that happen when you are providing a service to a customer—that you have insufficient details?

Ms Yau: This can often relate to when customers move home. We do not always receive the information in a timely manner when they do. Within our contact centre, we have water, electricity and gas information. We have information sharing protocols in place between those. We work closely with the ACT government, as the ACT government holds the rates information. There has been work in progress over a period to make sure that, where possible, that information sharing does occur so that we do not have a lag or any missing information.

Typically for us, the harder piece is that customers tend to prefer to communicate online, whether that be text messages or emails and so on. We may not have the details that our customer prefers to communicate to us. If we have their residential address, most people might not open their letters or respond in that way. For us, it is about how we engage with our customers on a platform that suits them.

MR DAVIS: You said that your customers who are currently in arrears remain steady even through COVID, but you made mention of payment plans. How are those tracking? In the last year have you had more or fewer than you would usually have?

Ms Yau: Payment plans?

MR DAVIS: Those that are on payment plans, yes.

Ms Yau: From a debtor perspective, we look at our customer lens as those who are on a hardship program and those who are not. I will speak first to the hardship debt. With the hardship debt, in terms of the statistics at 31 January 2021, there were 277 Icon Water accounts on the Staying Connected program with an average debt of $1,322. That is about a 60 per cent increase year on year. As you can see, that does not sound a lot. 277 is a low number.

Crucially for us, we also monitor the non-hardship debt. From a non-hardship debt perspective, we have been actively communicating with our customers to understand their needs specifically. In terms of the numbers on a payment arrangement, there are approximately 21,000 customers.

MR DAVIS: Approximately 21,000 are currently in non-hardship debt?

Ms Yau: Non-hardship debt in arrears.

MR DAVIS: Can I get some clarity on how you define a hardship debt? That might be an ignorant question, but would you mind clearing that up for me.

Ms Yau: Yes, absolutely. We classify someone as a hardship debt if they are actually on the Staying Connected hardship program. That is a program which they would elect to join. Essentially, part of the hardship program itself is that after a set number of consecutive payments, Icon Water would contribute a set amount. In other words, we would help to pay down their debt. If they can make some consecutive payments, we would then contribute more. During COVID, we doubled the amount that we would contribute. It was previously $50 and now it is $100 after a set number of consecutive payments. It is a very specific program that customers choose to join.

MR DAVIS: You said that there was a 60 per cent increase in those who qualified for the hardship debt. What is the increase in percentage terms for the non-hardship debt? Obviously there is a big difference between 21,000 people and 277. I am just curious as to the year on year comparison for that one, too.

Ms Yau: Can I just correct myself? When I said the number of customers—I retract my 21,000. The number of customers on a payment arrangement is approximately 17,000; a year-on-year comparison would be approximately 8,000.

MR DAVIS: So usually it will be that 8,000? Is that what you are saying? And there are currently 17,000?

Ms Yau: Correct.

MR DAVIS: Okay. I will work out that percentage later. Are the people on a payment plan or are they just in debt?

Ms Yau: They have a payment arrangement with us. That may include an arrangement called EvenPay, which is an arrangement where a customer may choose to make payments evenly rather than having to pay the bills as they come in.

MR DAVIS: Okay. The last figure I am most interested in is this. If those are the people that are in non-hardship debt but are on a payment plan, do you keep separate figures about customers who are currently in debt but where either they have not reached out to Icon or Icon have not reached out to them to develop a payment plan? How many accounts are we talking about there?

Ms Yau: I do not have the number of accounts at hand, but I can tell you that that is a key focus when we have put on this extra resource in our customer call centre. A key focus for those individuals is that our team are actively looking and saying, "Let us look at our debt profile of our customers." In our system, we are able to categorise what I could describe as a credit rating. Where customers were previously good payers, excellent payers or poor payers, we can see if, through this time, a customer's ability to pay has deteriorated. We can then refocus our efforts as to which customers we proactively reach out to, to engage with them around speaking to us, whether that is going onto payment arrangements or the hardship program. It is a very targeted effort.

MR DAVIS: I could keep going on this, but Ms Orr is waiting.

MS ORR: On page 89 of your annual report, you have a case study on modern-day slavery and some of the things that you are looking at doing as an organisation. The case study is, as you would expect in an annual report, half a page long. Can you just run me through some of the wider things that you are doing?

Mr Hezkial: We are actually quite proud of what we have done in this space this year. We have produced our first modern slavery statement and we have also done some activities within the business to raise awareness around the risks of modern slavery. We have done some concrete things, such as improving our policies in our publications to include requirements to consider impacts of modern slavery. We have also done some training and capacity building across the business to make sure that team members within Icon Water who are involved in undertaking procurement activities are paying due consideration to the risks of modern slavery.

But probably one of the most important pieces of work that we have done so far is what I would describe as supply chain due diligence. We have taken a risk-based approach to looking at modern slavery. Our approach has been to look at what we describe as our tier 1 suppliers across that whole cohort. We have basically come to the conclusion that 99.9 per cent of our procurement typically is sourced from within Australia, but we have identified two key risk areas in that cohort of tier 1 procurement suppliers. That is related to apparel—safety equipment, overalls, vests, gloves—and electronics. Those are probably the two key areas of risk for us.

Some of the other things we have done are update a lot of our contract templates around procurement to make sure that we are very clear, when we are procuring any goods or services from a company, that they understand our requirements to make sure that their own supply chains are meeting the minimum requirements that we would expect for compliance with the modern slavery statement. We also put some more information on our website so that any prospective suppliers to Icon Water understand what our expectations are around modern slavery, should they wish to do business with us.

MS ORR: Great. It says in the annual report that you will be publishing that in December 2020. Seeing as it has been published, would you be able to provide the committee with a copy of the statement, or is it online?

Mr Hezkial: It is. I can provide that statement, but it also on our website.

MS ORR: Okay, great. Just a few more questions for you. What was the percentage you said your procurement in Australia was? Was it 90-something?

Mr Hezkial: It was 99.9 per cent.

MS ORR: Okay. So when you were looking at identifying it through the supply chain, were you particularly looking at overseas supply chains or were you looking at the activity within Australia as well?

Mr Hezkial: We were looking at both, but I think in terms of tier 1, what we were really looking at is where we get most of our supplies from, and where the bulk of the spend is occurring. That was the initial phase of the modern slavery supply chain due diligence. There are plans now to start going a little bit deeper into those lesser quantity or lesser value supplies that we purchase from other suppliers.

MS ORR: When we talk about supplies, I imagine Icon has some pretty specific stuff. What are we talking about in those tier 1 suppliers? Can you just give me some examples?

Mr Hezkial: Yes. Things like pipes, valves, office equipment perhaps, and fleet. So it covers a whole range of activities, but I would say predominantly it is a lot of the material that we use to maintain and run our network and our treatment plants.

MS ORR: And for apparel and electrical areas—the two areas you have identified, which are actually pretty common areas identified—what things have you put in place to minimise the risk of exposure that you are purchasing from places that use modern-day slavery?

Mr Hezkial: We are taking the approach initially of raising awareness with our suppliers in terms of our requirements, and we are taking a closer look at how their supply chain functions, and looking for some greater assurances. As I mentioned earlier, with our contracts and procurement templates, we have inserted some very specific modern slavery statements to that effect to make sure that it is on their radar. And when our staff are procuring equipment, that is something that they are now looking for to make sure we get compliance.

MS ORR: I am not sure if you know the answer to this or not, but are you the first government or semi-government organisation to enact a statement of this kind in the ACT? I will not say for the whole government.

Mr Hezkial: I am not going to claim credit because I am not sure if we are, but it is something that I know the organisation and our board are incredibly proud of. I am not going to claim victory too early because I know we have only just started the journey.

MS ORR: Okay, we can throw the challenge out there. If anyone else wants to, they can come forward now.

Mr Hezkial: Yes. We are happy to share our experiences with any other organisation or government agency. I do not think what we are doing is so difficult to do. It really is just paying more attention to what your staff are doing and signalling clearly to the market about your intention and the expectation that we would like to set. It does take commitment from the board, the executive and even at officer level. We have found that at officer level, education and training is the most important aspect because that is where all those decisions are actually made on a day-to-day basis. But for us as an organisation, and particularly with our focus on contributing to the community, I think it has brought a sense of pride to the organisation.

MS ORR: Great; thank you.

MR DAVIS: I am, unsurprisingly, keen to dig into how your organisation is coping with climate change and what plans you have there. How do you factor climate change projections into your modelling?

Mr Hezkial: That is an excellent question. We do it in a number of ways, and I have to say that we have changed our approach. One of the key decision-making tools that we have within Icon Water is our water resources model. Our water resources model allows for climate change assumptions. I could maybe give you some context about how deep and broad that model is. We are talking about a model that has over 50,000 years of stochastic data in it, which is extremely useful when we are making forward decisions on, say, when the next major water source augmentation is required—a new dam.

But we are also very conscious that the climate is evolving and changing and that historical weather patterns are not necessarily predictors of what might happen in the future. So in that regard we have instigated a review of our water resources model to make sure that we are allowing for all the factors and assumptions that we can get from the best science that is available. That is an activity that we commenced when the water storage had reached somewhere in the order of 57 per cent. Our source water strategy actually mandates that we review our model when we reach 50 per cent, but we tried to be a little bit more proactive this time around and we instigated that at 57 per cent. So that is the model.

From an asset management perspective we have added an additional lens to our asset management plans. We typically have asset and management plans, by asset class, that stretch over very long periods of time. It used to be that in the engineering field, you would go: “Well, in 20 years time we are going to have to replace this widget with that. In 50 years we are going to replace this next widget with something else.” We are now starting to introduce more flexibility in our thinking and our approach, so we have developed a number of plans aimed at giving us that flexibility. The primary one is what we call our climate change adaptation plan. That climate change adaptation plan is available on our website. But, in a nutshell, what it really does is change the model around our decision-making for asset investment in the sense that we are constantly looking for changes in trends. We are not locking ourselves into time-based asset replacement; we are taking in that science and we are using the model and making those changes as we roll.

The other important piece of work that we have done this year is around our drought management plan. Our drought management plan is really looking to take a proactive stance, making sure that all options are on the table in terms of entertaining what water supply options we could potentially use, should we find ourselves in an extended drought period. Typically, that work has involved looking at groundwater sources, surface water, and recycled water—both recycled water for irrigation and purified recycled water for drinking.

We are looking at all those options. We are assessing, in terms of order of magnitude, the cost for each of those options so that we understand the financial impact, but we are also looking to understand the lead times for implementing each of those scenarios. So we have a toolbox that is ready. If we get into a situation where we need to act, we can act quickly. We have a set of scenarios or a playbook that we can apply, and we can make sure that we are in the strongest position. All that said, from a water security position, we are relatively strong—well, very strong. If you look at the ACT government's definition of water security, it is basically to make sure that we meet our water requirements 95 per cent of the time.

Under any modelling scenario, we believe we can meet that requirement, and much of that is to do with the community's investment in infrastructure a few years ago. So we are in a strong position, but we are not resting on our laurels, and we have adapted the way we do our asset management plan. I am sorry that that is a long-winded answer, but there are a few limbs to it.

MR DAVIS: No, no; long-winded is good. I am interested in getting my head around definitions and then different organisations to find things. You mentioned recycled water. How does Icon define recycled water?

Mr Hezkial: We are a member of the Water Services Association of Australia. For us it is important; along with our fellow utilities we have been talking about making sure that all options are on the table. That is a phrase you will see in a lot of their documentation. For us recycled water could take any number of variations but, to keep it simple, there is recycled water for the purposes of irrigation. We understand that from a community perspective—and we have heard this through a lot of our independent expert panels—for livability irrigation is important. Recycled water plays a role in that.

Then there is purified recycled water, which is really a much more sophisticated and superior level of treatment of sewerage to the extent that at least chemically it can be used and recycled for consumption. Of course, that latter one comes with a lot of community education and consultation. We are very cognisant of how sensitive that might be, but from our perspective, in terms of being a responsible utility, we are looking at all of those options and we are making sure that we do not eliminate anything too soon.

MR DAVIS: In terms of the difference between purified and, let's say for the sake of simplification, raw recycled water, how much of those two different types of water is in our water market as a percentage?

Mr Hezkial: If you look at the releases out of lower Molonglo—my numbers might be a little bit sketchy here—somewhere in the order of 70 per cent of our consumption as a city is treated and put back into the Murrumbidgee River. So we potentially have a ready-made source there. Of course we would need to look carefully at the impact on downstream irrigators as well. We are not in a bubble, obviously.

Mr Barr: Someone should tell the Prime Minister!

Mr Hezkial: In effect, there are a number of ways that you could do this. You could treat it to a much higher standard than we currently do, inject it back into our dams and then, in turn, treat it again. There are some utilities—say, Water Corporation in Perth—who are using groundwater supplies quite extensively. They are actually treating the water to a very high level, injecting it back into the groundwater table, then extracting it again for direct use. There are a number of variations across the country. The impediment is not the technology, nor the ability to achieve that level of water quality; there really is a very important conversation to be had with the community about expectations. And there is a role for us as an industry to try and provide some more information about how all that works. So it is solved from a technical perspective.

MR DAVIS: Do you believe we have the capacity to be using more recycled water than we currently are?

Mr Hezkial: I think we do. We have to be careful about how we do it.

MR DAVIS: Yes.

Mr Hezkial: If I can use for an example the Googong township, which has a third pipe, it has been great that they have been able to do that there. But, obviously, working in a greenfield situation is a little bit different to trying to retrofit an existing network here. We could do things by way of decentralised schemes in various parts of the city—that would require investment, obviously—or we could talk about, perhaps, placement into our existing supply systems. The pipe network is a bit of a constraint, but there are other ways, depending on the point of the infrastructure at which you inject that purified recycled water. So it is not a no, but you do have to give that a bit of thought in terms of impact on customer prices and the level of investment that is required. But it can be solved from a technical standpoint.

MR DAVIS: Of course. My last question: is there a different price point for recycled water for the consumer?

Mr Hezkial: I think there may be a perception, generally, that the cost of recycled water will always be less than potable water. In my experience that is not necessarily the case. I think it is scheme specific, depending on the topography and the pumping arrangements. The reason I say this is because you still need to treat the water to a relatively high standard. So there are costs and, depending on the scheme, the unit cost per kilolitre of that water may vary. There is an economy of scale conversation to be had around the cost of recycled water. I guess the point I am trying to make is that recycled water does not necessarily equal a lower unit rate than potable water. But there may be other benefits for doing that.

MR DAVIS: To be clear, though, based on the scheme that we are currently using, is the cost of recycled water in the ACT greater than otherwise?

Mr Hezkial: We find that in some of the local schemes that we have, the cost to run those schemes is probably more than potable water. But it can actually occur. Again, it depends on the scheme and the characteristics, the volume, and the operating costs of those schemes. So it is very much a scheme-by-scheme proposition.

MR DAVIS: How many different schemes are there running in Canberra at the moment?

Mr Hezkial: We have one scheme, at the moment, running from lower Molonglo to the Magpies Golf Club. We have a second scheme in North Canberra, near the Fyshwick treatment plant. And then we have a third, I believe, at Southwell Park. Those latter two are not currently being operated.

MR DAVIS: Are there plans for them to be operated?

Mr Hezkial: They definitely feature in our drought management plan.

MR DAVIS: Yes.

Mr Hezkial: In fact—and this is readily available—if you have a look at our drought management plan, the option to recommission those schemes is definitely one of the things in the plan.

MR DAVIS: Okay; thank you.

MR COE: I am just following up on what you said earlier, Ms Yau. You said you made an assessment based on the impact to the economy regarding water pricing. I was wondering, really, what the basis is for making that sort of decision and who actually makes that call?

Ms Yau: Thank you for that question. Every year—it is in about April, May, June—we assess the price increase for 1 July of that year. So if I think back to early last year—that would have been quite early on, in terms of COVID and how that was playing out within the ACT—in about April we would have been thinking about what the maximum price increase might be. We would have built in the component parts. For example, each year we consider CPI and pass-throughs that are allowable through our prices from the ICRC, and we calculate what each year's maximum price would be.

During that exercise, we were very conscious of the fact that COVID was still in its very early days. I think that at that time the ACT was pretty much in lockdown. I think globally we all did not know what would play out next. So at that time we had extensive discussions as a team—both as the executive team, but also the Icon Water board—regarding, given the uncertainty in the economy for the ACT, what considerations we would have as we were determining whether or not to increase prices at 1 July.

The considerations included what the price increase would be in terms of a dollar impact, the percentage impact, the impact on residential users and the impact on non-residential users. We also considered not just the impact on the average customer but the impact on the ones that are higher users. So there were multiple considerations at the time—and I'm trying to think through the board papers as we speak—in terms of not only the financial implications for Icon Water and our shareholders but also the impact on our customers and the broader community. As well, we considered the uncertainty at the time. It certainly was not a light decision.

MR COE: So it is a board decision, is it?

Ms Yau: The board made a decision, yes. There was a board approval paper.

MR COE: Is that always what happens in April-May each year? Who actually does set the price?

Mr Hezkial: The price that is the allowable price is obviously set by the ICRC.

MR COE: The maximum allowable price?

Mr Hezkial: Yes, the maximum allowable. So with the situation with COVID this year, there was a recommendation put to the board that we felt the right thing to do by the community was to freeze prices. Icon Water does have that discretion. Of course, we cannot exceed the maximum allowable price.

MR COE: But each year is there a motion at the board that adopts the maximum price, or is there a past motion which has been approved whereby you automatically take on the maximum allowable price?

Mr Hezkial: My recollection is that typically there is a paper prepared and presented to the board. And, typically, the price allowance that the ICRC provides has been what we have done in the past. We took an exception this year, given the uncertainty and what we thought might be the financial impact on our customers. But, yes, typically, each year there is a paper taken to the board.

MR COE: Right. Are there particular metrics that you use to guide that decision? Just because the ICRC has set that price, it does not necessarily mean that that is the right price. What you are saying now is that you have a social charter as well, and an economic charter, to take into consideration.

Mr Hezkial: Yes. It is a challenging thing to consider, because in terms of accepting the maximum allowable price, one of the things we have always paid due consideration to is this concept of intergenerational equity. So, in reducing revenue to the utility, that does constrain our ability to make sure that we continue to operate at the service level required, and that we are making adequate investment for assets into the future.

So when we talk about prices we give due consideration to all those aspects. What was different this year, obviously, was that there was a lot of uncertainty around what the financial impact might be. Thankfully, here in the ACT we have not seen much of a financial impact. So it was really a move this year, which was an exception, to make sure that we were trying to anticipate and respond, and to show some empathy to the community. But accepting those maximum prices is an important factor in us being able to continue to provide the services we need, and not to fall behind on investment. Deferring prices can have an adverse impact if it is sustained for too long a period of time. So we are always balancing all those considerations.

MR COE: With regard to the sourcing strategy that you have got listed on page 62—this is, obviously, with regard to the agreements that you have got with ActewAGL—where are they at? I see that that paragraph states that a project was initiated in March 2019 to define a sourcing strategy. The project was broken up into four phases, with the fourth phase being completed in June 2020.

Mr Hezkial: Yes.

MR COE: Where is that at?

Mr Hezkial: Just by way of information, all the information around our work in this regard is available on our website. Every time something occurs or we hit a milestone, we do update it. But I might just refer to Joy to talk you through the specifics of where it is right now.

MR COE: Sure, thank you.

Ms Yau: The stage which you referenced, June 2020, was the point in time when we took a detailed assessment of our sourcing options and actually developed our sourcing strategy. That went for our board's approval in June 2020. From that time until now, we have been underway in terms of implementing our sourcing strategy, with the key piece being us going to the market to engage our program management and advisory service provider, which is our delivery partner. That tender has been now awarded to Projects Assured. It is an experienced local program and project management services specialist and it will be partnering with us in these coming years as we implement the program towards 30 June 2023.

MR COE: Right, and that is a program that will commence in 2023 in full?

Ms Yau: The exercise underway is to make sure that by the time we get to 30 June 2023 we are transitioning seamlessly. So, for us, part of the objective is to maintain access and an overall continuity of the services that we currently are procuring and those that we need to operate our business. It is also to minimise the impact to our customers, our stakeholders and the workforce. As well, at this point in time, we are making sure that we take this opportunity to assess our sourcing options, ensuring value for money in terms of our future service arrangements. The exercise is underway now, and has been since June 2019. The exercise will go all the way through until 30 June 2023. Then we transition so that, come 1 July 2023, we have planned ahead, and it is a very considered approach there—and also beyond.

THE CHAIR: Last question.

MR COE: I hope it will be a quick one. With regard to the water meter reading, are there any plans to put in place electronic transmitters to make that easier and more efficient, and therefore get to a point where you do not need to put in estimates or averages and you can charge actuals?

Mr Hezkial: Thank you. I will get Joy to respond to that.

Ms Yau: From a smart metering perspective, we conducted some research. It was in late 2016. That pretty much showed us that customers have an interest in smart water meters; however, they had a very low level of willingness to pay for that. Since then we have appointed a specialist consultant to complete a market assessment for us, and we will be undertaking a trial to include deployment and testing of smart devices and the associated networks. That will likely take place in this year and next year. So it is certainly a space that we are working on and looking to do more in, but we are conscious of the impact on bills and customers' willingness to actually pay for that.

MR COE: Who is the consultant you have engaged for that project?

Ms Yau: I do not have that level of detail with me.

MR COE: If you could provide that, that would be great.

THE CHAIR: Will you take that on notice?

Ms Yau: Thank you, yes.

MR DAVIS: Just a quick one on Mr Coe's question. You said that you had done some research some time ago, where the consumer, if I can paraphrase, wanted the meter but did not want to pay for it. What were they led to believe, during that research project, a smart meter would cost?

Ms Yau: I do not have that level of detail with me at this point but at the time of that exercise, in 2016, it would have reflected market rates at the time. Obviously, the smart meter market has moved on in that time. As part of our five-year price review process—at the moment we are in our regulatory cycle, 2018 to 2023; our next one will be in 2023 to 2028—we will naturally consider what our customers are seeking to engage with us on in terms of various topics. I suspect that smart metering would be one of those topics that we would again revisit to ensure that we are staying close to understanding our customers' views. As well, we will be keeping a close eye on the broader market conditions and costs to supply.

MR DAVIS: I will not hold you to a figure, but do you have an approximate cost of what those smart meters cost at the time?

Mr Hezkial: I obviously do not have that number on me, but I think it is probably good to point out for context that when we are having these conversations with our consultative forums it is usually, to be clear, a trade-off conversation: "If you had a dollar here or a dollar there, and you had a finite number of resources, what would you attribute that dollar to? Would you rather X, Y or Z?" It is contextual because these conversations are quite complex, particularly when you are trying to work out whether it is better to put your dollar here or over there. So those conversations with our community typically are at that level, but we can certainly take it on notice to come back with the actual price.

MR DAVIS: I mean I, yes, I guess—

THE CHAIR: Mr Davis, we are going to have to stop there.

MR DAVIS: One more?

THE CHAIR: If you have more questions you could put them on notice after the hearing. I would like to thank the officials from Icon Water for appearing. We will suspend the hearing briefly until we have had a brief clean and new witnesses have taken their seat, and so we will be back in just a couple of minutes.

Short suspension.

THE CHAIR: We move to our next session. In this session the committee is examining the annual reports and budget outputs relating to the Chief Minister portfolios. On behalf of the committee, I would like to thank you, Chief Minister, and accompanying officials from CMTEDD for attending today. Could you confirm out loud for the record that you understand the implications of the privilege statement.

Ms Croke: Yes.

Mr Barr: Yes.

Ms Leigh: Yes, I do.

THE CHAIR: We now proceed to questions. We will start with Mr Davis.

MR DAVIS: The annual report mentions measures taken to protect insecure workers during the pandemic. Can you talk on what is being done to reduce the overall numbers of staff that are on insecure contracts?

THE CHAIR: Mr Wright, would you acknowledge that you understand the privilege statement.

Mr Wright: I understand the privilege statement. Could you please repeat the question.

MR DAVIS: The annual report mentions the measures taken to protect insecure workers during the pandemic. I am interested in what is being done to reduce the overall numbers of staff that are on insecure contracts.

Mr Wright: Through the insecure work task force, in 2019-20, CMTEDD appointed nine staff. In 2020-21 to date, we have appointed an additional eight staff through that process.

We have also been taking steps outside that process. Through Access Canberra, we have converted 69 labour hire roles to permanent and temporary roles in the contact centre and service centres.

As part of that insecure work task force, we also regularly review our numbers of insecure work people within CMTEDD to see where there are other opportunities for us to reduce those numbers.

In terms of overall numbers, we have reduced our temporary employment numbers. In the annual report, you will see that they come up including executive, but if you take the executive out of that, at the end of the 2019-20 financial year we had 254 where executives were included. This is a reduction of 12 from 2018-19. And, as I noted, we have since reduced that even further.

MR DAVIS: In the 2019 estimates process you signalled a move away from labour hire firms. How is that process going?

Mr Wright: The Access Canberra work that I referred to was probably the largest piece of work we have done in terms of reducing our overall labour hire. That was the 69 labour hire roles which have been moved to predominantly permanent or temporary roles within those service centres and contact centres. That was a significant body of work which was undertaken.

The remainder of our labour hire workforce is predominantly within the ICT areas within CMTEDD. As you would know, we have what was formally Shared Services IT, which is now Digital, Data and Technology Solutions, DDTS. That encompasses both the Office of the Chief Digital Officer and the former Shared Services ICT.

As you would know, there are a number of specialist roles there which are much more difficult to meet within existing ACT public service—or commonwealth, for that matter—employment models. To give you an idea of the types of roles that we are talking about in that insecure work labour hire space, we have ICT project managers, test analysts, ICT developers, project coordinators, business analysts and network specialists. They are some of the roles we currently use labour hire for.

MR DAVIS: For the staff that we employ on fixed term contracts or casual contracts or temporary employees, are you confident that they understand their pathway to permanent employment? Is that clearly articulated to them at their employment and perhaps even at performance reviews et cetera?

Mr Wright: When we pick up staff through our insecure work task force reviews, we consult with those staff about employment opportunities. As you can imagine, many of them are very thrilled with the opportunity for ongoing work. That has led to not only the 17 we have talked about to date but also the 69 we have had in Access Canberra in the service centre and contact centre. That consultation process and the messaging we have about insecure work and the opportunities available are quite strong. We also promote a union encouragement policy, which has been another part of government policy in this space. That provides staff with an opportunity. With all new employees we get, we send out a link. We send a welcome email that includes a link to the union encouragement policy and other information about insecure work.

MR DAVIS: Do you have a target that you are working towards for a staff ratio for those on insecure contracts compared to those who are permanent?

Mr Wright: We do not have a target as such. There are certainly roles—the ICT ones that we talked about are definitely roles—where it is much more difficult to perform in an ACT public service employment framework model. However, we are reducing our numbers, and we will continue to do so over the course of the 2020-21 financial year and beyond.

MS LEE: In terms of work conducted by contractors, there is the work of the city rangers, including locking up gates, public toilets and such. That seems to have been contracted out. Is there a reason for that?

Mr Barr: That is another directorate; it is not CMTEDD. We will take that on notice and ask them.

MS LEE: I want to go to the Jobs for Canberrans Fund. For your reference, it is budget statements B, page 53. It is a significant budget line item, and if you add the expansion, it is quite a big number. What types of jobs were created for that fund?

Mr Barr: Many and varied, from administrative to work in Namadgi National Park and cleaning. There were a variety. We are happy to provide them.

Ms Leigh: I can provide a few more examples. There was fire recovery restoration; maintenance and cleaning in school buildings; administrative support across quite a number of directorates; cleaning, including town centres and across the public transport bus fleet; customer service within ACT Health and Access Canberra; and garden and some general outdoor maintenance across the city.

MS LEE: This might need to be taken on notice, but do you have a breakdown of the nature of the job and how much it is in terms of allocation of the fund?

Ms Leigh: I would have to get that detail back to you.

MS LEE: Yes.

THE CHAIR: Please take that on notice.

MS LEE: Thank you for taking that on notice. Are these jobs ongoing?

Mr Barr: No; it is a short-term program for the pandemic. Some finished at the end of the last calendar year; others continue until the end of this financial year.

MS LEE: So there are no ongoing jobs created from this fund?

Mr Barr: Not from this fund. There may be ongoing job opportunities for individuals who were employed to go into permanent jobs within the areas where they were working, but not under the Jobs for Canberrans Fund. It was a short-term, temporary employment measure. As you can see from the budget papers, there is not ongoing funding beyond the extension.

Mr Wright: In terms of Jobs for Canberrans roles within Chief Minister, Treasury and Economic Development, the majority of positions were in Access Canberra. We also had a couple of placements within ACTIA, the ACT Insurance Authority, and one in Procurement ACT. In total, in 2019-20 we employed 18 staff; this increased to 54 in the following financial year.

MS LEE: In what area of Access Canberra were they mostly employed?

Mr Wright: They were mostly delivering customer services roles.

MS LEE: And that is going to go back to around 18?

Mr Wright: Sorry, Ms Lee; I am having trouble hearing.

MS LEE: It is a bit noisy, isn't it? Will that number go back now after the end of the next financial year—I think that is what you said, Chief Minister.

Mr Barr: Yes, the end of this current financial year.

MS LEE: So that will end?

Mr Barr: The current funding ends. We will make a determination in the budget round as to whether we wish to continue if the call volumes warrant it. Obviously, we hope the peak for calls to COVID hotlines, support services and all the rest has now passed.

MS LEE: Let us hope. Thank you.

THE CHAIR: I want to ask about the Canberra Economic Recovery Advisory Group. Chief Minister, you announced that it would be established to provide advice to government on the implementation of a target of 250,000 local jobs. Can you tell us about the membership of that group?

Mr Barr: I can. The officials who are charged with that are appearing later today. It is not this group—it is within the economic development stream—so it might be best to ask those questions then.

THE CHAIR: Okay. Your plan to rebuild the ACT economy started adding cautionary clauses afterwards. You announced $4.9 billion. Is that a later session as well?

Mr Barr: Yes, that is economic development. This is—

THE CHAIR: Ready-for-implementation projects?

Ms Leigh: I am sorry, I am not quite catching what you are saying, Ms Lawder.

THE CHAIR: It was related to the Canberra Economic Recovery Group. In August the Chief Minister promised $4.9 billion to rebuild the ACT economy.

Mr Barr: Yes. That is the infrastructure program. That is not this session, though; this is the Chief Minister stream. We have already touched on that with Major Projects. That was part of it.

THE CHAIR: I will revisit that later.

MS ORR: I want to ask about the ACT graduate program. How many people were hired across the ACT public service this year in the graduate program?

THE CHAIR: Could you acknowledge the privilege statement.

Dr West: I understand the privilege statement. This year, we hired 71 graduates who have commenced the program.

MS ORR: Is that the usual number you would have? Is that an increase, a decrease?

Dr West: That represents a significant increase on previous years. The previous number was 42 graduates, so in effect it is a roughly 70 per cent increase year on year.

MS ORR: What is the reason for such a large increase?

Mr Barr: I asked for it.

MS ORR: Would anyone like to elaborate on that?

Ms Leigh: I would be happy to. I was delighted to be asked for it. In my opinion, and it is borne out by the numbers as well, recruitment through whole-of-service programs is far more effective in terms of the outcomes we get for the money spent than our necessary individual recruitment programs. We get very high-quality graduates and they always contribute well to the service. They have a high retention rate. This year we were also pleased to have significant members of that graduate intake who were people with disability, which is also a great opportunity for the service—to take on a much more diverse workforce.

Mr Barr: The reason I asked for it was that early in the pandemic it was clear that young people were the ones bearing the brunt of unemployment. As the second largest employer in the city, I felt it was our responsibility to step up and provide some more opportunities. I asked for it and the service delivered.

MS ORR: Are the graduates hired going across the service to different directorates or are you seeing some directorates take on more?

Ms Leigh: They are spread quite widely across the service. There are a couple of specialist areas that do their own recruitment—for example, the Government-Solicitor and our health clinicians—but generally they are spread across the service. We offer them a development program as a cohort. I am pleased to say that our staff were very innovative this year with COVID to make sure that they were still supported; we had an innovative virtual program. When I went along to the graduation program, the initiative and creativity that those graduates had shown in the circumstances we have been working in this year were really something to be proud of.

MS ORR: I was going to ask if any of the graduates started during the COVID restrictions. Obviously they did. What supports were put in place to make sure that the grads felt supported during that time?

Ms Leigh: We have dedicated staff to support our graduate program. They were particularly mindful about the additional challenges for our staff this year. Mr West might like to add a few more details.

Dr West: The team supporting the graduate program put into place a comprehensive care program, if you like, to ensure regular contact with graduates to ensure that they had access to services or supports that they needed, noting that many of the group, as a graduate group, were unable to meet face to face, which is quite unusual for a graduate program. Some of them came together for the first time during the presentation of their projects at the end of the program. There was a lot of support provided to them and care was taken with their wellbeing, particularly for graduates who had come from interstate and who needed additional supports. We needed to ensure that they were supported from a mental health and wellbeing perspective.

MS LEE: In terms of the programs that you have, Ms Leigh, you talked about the number of graduates with a disability who joined the service.

Ms Leigh: Yes.

MS LEE: Page 19 of budget statements B also talks about programs for Aboriginal and Torres Strait Islander people and people with a disability.

Ms Leigh: Yes.

MS LEE: What do those programs entail? What do they look like?

Ms Leigh: We have quite a number of different programs. In terms of attracting those people to our service, there is the graduate program and also the vocational program. What is really important with both of those cohorts is to make sure that we retain them, so we have a number of development opportunities that we specifically offer to those staff. I will go through a few of them for you.

In this year we had seven of our Aboriginal and Torres Strait Islander staff and six of our staff with disability funded to undertake the Public Sector Management Program of the Queensland University of Technology. That is quite a prestigious program. We also had a number of our staff do intensive career and leadership development programs. Sixteen of our Aboriginal and Torres Strait Islander staff completed the leadership development program; 37 employees with a disability completed the career development program; and 17 employees with a disability completed the leadership development program. We also provided some of the modules that the Australian Institute of Company Directors offers to both our Aboriginal and Torres Strait Islander staff and staff with disability. We have had a number of staff complete those modules. As you can see, it is quite a range of programs. I am really pleased that we have been able to identify those programs and that we have had that take-up.

MR DAVIS: Chief Minister, you are rightly proud of the graduate opportunities, particularly as they pertain to job opportunities for young people. In the broader Jobs for Canberra program, how many of those positions were made available to people under 30, and have you kept records of that?

Mr Barr: I would need to check whether we have. I would presume we would have.

Dr West: We will have to take that on notice to give you the breakdown.

MR DAVIS: The figures I would really like are: how many jobs for people under 30 were created as part of that program and what percentage of total employees does that make up?

Dr West: Sure.

Mr Barr: That program had a different eligibility in that it was attempting also to fill the gap for those who were not eligible for any of the commonwealth supports. So you had to have lost your job and you had to have not been eligible for one of the commonwealth programs. Certainly, there are people under 30 because I have spoken with them on various occasions. But there was also a strong focus on international students, for example, so people who would otherwise have had no employment opportunities in the city.

MS LEE: Were those initiatives and programs you spoke about, Ms Leigh, open just to graduates from an Aboriginal and Torres Strait Islander background and graduates with a disability?

Ms Leigh: It depends on the particular program. I would say that we were very focused on ensuring that those cohorts understood that these were opportunities and encouraging and supporting them to take them up.

MS LEE: Are there any programs, for example, that support or provide specific initiatives for, say, the CALD community?

Ms Leigh: We also have excellent numbers for the CALD community. In terms of particular programs I will ask Dr West to take up that question?

Dr West: We have a Vocational Education and Training program. In regard to specific CALD training, directorates undertake and provide that sort of training program potentially. But we do not coordinate specific whole-of-government activities, and the programs Ms Leigh has mentioned are whole-of-government coordination.

MS LEE: Have you got a breakdown of percentages across the public service about that?

Ms Leigh: In terms of training or in terms of the composition of the service?

MS LEE: The composition.

Ms Leigh: I believe we are sitting at two per cent for Aboriginal and Torres Strait Islander staff, 2.8 per cent for people with a disability and 20.3 per cent for CALD.

THE CHAIR: Of your programs for people with disability and people of Aboriginal and Torres Strait Islander background, what is the retention rate for people who undergo those programs to come into the ACT public service, and how does that compare to the public service as a whole?

Ms Leigh: I will ask Dr West to answer that, but I would say that in relation to our ASBA program for CMTEDD we have been very pleased with the high level of retention in that area. Once we have dealt with the whole of service, Mr Wright could probably give some more details on that aspect.

Dr West: I am just struggling to find it in my various documents.

Ms Leigh: Perhaps Mr Wright could cover off that very particular point in relation to CMTEDD in the meantime.

Mr Wright: We have a program for Aboriginal and Torres Strait Islander students—year 11 and 12 students in ACT government schools—which uses the Australian School Based Apprenticeships Program, which is a commonwealth funded program, and we bring those students in. They start off with us working a number of hours a week within school times. At the end of that program those who successfully complete it—we are very proud of the numbers we have had go through and complete that—and who want to continue working in ACT government we then pathway those staff through to the vocational education program, which is the whole-of-government program that we have.

That has been really successful. We had about a 50 per cent retention rate on that. When you are talking about school students and the many opportunities which become available to them after that time, we think that that has been very successful. But the thing we did after the pilot which really made the difference was pathwaying them into another government program so that there was somewhere to go at the end of it. In terms of retention, within CMTEDD we noted that was an issue because we would bring in so many staff on entry level programs, particularly Aboriginal and Torres Strait Islanders. But we have managed to improve that in recent times. That number is getting a lot closer to the retention rates for overall staff. I will find that number and I will come back to you. But it has certainly improved.

Dr West: The figures you requested are: for employees with a disability, a recruitment rate of 12 per cent of roles and a separation rate of 7.8 per cent when compared to the ACT public service general rate of 6.4 per cent. For employees from a culturally and linguistically diverse background, a recruitment rate of 14.3 per cent, with a separation rate of 4.9 per cent. And for Indigenous and Torres Strait Islanders, a recruitment rate of 18.4 per cent, with a separation rate of 9.1 per cent.

MR DAVIS: The strategic goals state that you seek to support a professional, skilled and accountable public service that is responsive to the community. Are you intending on incorporating wellbeing indicators into that?

Ms Leigh: The wellbeing indicators will provide a basis for budgeting for the ACT government. As the public service is there to implement the government's priorities, then necessarily it will flow through into the priorities of the service.

MR DAVIS: So your answer is yes, and you are intending on using it.

MS LEE: I want to go to communication and community engagement. Do you have a figure for what the government spent on Facebook advertising in this financial year?

Mr Barr: Not as much as Mark Zuckerberg wanted and more than Rupert Murdoch was happy with would probably be the answer.

Ms Perkins: I understand the privilege statement. I am sorry, I do not think we can provide now the total figure and I will take it on notice. The way we pay for boosting and advertising across the ACT government is a responsibility of that part of government and all the individual business units. So even with the ACT government account that we manage on behalf of other directorates, I will be able to give you a total but it would then be apportioned across all of the directorates.

MS LEE: Chief Minister, in light of Facebook banning news in Australia, have you given any direction to your directorate about Facebook advertising?

Mr Barr: No. Frankly, they are all as bad as each other, but I am not wading into the middle of Rupert Murdoch versus Mark Zuckerberg with the Australian government playing on the sidelines.

MS LEE: There was a concern that ACT Health information had been blocked at some point but that has now been restored?

Mr Barr: As I understand it, Facebook did so, in applying their interpretation of the Australian government's code. That is the basis for all of this—it is written in such a broad way that you could interpret it as any news generator. We are not a news generator for profit, so that is one important distinction. I think they inadvertently shut down access to a range of government information sites. They subsequently put them back up and apologised for that.

Ultimately, Facebook is a private platform. It is not compulsory for anyone to use it or to be there but, clearly, with 17 million Australians as registered users it is a pretty powerful place to be. We will all make our individual decisions about whether you use it as a news source or not. Some people do. The situation is what it is and it will play out.

MS LEE: Did it impact, inadvertently or otherwise, any other areas of ACT government aside from Health?

Ms Perkins: We understand that ACT Health, the main ACT government account, and the Suburban Land Agency were caught up in the block, but it was resolved within a couple of hours.

Mr Barr: Someone told me my account was as well. I did not notice in the short time, if it was down; I was not seeking to post at that time.

MS LEE: So there are currently no ACT government information sites or pages that are blocked?

Ms Perkins: No, not that we are aware of, and we did a fairly comprehensive search across government.

Mr Barr: I am sure people would bring it to our attention if they were missing it.

MR PETTERSSON: Can I get an update on the insecure work task force?

Mr Noud: I understand the privilege statement. The insecure work task force was set up with the current crop of agreements, which are coming to their end date later this year. The task force was, in many ways, quite visionary, I would say. Anyone reading the industrial relations press and media at the time could see the emerging case law and commentary around the industrial relations space about the determination of courts to look at casual and temporary employment with a view to whether it should, in fact, be permanent.

The government at the time took the decision as part of the current bargaining round to negotiate with unions and other bargaining parties a framework for the enterprise agreements to systemically and slowly go through our service with a view to examining what positions should or should not be converted into permanency.

The enterprise agreements contain provisions, having determined a particular position should be made permanent, to comply with merit and still make them permanent. The view at the time was that we should not doubly disadvantage a worker by (a) having been in insecure employment and then (b) making them apply for roles and potentially not get them.

The task force has been running for the duration of these agreements. We reached agreement with the unions towards the end of 2019 on a conversion policy, and that policy sets out the criteria and the process by which the directorates do that work and make the assessments as to whether temporary and casual employment should be converted.

We have done three conversion rounds. Once the task force forms a view of what positions should be converted, that view is put to the Head of Service, who considers it. If she feels it appropriate, she will authorise those positions to be converted. We have done three rounds: one in December 2019, one in November 2020 and one in January 2021, with the obvious gap in the middle being COVID related. In summary, over that time just under 1,000 positions have been assessed and around 200 have been converted.

That is an understatement of the number of conversions and the context behind insecure work simply because this is just one part of the overall insecure work story within the ACT government. Part of the context of embarking on the insecure work journey was to change the culture within the service so that when we are establishing a position or renewing a position we will ask the question: "Should this be permanent or should it be less insecure?" Many positions that would otherwise have been advertised as less secure were advertised as something more secure or even permanent. That is not measurable but it is certainly palpable within the directorate areas.

Subject to the government's endorsement of our bargaining position, our intention would be to continue this process. It is very good work, and that then starts to tie into the government's election commitment to start working through secure employment later on to be legislated. That process will unfold over the course of the year and it is an ongoing and long story but a good story. Anyone who is tapped on the shoulder and asked, “Would you like a permanent job?” generally is very happy, and that is a good thing.

MR PETTERSSON: It is a good thing. In terms of the 200 jobs converted, where in the ACT public service are they located?

Mr Noud: They are all over the place, as you would expect. Canberra Health Services have the bulk, but that is simply because of their proportionality in relation to the services. They are scattered all over the place: Chief Minister’s, the Education Directorate. A lot of work was done in the Education Directorate on the casual teacher pools, for example. Those numbers are not included in these numbers because they were not done pursuant to the task force but, again, it is the same message and the same conversation about: “Can we make these people permanent rather than not?” Transport and City Services is represented in the ranger areas and some of the other blue collar areas. It is right across the service and not just in one place.

MR PETTERSSON: Has there been a difference in the conversion rate between different sections of the ACT government? For example, 1,000 positions have been put up for consideration and only 200 have been converted. Have all parts of the ACT government been converting at equal rates?

Mr Noud: It is somewhat of a horses for courses discussion because the intent of the task force was to look progressively, starting at five years plus, three to five and then two to three years of insecure work, and slowly the directorates are working through that data. As you can imagine, it is vast. That involves an individual assessment of each person’s story. It is not just necessarily a person that has been in—pick a random example—Transport Canberra for 18 months. They may well also have been in another directorate for a year before that and perhaps another directorate for six months before that. People move around our service.

So gathering that information and making those assessments takes time, and joining our data in that way to create a longitudinal story for individuals is time-consuming. That is why it has taken the time it has, but we wanted to do it properly. No one area in particular sticks out as converting a lot less or a lot more. It is really what we expected as for the number of conversions across the service.

MR PETTERSSON: Any chance I could get a breakdown of ACT public service employment by full time, part time, casual, labour hire and contracts?

Mr Barr: That is in the *State of the Service Report*, isn’t it?

Ms Leigh: Yes, I am sure that is in that document.

MR PETTERSSON: Labour hire and contracts as well?

Ms Leigh: I will check.

Mr Noud: Contract is more difficult, but certainly the other categories are there.

MR PETTERSSON: I can see the full-time and part-time staff. I have not seen labour hire and contracts. It might have slipped through.

Ms Leigh: I am happy to take that on notice.

Mr Noud: It is in the *State of the Service Report*, in the appendices at the back, but we would be happy to provide that information.

MR PETTERSSON: Is there any update on the government's commitment to introduce anti-privatisation legislation?

Mr Barr: The public benefit test on any asset disposal?

MR PETTERSSON: Yes.

Mr Barr: It is not in the autumn legislative program, so it will not be in the first half of the year. It will feature in the forward legislation program, but I do not have a date at the moment.

MS LEE: Can I go to workforce capability. The annual report, volume 1, at page 30, refers to driving the transformational and cultural change to include workforce readiness prior to moving to the Dickson and Civic offices in 2020 and 2021. Both buildings were delayed in their completion dates. Can you outline the reasons for those delays and any update on the dates.

Ms Leigh: It would be better if that was dealt with by our Property Group who manage that. The delays were quite small. Our staff are already in the Dickson office block. That has been very successful—of course adapted to COVID. At the beginning of next month—in fact, I think I am moving in later this week—we are starting to move into the Civic office block.

MS LEE: What is the reference to driving transformational and cultural change?

Ms Leigh: We had a significant program for over a year, even prior to COVID, because this is not just about bricks and mortar; this is an opportunity to take the way the ACT public service performs to the next level. I have been very pleased with how we have worked as one service and how we have strengthened and continually built on that. While we have fantastic technology—as has been proven during COVID—that enables us to all work together well, there is that additional human dimension of being physically together.

The opportunity of moving into the new buildings is to have a number of directorates collocated. That will reinforce the understanding of all our staff that we are one service. It will make it easier for people to work together across directorates. We wanted to make sure that we had worked with staff, and we plan to go into these buildings in a way that makes sure we get the most of that opportunity.

MS LEE: Out of the public servants who, during the pandemic shutdown period, were working from home, what percentage of them have returned?

Ms Leigh: It is quite fluid. When we started we were imagining that there would be some date when everyone would come back. We have learned that we cannot predict the course of this pandemic, and we have also learned that people have adapted very well to working flexibly. We are now in the position where people are able to be in the office when that works for the team and works for them and they are able to work from home when that works. It has become our new normal. So rather than having a particular percentage that are currently returned, it is an evolving situation. Everybody is managing to focus on outcomes that are being delivered rather than where people physically are.

MS LEE: Was there an increase in IT expenditure?

Ms Leigh: We were very lucky that the planning for the new buildings meant that we were already focused on technology to allow people to work from anywhere because of the activity-based focus of the new buildings. So we already had that investment made, and that planning placed us in a really strong position when we were faced with COVID. We already had the equipment for most of our staff that enabled them to simply pick up and work from wherever it was safe to do so.

MS ORR: Can you run us through some of the design elements of the new building to support joint work across teams and directorates and how that works with the work from home COVID experience?

Ms Leigh: The thing I love most about both of our new buildings is the central atrium. Everyone knows that, if you go into a building with a lift, when you get out on one floor you are really not feeling like you are in the same workplace as the people on other floors. With that central atrium you can be anywhere in the building and look across and see your colleagues across all of the different work areas. As I said before, being human beings, it is a good reminder that the other team that has an issue that is relevant to what you are working on is right there and you should be reaching out and consulting them and working with them. The building is designed to be activity-based working, which means it is so much easier for people to just move around and collocate with people they are working with on a particular topic. All of the technology follows the person and makes it extremely easy to do that.

MS ORR: What is the initial feedback you have had on the Dickson building experience?

Ms Leigh: Really positive. Staff really love it. You mentioned also COVID, so of course that means that we will not have the total numbers immediately in the building that we had originally intended. But, conversely, because it was all about activity-based working it has been a great trial run for that because we have already proven the concept and how well people can work without needing to be anchored to a particular desk in a particular place.

MS ORR: What is the current membership of the YourSay panel, and how is that going?

Mr Barr: It is over 4,000 now.

Ms Perkins: We are just under 4,200 at the moment. The panel has been in operation since July 2019. As of February 2021 we are just under 4,200, with 4,173. Within 12 months we were at 3,500 and just in the last month we have had a significant boost of membership. We went in January from 3,746 up to 4,173.

MS ORR: Is there a target or is it just the more the merrier?

Ms Perkins: We do have targets and we steadily adjust the targets. Our next goal is 5,000 members. We started with this with a whole-of-government phone survey program. To get a statistically representative view of Canberrans with phone surveys you get to 600 Canberrans. So we are doing really well now to have such a large number of people, and we can feel confident in the results we are getting back because they are very closely mapping the statistical representation of the community.

MS ORR: So there is a diversity of people signing up?

Ms Perkins: Yes, absolutely. We have a really good diversity. The only area where we still need to get a little bit more membership is, unsurprisingly, in people aged under 24. We are slightly under to be exactly representative of the ACT community, but only by very small numbers. In all of the other cohorts we have more numbers than we need to be statistically representative.

MS ORR: Do you have a good geographical spread?

Ms Perkins: We do. We have a good geographical spread across all the areas.

MS ORR: How have you used that panel, particularly over the last 12 months with the bushfires and COVID?

Mr Barr: Regularly, and monitoring a variety of different issues from COVID-specific information, people's understanding of public health directions, views on safety and engagement, to whether government communications been effective and they are achieving particular outcomes. Another practical example recently has been people's attitudes towards the COVID vaccination program.

We have also looked at economic and social inclusion issues around workforce participation, whether people have been impacted in terms of their employment by COVID. I think we have covered a range of different areas that include views on the environment, on cats and dogs. You name it, I think we have asked in recent times. Have I left out any notable ones?

Ms Perkins: We have done more than 30 since the panel was launched: the wellbeing indicators, energy efficiency, Actsmart initiatives, LGBTIQ, Access Canberra, online transactions, drivers licences, bushfire preparedness, and cost of living—so a real depth of surveys across government.

MS ORR:. Are you getting any feedback from the panel members as to how they are finding it? Are they getting death by survey?

Mr Barr: We surveyed that too.

Ms Perkins: In January we conducted a user experience survey because we want to check that we are hitting the mark and that we keep active membership and people participating. What the panel told us through that is that, for two in three, the panel is meeting their expectations. They gave us very strong feedback on the length, the tone and the pitch of the surveys. Most importantly, we provided an opportunity for people to participate in a way that is quick and easy for them to do. They can do it whenever they want on whatever device they want.

The timing of that was fantastic during last year when we could not do the traditional engagements we had been used to doing. It provides us with a much easier way to get to really large numbers of people. We get to a lot more people than we did with the phone surveys. It would take weeks and weeks—sometimes more than a month—to get to 600 people. Now within a couple of days we can get to easily 1,500 people, if not more. Depending on how long the survey is open for, the turnaround is so much quicker to then provide to government to inform decision-making.

Mr Barr: In short, you can bombard people with too many; that was clear. But you can also not be in touch enough. So it is looking like a couple a month is about the sweet spot.

Ms Perkins: They are saying it is about right and that every couple of weeks is about appropriate.

MS ORR: How is government using the information coming out of those surveys?

Mr Barr: Some are providing a time series, so we ask the same questions. That has been useful in managing the COVID response. In other instances they identify areas where there might be a communication gap. As much as we have talked about tax reform in this place for the last decade, there was still a proportion of the community who did not know that stamp duty was being cut or that rates were increasing, in spite of all of our best efforts.

You can identify certain areas where there are information gaps and where you need to particularly target campaigns. That can be geographic, demographic or socio-economic. There are a variety of different benefits there. Cabinet is briefed, and the information ultimately finds its way onto the website somewhere eventually. I note that some people love to FOI it. Good luck. And there is reporting back to the panel membership as well.

MS LEE: Are there selection criteria?

Ms Perkins: No. Very broadly, the panel is open to all Canberrans and even out into the region, given that the issues we will be asking people about affect the broader Canberra region. There are some criteria on eligibility for incentives. We have a monthly draw for panel participation, and the key thing there is that family members of the Assembly are not eligible to be in the incentive scheme.

MR DAVIS: Do you have an exact breakdown of the membership based on district?

Ms Perkins: Yes, we can provide that.

THE CHAIR: You will take that on notice?

Ms Leigh: I have it in percentages, and we can provide it in detail on notice rather than me reading out a table now.

MR DAVIS: Do you have a strategy to elicit more under 24-year-olds to participate?

Ms Perkins: Yes, we do. We have a broader recruitment strategy where we are focusing particularly on younger people and trying to use really targeted ways to get to them in the forums they are already in.

MS LEE: With Facebook advertising, you have given me information in terms of boosting and advertising spend, but does the ACT government pay for Facebook boosting and advertising on ministers' pages and their relevant portfolios?

Mr Barr: No. Ministers' Facebook pages are their personal party political pages; they are not ACT government and no resources are used to maintain them. They are done either by the minister themselves—in my case I do my social media—or I guess by volunteers.

THE CHAIR: The committee will now adjourn for 15 minutes.

Hearing suspended at 3.30 to 3.47 pm.

THE CHAIR: We will resume. I believe you have an answer to a question taken on notice, Mr Wright?

Mr Wright: Yes, thank you, Ms Lawder. With respect to separation rates for CMTEDD staff in 2019-20, the overall CMTEDD separation rate was 7.5 per cent. The Aboriginal and Torres Strait Islander one was 5.8 per cent, so it was below.

THE CHAIR: We will now move on to our next witnesses. For this part of the session the committee is examining the annual reports and budget outputs relating to the Chief Minister portfolios, specifically functions related to the Commissioner for International Engagement and the Coordinator-General for the Whole of Government (Non-Health) COVID-19 Response.

On behalf of the committee, I would like to thank you, Chief Minister, Commissioner, Coordinator-General, and other accompanying officials from CMTEDD for attending today. When you first speak, can you confirm that you understand the implications of the privilege statement. Ms Castley, do you have a question for the Commissioner for International Engagement?

MS CASTLEY: I do. The Commissioner for International Engagement implements the engagement strategy to promote trade and investment. The annual report reveals that it delivered five ministerial-led international missions. My question is: who went on these missions, where did they go, what was the cost, and how many trade and investment opportunities did these missions achieve?

Mr Barr: Mostly me. The costs are published on the Assembly website, in terms of ministerial travel. The investment outcomes are reported on by the commissioner in an annual report.

MS CASTLEY: Is that where we would also find the full cost of the Office of International Engagement?

Mr Barr: It would be contained within an output class, which is in budget paper E.

THE CHAIR: With respect to the status of the business development manager, do we still have one in the Singapore office? What is the status of that?

Mr Smyth: Thank you, committee members, for the opportunity to appear before this committee. As well as being the ACT government's Commissioner for International Engagement, I am currently the COVID-19 Local Business Commissioner. Yes, I have seen the privilege statement once or twice, and I do understand its meaning and the implications therein.

Following the re-election of the government, there was an adjustment in the administrative arrangements that saw all of the trade and export activity of the government concentrated within the Office of International Engagement. It had previously been done partially by my office and partially within Economic Development. It made sense to have one area looking after it entirely. As a consequence of that, the business development manager, the BDM, has been transferred into my care.

Yes, we maintain two positions overseas at this stage. One is a business development manager in Singapore and the other is a Tourism Australia officer paid for by the ACT government, also located in Singapore.

THE CHAIR: Is that an Australian person or a Singaporean national? If they are from the ACT, and given the coronavirus pandemic, was consideration given to bringing them home?

Mr Smyth: The individual is a locally employed officer; therefore he is a Singaporean citizen. Smaller jurisdictions like ours cannot maintain the full diplomatic suite that, say, Victoria or New South Wales do. The ACT government buys a service from Austrade and, in consultation with us, they help us to select an officer. That officer is part of the Austrade team embedded in the Australian High Commission in Singapore but works primarily on objectives for the ACT government. It is a locally employed person. There was no consideration given to either terminating his employment or bringing him back.

THE CHAIR: For how long has that person been engaged in Singapore?

Mr Smyth: It is about two years. It is a three-year contract which will come to an end at the end of this financial year. In fact, half an hour ago I spoke to the head of Austrade in Singapore about the progress, and they will provide me with some data about the progress of the officer. They said they were very happy with his progress. We are looking at opportunities to ramp that up. With regard to the reopening of borders, there will be opportunities for export, as flights are renewed, and particularly in the area of investment, where the government, for instance, has land or property for sale.

THE CHAIR: That relates to my next question. Outside the pandemic, prior to the pandemic, were there KPIs in place for the person in that position? How was the progress going against those KPIs?

Mr Smyth: I was not responsible before the pandemic, so I can make some inquiries if my answer is not adequate. Yes, there was a business plan and there were KPIs put in place. As far as we can, we like to measure the progress, particularly of an officer overseas that has specific objectives. That was part of the discussion with Austrade just before this meeting, as to how it was going. The verbal response was that they were doing very well.

Again, this is new for us, so we are building up the way that we supply this person with information. There are two primary objectives. One is to assist Canberra firms going overseas to sell either products or services. At the same time, where opportunities present where we can find investment, whether it be a piece of land that the government is selling or, where we are aware of it, if there is a commercial opportunity that could see further funds invested in the ACT, we are facilitating that.

THE CHAIR: During the pandemic, presumably there are some ACT businesses that are still engaging in world trade. Can you outline the additional support or assistance that your office has been able to provide to those businesses?

Mr Smyth: With the shutting of the borders, two things stopped. Firstly, trade missions stopped; secondly, inbound delegations stopped. Very quickly, we changed the modus operandi of the office. This is not some existential argument where we say, "What are we going to do?" We just moved into a different way of doing things. Primarily, some business travel was still able to be allowed. We helped to facilitate a number of Canberra firms to travel. Singapore was still a destination that people wanted to get to. They would get permission to leave Australia and then have to come back and quarantine. We provided a service there.

The other thing was that a lot of businesses that had relied on travel had to move to the introduction type of service. We have helped to get nurses out of Cuba. We have helped a guy to try and get brandy out of Azerbaijan. We helped with a firm that wanted to move into Ethiopia and Yemen. Right across the board, across a whole range of industries, it is about that ability to introduce.

There were some contracts coming up for the manufacture of PPE. Most rubber gloves in the world are made in Malaysia. Via a trade mission that the Chief Minister took to Malaysia, we had a good relationship with the Austrade rep there, and we were able to make introductions so that these firms could go and source their goods.

The business changed, but the basis of the business is good relations. We have good relations, contacts and leads in all of the 10 target countries in the international engagement strategy. That paid off during the COVID period.

THE CHAIR: Again, with respect to the pandemic, have there been any new opportunities? Have there been any ACT businesses that have been able to seize any new or emerging opportunities?

Mr Barr: Aspen Medical have done pretty well; I think that would be a fair observation.

Mr Smyth: Aspen Medical is our first national exporter of the year for the ACT. We are providing services in places as far away as Yokohama and San Francisco. They are still doing work in the Pacific. They were accessing, on behalf of the commonwealth, a large amount of PPE out of various Asian countries that were manufacturing it. We would help somebody like Aspen with an introduction if necessary.

Some Canberra businesses have done very well out of the change in circumstances. Those that have adapted have done very well. As an observation, some that have a very set-piece approach to business have not done as well as they could have, either locally, in the region, or internationally.

MS ORR: What have you been doing to support small business in the ACT during COVID?

Mr Smyth: When we realised that trade missions were coming to an end and the inbound delegations were not going to arrive, the Chief Minister asked if I would become the COVID-19 Local Business Commissioner. What was clear very early on was that, during the first recession that Australia had had in 28 years—and throughout most of those 28 years the ACT economy had grown fairly well, except maybe in the mid-90s—there would be a need to provide services to the business community.

I was asked specifically, and firstly, to look after mediation in terms of commercial tenancy. Secondly, it was just to be there, to advise businesses out in the community of the government's support and the various services they could access. Thirdly, it was just to sit and listen. A lot of the time people were very uncertain. Probably a third of the work we did was simply pastoral. We just sat and listened to people. I compliment my staff in particular on taking some pretty difficult phone calls and handling them very well.

We found that it was not just the tenants that were seeking help; often it was the landlords. On 4 April, National Cabinet decided on a national code of conduct for commercial tenancies. Part of that was a suggestion that, as a percentage of the downturn, 50 per cent of the downturn be waived and 50 per cent be deferred. A lot of people heard that rent would be deferred. In the first couple of weeks it was very much about explaining that, no, it had not gone away; you still had to pay rent. It was about a negotiation.

A bill was presented to the Assembly on 7 April to make the code part of the ecosystem supporting business in the ACT, which was assented to on 9 April. Inside the amendment to the act it refers to the national code of conduct and my role as the business commissioner. That gives us legal effect or force. Other jurisdictions took a different approach. We then started helping people. We would simply get a phone call or an email from someone saying, "I can't pay my rent," "The landlord's put up the rent," or "The landlord wants to increase the rent as per the terms of the agreement; what do we do?"

Initially, it was largely about talking people through the code. The code is simply about negotiation. It is about saying, "What can you bear? What can I bear? How do we help each other so that, at the end of the time, I've still got a business and you've still got a tenant, and so that we all get through as best we can?"

MS ORR: As time has gone on, what have you found that the need has been?

Mr Smyth: The needs vary. Business in Canberra is somewhat different from the rest of the world in that we have always had this lovely buffer from the commonwealth and ACT public service. We are a high-spending jurisdiction. Everything about the demographic here is good. For a lot of people, business had always been the same—it had always been good.

When COVID set in, some took the path of shutting their business and waiting COVID out. Others morphed into a different business. We had one restaurant that had been a high-end restaurant for many years—well known around town. It was suddenly going broke. A gentleman came in one day and said, "Can you pre-prepare some lasagne for me? I like your lasagne. I can't come in but I would like to take some home." A friend of his heard that he could get takeaway, so he ordered some takeaway, and suddenly they turned from a high-end restaurant into a takeaway. A local supermarket heard that they were making takeaway and offered to sell the takeaway as pre-packed food in the frozen goods section. Suddenly, this guy went from being a high-end restaurateur to being a frozen food producer. They have actually come out of the COVID period in an entirely different position from some who simply waited it out.

MS ORR: Do you have any other examples where you have seen those practices change, and the opening up of new opportunities, almost, in some regards?

Mr Smyth: Particularly in the nightclub and the entertainment sphere. With the ACT's leasehold system—and the Chief Minister can speak to you about leasehold—some leases are quite specific in saying, "You will run a nightclub." It is as specific as that; whereas others have a food and entertainment venue. If you had food and entertainment, under the guidelines set by the Chief Health Officer, you could continue. But if you had a nightclub, where you could only serve drinks to people standing up and dancing, your business effectively stopped. It was about helping people to understand the regulations as they were being changed.

The Chief Health Officer was doing her job, and doing it very well; the regulations changed regularly, and daily. From National Cabinet they changed regularly and daily. It was often about getting people to understand the changes. It was then about the nuance of the lease, and it was then about the terms and conditions on the building. Every time you thought you had heard every story you could hear about a commercial tenancy, we would get a new one. You would say, "Where the hell did that come from?”

THE CHAIR: I am not sure if I should caution you on your language.

Mr Smyth: I will refrain from saying, “Where the hell did that come from?”

MS ORR: If you say it as a quote then you will get away with it.

Mr Smyth: I could give you some quotes that people have used in the mediations; probably most are unparliamentary. In the main, the landlords were fantastic. Some of the landlords just gave six-month rent holidays. They said, “What could we do?” The landlords were ringing us and saying, “Have I done enough?”

With the majority of the tenants, the tenants were more tenuous in that they felt they had more at risk, but they were also very generous. People, in most cases, were incredibly open. People were offering to send us their tax returns and the middle name of their firstborn. People were willing to give you information in an endeavour to help. There were very few sitting on the shelf like old pineapple going off, just waiting for the end of the world. Everybody was trying very hard to understand what was going on.

When you explained it, and when you explained what the government had put on offer, whether it was rates rebates or whether it was assistance with the business counselling services that were provided, in most cases we were able to find a path.

MR DAVIS: What sort of business did you find that, more often than not, you were helping? Obviously, you would have identified some trends through the course of the people contacting your office to whom you provided support?

Mr Smyth: The odd thing was that there was no trend. It was across the board. We had law firms who were saying, “We need assistance with our landlord.” You would think that if somebody knew their leases, it would be a law firm; but if you had a slightly intractable landlord, it got a bit difficult. We had doctors, dentists, antique shops, furniture shops, food shops and takeaways. Long term, the ones that probably had the most difficult were in the hospitality and the tourism area. They were the ones where, because of the health requirements, the rules probably changed the most and there was the most impact.

However, some of the big medical providers were doing incredibly well. We never saw Bunnings. We did not see any Liquorlands; we did not see the big supermarkets, and hardly any chemists. But it was right across the board, involving all sorts of businesses. Some of the cases were really sad. We had a couple of groups where, for instance, in January they had hocked their houses to the eyeballs to buy their first commercial property. You would say, “I’m not sure how I can help you.” But we worked our way through it.

In particular, the code says that it is about a proportional response: how much can you bear? In a number of cases, the landlords proved to my satisfaction that they could not give any relief. We then tried to work out ways whereby the term of the tenancy could be extended or shortened, whether there could be a consolidation or whether they could sublet. We often went for non-financial solutions. If there is anything that is inherent in Canberra businesses, it is this ability to find a way around something.

The service is free, voluntary and confidential, so there are no details and there will be no tell-all biography after this. The number of people out there that adapted, and adapted really well, is quite inspiring, in absolutely harrowing circumstances—incredibly sad circumstances.

MR DAVIS: I assume that I would know the answer to this question but it is always best to ask: did you find that there were particular parts of the territory that were more impacted, where there was a greater concentration of businesses that you were providing support to?

Mr Smyth: No. It was concentrated on the ant trails. If you got off the bus at Woden and all of the population turned left to go into the plaza, they were doing well; if you turned right, they were doing not so well. It was as stark as that. East of Northbourne Avenue recovered much quicker than west of Northbourne Avenue, and the further west from Northbourne Avenue that you went towards the university, the slower the return.

It was a lot about demographics, patterns, bus routes and light rail routes et cetera. A lot of it was defined by the habits we have as individuals, and literally the paths we follow. For instance, if you were in a building that was on the wrong side of the interchange, and the gym, the supermarket or the cafe had shut, all the other businesses were affected. But if you were where people were zigging instead of zagging, as they got off the bus or the light rail, they did much better. Certainly, the further west that you went from this building, the recovery was much slower.

It was also based on the return to the workplace plans. A lot of people were quite happy to be working in Tuggeranong. Common Grounds at Gowrie did really well. The Public Place at Chisholm did really well. Those cafes were full for a fair whack of the time. But that displacement from Civic really hurt the cafes and the restaurants here. A return to the workplace is very important, within the confines of regulation.

Mr Barr: That is a national trend. One of the things that we are discussing at National Cabinet is that it is in the CBDs of all of the major cities where they are still on JobKeeper; that is where the most impact has been. The suburbs have thrived, in most instances.

THE CHAIR: Mr Smyth, what are the referral processes? How did businesses find out about the support and advice that you may be able to offer?

Mr Smyth: It was at www.covid19.act.gov/businesstenancies. The website was updated regularly.

THE CHAIR: How would they know in the first place that such a support might be available for them at that place?

Mr Barr: Obviously, it came up a lot in media conferences, including the live Facebook feeds that were getting tens of thousands of viewers. There was a lot of traffic from the website, a lot of social media referrals and other referrals. If anyone rang my office, which obviously gets more calls than anyone else in this building, we would then refer on to the commissioner for that specific service. It was happening within ACT government as well. People would search for business assistance, things would come up and referrals would be made.

Mr Smyth: The Chief Minister and ministers were often referring, but a lot came from ordinary members of the Assembly, who would tell somebody to ring my office or go to the website. Primarily, on the website, it is all there, but we do appreciate that some people have difficulty in finding things; you are typing, and you just cannot see it. If they rang us, we would talk them through it.

The government funded the local business advisory service to offer four hours of free business training and assistance to anyone and at the same time gave the Conflict Resolution Service funds to help people with a residential tenancy. We got a few of those to start with, which we passed on to Mel Hayley and her crowd at Conflict Resolution Service. They did a great job as well.

We do an interrogation of what it is that people are actually looking for. Some people needed simply to talk to their lawyer, in order to understand the complexity of their lease. We are not all contract lawyers. Some genuinely needed some business advice to make sense of where it was going and what had happened to their cash flow. We would refer them to the government-funded program there. We made it clear, at each meeting, "I'm not a lawyer, I'm not an accountant, I'm not a business adviser, and neither are my staff." We would make clear what we could not do, but we would always be able to find a service, either inside the government or externally, with which to give them some assistance.

MR DAVIS: You mentioned before that your office had been providing a great amount of pastoral care to a lot of the businesses that had contacted you. It is surprising but also delightful to know that that was available to them. Now that we have come out of the bulk of it—knock on wood—are there still a rough number of businesses that you are providing that sort of intensive support to?

Mr Smyth: We have talked to more than 500 businesses over the period. We had about 200 cases. A case will have both a tenant and a landlord. There are about 200 cases; of those, probably 50 went to actual face-to-face mediation, where we would get everybody sitting around the room and, depending on what people needed, we would talk to them further.

We tried to build relationships between landlord and tenant, because this is not just going to be for two months or three months; this could be for one year, two years or three years, depending on how long this goes for. It also changed as the JobKeeper changed. 28 September, 3 January and 31 March were and will be significant dates. The way the mediation and the code applied varied, depending on the JobKeeper.

The states have started winding back the protections of the national code for tenancies. Queensland finished at the end of December. South Australia finished on 1 January, at the same time as JobKeeper 2 finished. The ACT government finished on 31 January and the other states were all winding back. Again, depending on whether you got

JobKeeper 1, 2 and/or 3, it is a matrix that goes on forever. It is quite hard to generalise.

MR DAVIS: With the forthcoming expected changes in the rates of JobSeeker and JobKeeper, is your office expecting and subsequently prepared for more businesses that might require your support then?

Mr Smyth: I am not sure that there will be an increase in business. We have certainly seen a steady flow since Christmas. The converse of JobKeeper is that some firms are saying that it is now hindering their ability to employ. The whole job market has been turned on its head. I know of one case where a restaurant had 41 staff. Three of them were Australians. The rest of them were on working visas or were casuals. They have all gone home to their country of origin or are just not in the market at all. I know of restaurants that are having a great deal of difficulty in actually getting staff. If, for instance, you run a high-end restaurant, to get a staff member up to your standard it can take three to six months. A lot of that staff has disappeared. So there are complications in this.

With other firms, we had one small business that had nine staff on JobKeeper but still was not able to get enough staff to fill the hours of the roster, which caused this woman great difficulty. If your business is now being kept afloat by JobKeeper, and JobKeeper finishes at the end of March, I would urge people to start reaching out now to find out what assistance there is for them beyond JobKeeper. At the same time, it has complicated the employment market.

MS CASTLEY: I have a follow-up question on the international missions. How many business owners went on the trips?

Mr Barr: It would vary by market, from a handful. There were a couple that were university focused, so we had the universities with us. There were some other larger ones that had dozens. It would depend on the trip.

Mr Smyth: The Chief Minister is exactly right. Some were quite specifically the Chief Minister ground-breaking, going and learning, or we might have had a specific focus that did not require a delegation to support the Chief Minister. The largest we did was in Singapore, where at one stage there were 65 Canberrans there. We had seven streams of activity. The Chief Minister had a program. I had separate programs from him. We took some people from Canberra's film industry. The Chief Minister launched a film training course in Singapore, where Canberra expertise was helping the emerging Singapore film industry.

We took people from our property market, from the then Land Development Agency and commercial agents in the ACT. We ran a property seminar that has had some good results. We took about 20 tourism operators, under the leadership of VisitCanberra. Jonathan Kobus organised a great group to go, such that we were able to put on a display of the best that Canberra has.

We also took sport and rec. For instance, in Singapore there is a school called the Canberra Secondary College. HMAS *Canberra* (1) visited Singapore in 1937 as it was expanding, so they named a suburb after her. We have a high school there, so we regularly go and do that. The then High Commissioner, Bruce Gosper, always ran a reception.

The other group was some CIT students. We were running educational facility to educational facility activity, whereby some of our young chefs were taken there to get some exposure to some of the greatest venues in the world for fresh food. We always bring them together at the High Com. The High Commissioner will always invite and have a reception in honour of the Chief Minister; then we invite all of the friends that we have made.

The answer is that sometimes it is very tight, very small and very targeted. On other occasions we have run trade missions that have involved seven different streams all running at the same time. The other one in Singapore was that the arboretum has a relationship with the Botanic Gardens. The Canberra Zoo and Aquarium has a relationship with the Singapore Zoo. It is about building friends; those friends give you contacts and those contacts give you opportunities.

THE CHAIR: We will have to call it quits there. Any further questions can go on notice. Thank you, Mr Smyth. We will move on to the Coordinator-General for the Whole of Government (Non-Health) Response to COVID-19.

MS ORR: I have a question about the vaccine rollout. Would that be asked here—the communication of it?

Mr Barr: Not strictly, no. Ask the question and we will see what we can do.

MS ORR: What work is already underway to ensure that Canberrans are well informed about the vaccine rollout?

Mr Barr: A fair amount, but it is more a question for Health, I would say.

MR DAVIS: The increased caring labour taken on by parents, and especially mothers, during the lockdown and learning from home period has been recognised as a disproportionate burden on women; but grandparents, in particular grandmothers, have been a less recognised caring cohort. What data do you collect on the caring responsibilities of grandmothers and other older women during COVID?

Ms Cross: I have read and understand the privilege statement. I do not think that there is any specific data that we collect on grandparents' caring responsibilities, unless it came up in one of our community attitudes surveys. I do not believe that we have specifically asked about that.

MR DAVIS: More broadly, have you collected data on what we know anecdotally to be a disproportionately high impact on women in terms of caring responsibilities during lockdown?

Ms Cross: I do not think that the ACT government has. Certainly, that was a common topic of discussion early on. We did look at the gendered impact of COVID on things like unemployment in the ACT. In fact, in the end, our numbers are quite volatile. I think that, in the beginning, there was a disproportionate job loss for women, but it evened out in the end. We would look at some data, but I do not think that we looked at caring responsibilities.

THE CHAIR: Is that a publicly available report?

Ms Cross: It is the normal unemployment data, and we just look at the ACT results. We were conscious of keeping an eye out for the gendered impact and whether any stimulus measures needed to specifically target women.

MR DAVIS: I note that there were certainly stimulus measures, in terms of spending, that identified women who were impacted in the workforce. I suppose I am thinking more about how government services were provided to women who might not have been picked up in workforce participation numbers prior to the COVID lockdown but were still, through caring responsibilities, mental health impact and lifestyle impacts, impacted disproportionately through the lockdown.

Mr Barr: Can you define what you mean by the lockdown? It was not like Victoria.

MR DAVIS: I am more than happy, in that case, to look at the period over which the government has been operating in pandemic mode, if you will.

Mr Barr: Okay, During the public health emergency? Is that a better—

MR DAVIS: Perfect; that is the way I will phrase it. To give you some context, a lot of these conversations are in the context of where we are spending money; and, in particular, job losses versus those who have had their hours reduced. I wonder where the government's efforts went regarding people who would not have been picked up in those job loss numbers.

Ms Cross: In any of these things, it is important to understand that there is a mix of commonwealth and ACT government assistance. Obviously, the commonwealth made big changes to childcare availability and free child care early on during the public health emergency. From the ACT government's point of view, we have focused more on cohorts. We looked at people who were disadvantaged in the community. It did not matter whether they were employed or unemployed. We had our food relief network and initiatives like that which provided support to people who needed it.

I do not think that we looked at it in terms of whether these women were employed or unemployed. We just said, "These people need support with food, with other life necessities." Again, I am not sure that I have completely answered your question, but I do not think that we specifically looked at the group of women who were not working and had caring responsibilities.

MR DAVIS: That is okay. That does answer my question.

MS CASTLEY: The annual report on page 28 reveals that the Coordinator-General role will continue. How much does this office cost Canberrans?

Ms Cross: There is a measure in the budget papers which shows that the expenses are $681,000, but that is fully absorbed; so the net cost is zero.

MS CASTLEY: How many people are there in the office?

Ms Cross: There is me, an executive officer and an executive assistant.

THE CHAIR: Are there any KPIs as to what sort of outcomes you are trying to achieve; or is it that, as things come up, you try and address them?

Ms Cross: The main thing is to make sure that everything we do in the health and non-health areas of government are well aligned and that we have good governance and decision-making around all of the emergency response. Certainly, there is a set pattern of work, but it is also quite reactive. If you get an outbreak in New South Wales before Christmas, then there is a lot of reactive work that we coordinate here in the ACT. A lot of it is about just making sure that all parts of government know what is happening, they are aligned, they are supporting the CHO, and that we are doing it in a way that would stand up to good public scrutiny.

THE CHAIR: Will the position and the office continue for the duration of the public health emergency?

Mr Barr: I would anticipate so, but we will make an assessment when we are deeper into the fiscal year. If there is a need, then we would continue the role. Clearly, we all hope that, by October, with everyone who wants to be vaccinated able to be vaccinated, the situation would be somewhat different then. That seems a long way off, from the vantage point of the third week of February. The program started today, so that will certainly help to make a difference in terms of a transition to a pandemic becoming an endemic disease.

MR DAVIS: Further to my last line of questioning, when I spoke about women in the home who are providing caring responsibilities, I am interested in broadening that and looking at formal and informal volunteering and, I suppose, civic engagement and community participation that was limited throughout the public health emergency. Did your office or did anyone in government that you know about track that sort of decline in civic participation and its subsequent impacts?

Ms Cross: The question would best be directed to the Community Services Directorate because they do a lot of work with the volunteering sector and the community services sector. Again, as I said, a number of the packages that the government put in place were available for whoever needed them. Mental health support, additional funding for Lifeline and those sorts of initiatives would be available for anyone who was concerned during the pandemic. Certainly, with the volunteers early on, a number of them were worried about continuing volunteering and needing PPE. The government measures would have helped them, as well as anyone else that required that support.

THE CHAIR: Members, we will have to call it quits there. Thank you, Mr Smyth and Ms Cross, for appearing today. We will have a quick changeover before we start on the next output area.

Short suspension.

THE CHAIR: For this part of the session, the committee is examining the annual reports and budget outputs relating to the Chief Minister's portfolio, specifically the ACT executive and Public Sector Standards Commissioner. We will take each of them in turn. We will start with questions about the ACT executive. On behalf of the committee, I would like to thank you, Chief Minister and the commissioner and accompanying officials from CMTEDD, for attending today. Before you speak for the first time, if you have not already done so, confirm for the record that you understand the implications of the privilege statement.

I would like to ask about Invest Canberra.

Mr Barr: That is not in this area. That is the same area that we will be talking about—

THE CHAIR: Yes, I was looking at the wrong page.

Mr Barr: Thank you: I will know what you are asking tomorrow.

THE CHAIR: This is about the appointment of the ninth minister. It talks about the estimated employment of the ACT executive being 70 FTE, up from 65 in 2019-20, and it attributes this to the appointment of a ninth minister. Can you explain your rationale behind appointing the ninth minister and its flow-on effect on the budget?

Mr Barr: The legislation allows for the executive to have a maximum of nine. Obviously this parliament has a different governing configuration based upon a two-party alliance, effectively, governing with a parliamentary and governing agreement. So there is a different arrangement. It is also a larger government, as in there are more members, as you would be aware, of the two—

THE CHAIR: Thanks for pointing that out.

Mr Barr: That is all right; I thought I might do that. There is a larger government with a broader agenda necessitated by the governing agreement. So in making a determination on the balance between executive and non-executive members, given that I had 16 on which to draw, which would be the largest number of members in a governing alliance or coalition ever in territory history, it was appropriate to utilise the capacity to expand the executive to what was allowed for under the legislation. That enabled ministers to have four portfolios each rather than five. So it obviously is a workload distribution issue as well.

THE CHAIR: Is the staffing for each minister the same?

Mr Barr: No, it varies based upon both the portfolios and the seniority of those portfolios. There is a core base that is largely the same, and then there are some additional staffing positions provided in specialist areas—for example, in Attorney-General, in Treasury and in a couple of other portfolios where there is clearly a need to employ a specialist. As I have discussed with the Leader of the Opposition in providing additional resources to the opposition leader, there are certain positions that are required in terms of key advisor roles. Some additional resourcing was necessary for the executive, for the crossbench and, indeed, for the non-executive, for the opposition leader and deputy opposition leader, as I believe we discussed.

THE CHAIR: Are all of the ministerial staff employed under the same enterprise agreement?

Mr Barr: Yes. There is one enterprise agreement for Legislative Assembly members' staff.

THE CHAIR: There are none under any other special employment agreements?

Mr Barr: There are. There is an allowance for an executive chief of staff. That is the senior government staffer who is in my office as the leader, as the Chief Minister. That is consistent with past practice.

THE CHAIR: Are you able to provide a breakdown of the 70 staff—how many are in each minister's office and at which classification level?

Mr Barr: One of the reasons for the increase in FTE is that fewer senior advisors have been appointed, reflecting new ministers and changing recruitment—the decisions of individual ministers. We have 2.1 FTE fewer senior advisors, and the balance is made up for in additional advisor level 1 and advisor level 2 positions. So, as the senior advisors are paid a higher salary, there are fewer of them and there are more advisor level 1s and 2s.

THE CHAIR: How does that compare to the 65 FTE that we had in 2019 to 2020?

Mr Barr: There are 2.1 fewer FTE senior advisors and there are, I understand, 4.5 extra. The net increase is 4.5 FTE. There are 2.5 additional FTE advisor level 2s and 3.8 additional FTE advisor level 1s. There is 0.1 additional, as my executive chief of staff has gone from 0.9 to one FTE, so he is working a few extra hours. For the chief advisor, under the EBA there is a 0.2 increase from 1.4 FTE to 1.6. Then there are minus one senior advisor and minus 1.1 senior advisor level 1. It is not much movement over nine ministerial offices.

MS LEE: Chief Minister, where has the funding for the ninth minister come from?

Mr Barr: There is a transfer of funds from the Office of the Legislative Assembly for the member's salary, and a staffing allocation. A minister has an additional loading on top of a member's salary. That is funded from the executive budget, as are the extra staff associated with a minister's office, which is three, I think, on top of the three or four—depending on the level of head count versus actual dollar allowance.

MS ORR: I would like to ask about the gender pay gap that is in the ACT public service report, the state of the service report.

Mr Barr: Is that it for ACT executive?

MS ORR: I do not have a question on the executive.

MS LEE: I was going to ask about the director-general's level—

Mr Barr: That is not—

MS LEE: It is not specifically executive but—

Mr Barr: ACT executive is the output class that funds ministers, ministers' staff and all of that.

MS LEE: Yes. I just wanted to find out—

Mr Barr: More broadly stated, the services that are—

THE CHAIR: Any further questions on the ACT executive?

MS LEE: Not on the executive, no.

THE CHAIR: So Ms Orr can ask about the gender pay gap.

MS ORR: On pages 38 and 39 of the state of service report there is quite a bit on gender pay gap. It is actually quite impressive for the ACT: we have a very low gender pay gap. Are you able to provide some data where it is broken down a bit more from this high level of the whole of service to look at what the employment is across the service in different directorates and whether the gender pay gap differs between directorates?

Ms Leigh: That level of detail I would need to take on notice.

MS ORR: Yes, that is fine.

MR DAVIS: The annual report affirms that the percentage of people with a disability working for the ACT public service still remains low at 2.1 per cent, despite small increases over the last four to five years. The report also mentions the range of measures being taken to support and retain the current workforce, as well as a promised new strategy and increased targets. Can you describe how you are evaluating your current people with a disability development program, and how those outcomes will be incorporated into the new strategy?

Ms Leigh: I mentioned earlier that we have quite a wide range of development programs to support and develop our staff with disability and also to ensure that they are getting satisfaction from their employment so that we can retain them in our service. A number of those are relatively new measures. I mentioned before that we had the Queensland University of Technology program. We have the Australian company directors program and a number of leadership programs—so high-value programs. In terms of evaluating, partly it will go to retention and the satisfaction of those staff. I will ask Dr West to make some further comments.

Dr West: Also this year we are embarking on a review of the respect, equity and diversity framework, with the potential of adding inclusion and reviewing all of our inclusion programs in that framework. As part of that piece of work, there will be broad consultation across industries and with the community and other sectors to fully expand that framework. It was completed in its first iteration some 10 years ago, so it was time for a renewal.

The original framework had certain targets. For Indigenous they have been met. For disability we are slightly under but that target was based on a doubling of headcount from the starting point in 2010 rather than any other measure. We are embarking on that piece of work. We will undertake a fulsome review before, we hope, finalising mid-year.

MR DAVIS: I understand that there were some lessons learned, as outlined in reports, in terms of the increased accessibility of the graduate program assessment centre. Are those learnings being incorporated more broadly throughout the public service?

Dr West: With regard to the graduate program, because we moved to an online assessment process and assessment tools, we ensured that a series of reasonable adjustments were put into place to allow people with a disability to complete the application process and in any of their assessment processes being conducted, and that is what resulted. That has supported, we believe, an improved outcome this year.

MR DAVIS: On that same line, I think that government contracts remain a significant source of disability employment in the ACT. What, if any, data do you collect on this? My question comes down to social procurement. What data do you keep on the contracts assigned to people with a disability and employment agencies that work exclusively with people with a disability?

Ms Leigh: That question would be better directed to our procurement area when they come before you.

MR DAVIS: All right.

MS LEE: Perhaps this is a question more for Ms Leigh. Do the directors-general of each directorate have KPIs as part of their contract?

Ms Leigh: We have a performance agreement with them.

MS LEE: Are you able to tell us what they are, perhaps on notice, for each of the directors-generals?

Ms Leigh: They all follow broadly the same pattern. Obviously, they are focused on delivering the government's priorities, equipping the directorate to make sure that they are well placed to deliver the government's priorities. They go to issues of Aboriginal and Torres Strait Islander employment; disability employment; work, health and safety; and emissions targets—so some of those broader issues as well. Those are probably the key areas.

MS LEE: Are there any differences, depending on the director-general or the directorate?

Ms Leigh: Not intentionally. The differences would simply relate to timing because, of course, each person who is employed would do their agreement at that time and we would build on past experience at that point.

MS LEE: What is the process for ongoing assessment or review of those performance indicators?

Ms Leigh: Obviously it is best to just keep giving feedback as you go along and not surprise anyone, and that is my practice, but we make sure that we also schedule in half-yearly and annual formal check-ins.

MS LEE: So at least every six months or so.

MR PETTERSSON: I have some questions for the Public Sector Standards Commissioner.

Mr McPhee: Good afternoon. I understand and accept the privilege statement.

MR PETTERSSON: Could you provide us an update on your work in the reporting period?

Mr McPhee: I am happy to. The directorate has concluded 61 misconduct processes during the reporting period, 49 of which had at least one breach of section 9 of the Public Sector Management Act. We have managed to reduce some of the time that we spend on our investigations and we are still continuing to work on that, together with other directorates, to do even better, going forward. The numbers have been reasonably steady in the last couple of years but I can say that, going forward, there is a sign that they are lifting a little. We are keeping an eye on that.

MR PETTERSSON: That is no good. How many of the investigations were completed by your team of permanent staff as opposed to ones that were outsourced?

Mr McPhee: We outsourced one. Our preference is to do it within the professional standards unit but, if priority or other reasons come into play, we will consider outsourcing.

MR PETTERSSON: Why was this one outsourced?

Mr McPhee: I am not sure of the specifics of this one but—

THE CHAIR: Are you able to take that on notice?

Mr McPhee: I am happy to take it on notice.

MR PETTERSSON: That would be wonderful. You mentioned that the time for dealing with these issues is improving. How long, on average, does it take to deal with an investigation?

Mr McPhee: In the reporting period, around 100 days for the investigation component. But when you add the totality of the time from when the misconduct allegation is made right through to the end of the process, it is probably more than

200 days. So that is why I say that we were working with directorates to see if we can improve not only our own processes but also the cumulative figure, which involves directorate responses as well. What is very apparent to me in this role is the level of concern and angst that these cases cause directorates and individuals. To the extent that collectively we can reduce the time required to complete them, that would be of interest and benefit not only to the individuals but also to the public sector.

MR PETTERSSON: Wonderful. Can I put on notice what the cost of outsourcing that one investigation was?

Mr McPhee: Absolutely.

MS LEE: Out of the investigations that you conducted, what was the breakdown of the nature of the complaints?

Mr McPhee: By far, the largest category was lack of courtesy, sensitivity and respect; followed by failure to exercise reasonable care or diligence. They were the two largest. After that was failure to act with integrity or honesty. Fourth was bullying, harassment or intimidation. Then there are a range of others—unauthorised disclosure or release of information; conduct which would bring the ACT public service into disrepute; failure to comply with legislation or territory laws; failure to follow written or verbal direction.

MS LEE: Do you have a breakdown by directorate in terms of where they sit?

Mr McPhee: We do have that information. We collect it globally. Every six months I write to the directors-general to not only explain our statistics in terms of numbers and time taken et cetera but also to try to extract from our misconduct investigations the messages for directorates—just to give you an example—and just to reinforce good practice and try to prevent cases of misconduct in future, because we are conscious that our misconduct work is terribly important. If we can leverage that for the benefit of the service, it is even better. So we have worked pretty hard on that.

The standout issue is, when you observe early signs of misconduct, just to intervene and have a quiet word to the person, have a coffee, have a discussion early on. The other thing that I think is terribly important is our public sector values: respect, integrity, collaboration, innovation. If they can be reinforced by directorates and managers, particularly managers—just to reinforce at the appropriate time, in the right manner, the importance of respect in particular—it should help to cover off some of these cases of lack of courtesy, sensitivity and respect. We can probably give you some of that information at a directorate level. I have not seen it, because I tend to report messages globally for the benefit of all of the directorates.

MS LEE: Are you happy to take that on notice?

Mr McPhee: Happy to take it—

MS LEE: Thank you. In terms of the outcome or the consequences after an investigation, have you got information on that? It ranges from a warning through to whatever it might—

Mr McPhee: Yes, I have got that. Most of it is warnings; but there are more serious categories and I am happy to provide you with that too.

MS LEE: On notice?

Mr McPhee: On notice, yes.

MS LEE: Thank you. I appreciate that.

THE CHAIR: Mr Pettersson spoke about the time taken, and you said that it was sort of 100 work days but more like 200 once you take other factors into account.

Mr McPhee: More than 200, yes.

THE CHAIR: Do you know what other jurisdictions have? Do they have a benchmark? How might the ACT track against—

Mr McPhee: I am not aware of that, but it is an issue that we should look at. My personal view is that we can collectively do better and so it is a case of getting more integration of our processes collectively. To the credit of directorates, they have offered to assist our processes by, for instance, helping, if we require it, to organise interviews on certain days so that our people do not have to go backwards and forwards and things like that. So people are turning their minds to how we can do better in this space because of the emotional cost as much as anything, as well as the productivity cost in these processes. We can take on board that thought, Chair, and see whether other jurisdictions have published such information.

THE CHAIR: Thank you. Your state of the service report on page 53 has mechanisms of reporting bullying or harassment and the contacts received by RED contact officers, received by HR or received through RiskMan. Can you explain why there are the different channels and how you get the message to staffers about how best to report these bullying issues?

Mr McPhee: Yes, and I think implicit in your question is whether there is a level of overlap. The report makes it clear that these numbers—you cannot necessarily add them all up because issues can be reported through more than one channel at any one time; but I think that it is important to provide individuals with a source of opportunities to raise matters. It may be with the RED contact officer or it may be through RiskMan. It depends on the individual and it is important that we all collectively be responsive to these matters. I think I am saying that it is not necessary just to have the one channel.

THE CHAIR: Are you able to tell me the trend over a longer period? You have the 2018-19 figures and the 2019-20. What does the number of contacts look like over a longer period?

Mr McPhee: I would need to take that on notice and come back to you with it. We can go back across the earlier records and put the statistics together.

THE CHAIR: Thank you.

MS LEE: Commissioner, page 59 of the state of the service report—this is in relation to the five-point Likert scale. Down the bottom, it says:

> The overall theme suggests that Directorates found it challenging to evaluate policies, programs and initiatives due to a number of barriers.

Is that of concern to you and, if so, what measures have been taken or are being taken to address that issue? Perhaps it is more a question for Ms Leigh.

Ms Leigh: In fact, Dr West probably is the person who can provide us with the most detail. The state of the service report does not just deal with the investigations and complaints that Mr McPhee deals with; it also deals with strategic HR issues across the service that Mr West deals with.

Dr West: In the state of the service report survey last year, we asked some questions around directorates' capability in the evaluation space. The responses that you are looking at there relate to capability around evaluation and to some of the work that we are doing to improve our evaluation capability and our understanding of data holdings, how we use data holdings and how we create data holdings to subsequently evaluate processes and practices. So it is on a broader theme of evaluation rather than integrity—the specific matters you are referring to.

MS LEE: So the "number of barriers" referenced in that paragraph is talking about access to data, is it?

Dr West: Access to data, use of data, and thinking about data at the beginning of the process. Part of the capability process that we are embarking on is to get people thinking about what data they need up-front when launching on a policy or a program or a policy development process that they may need to utilise at later dates to report back on the effectiveness of the policy initiative or the program or the outlay. Often, evaluation of data comes at the very end. So what we are trying to do is understand how to build the capability and the focus across the service to make sure that it is something that we consider up-front. The initiative to create the data in the evaluation team in the Chief Minister's was one of the first forays into that space.

MS LEE: Is that being implemented across the board? The initiatives about making sure that you get people to look at the data beforehand, that—

Dr West: Yes, this is a whole-of-government approach that will continue to test and challenge us in terms of how well we are preparing and building our own capability.

MS LEE: Was that initiative commenced in the reporting period?

Dr West: Yes, through last year.

MS LEE: Is there an assessment that is planned or scheduled to see how we are going?

Dr West: We will probably undertake another assessment in this year's state of the service report. We will think about evaluation as a concept in the state of the service report we do in the middle of the year and we will report at the end of the year as well. The report you are reading has a number of examples of directorate activity, where directorates are engaging in program evaluation along the way. This is an attempt to raise a whole-of-service capability.

THE CHAIR: We will conclude. Before closing, I want to cover a few administrative matters. In relation to all of the proceedings for today, I advise members and witnesses that answers to questions taken on notice should be provided to the committee secretariat within five business days after receipt of the uncorrected proof *Hansard*, day one being the first business day after the uncorrected proof *Hansard* is sent to ministers by the committee office.

All non-executive members may lodge questions on notice, which should be received by the committee secretariat within five business days of this hearing. Responses to questions on notice should be provided to the committee office within five business days of receipt of the question, day one being the first business day after the questions are sent to ministers and equivalents by the committee secretariat. When available, a proof transcript will be forwarded to witnesses to provide an opportunity to check the transcript and suggest any corrections.

On behalf of the committee, I thank the Treasurer and Chief Minister, the ICRC senior commissioner, the Managing Director of Icon Water, the Commissioner for International Engagement, the Coordinator-General for the Whole of Government (Non-Health) COVID-19 Response, the Public Sector Standards Commissioner, and all officials from CMTEDD, ICRC, Icon Water, and Major Projects Canberra for attending today.

I also thank Laura for her cleaning throughout the day.

The committee adjourned at 4.59 pm.