



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY**

**SELECT COMMITTEE ON ESTIMATES 2022-2023**

(Reference: [Inquiry into Appropriation Bill 2022-2023 and Appropriation  
\(Office of the Legislative Assembly\) Bill 2022-2023](#))

**Members:**

**MR J MILLIGAN (Chair)  
MR A BRADDOCK (Deputy Chair)  
DR M PATERSON**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**MONDAY, 29 AUGUST 2022**

**Secretary to the committee:  
Dr David Monk (Ph 620 50129)**

**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

<b>ACT Policing .....</b>	<b>650</b>
<b>Chief Minister, Treasury and Economic Development Directorate .....</b>	<b>551, 620</b>
<b>Environment, Planning and Sustainable Development Directorate .....</b>	<b>632</b>
<b>Icon Water Ltd .....</b>	<b>551</b>
<b>Justice and Community Safety Directorate.....</b>	<b>650</b>
<b>Major Projects Canberra .....</b>	<b>551</b>

## **Privilege statement**

The Assembly has authorised the recording, broadcasting and re-broadcasting of these proceedings.

All witnesses making submissions or giving evidence to committees of the Legislative Assembly for the ACT are protected by parliamentary privilege.

“Parliamentary privilege” means the special rights and immunities which belong to the Assembly, its committees and its members. These rights and immunities enable committees to operate effectively, and enable those involved in committee processes to do so without obstruction, or fear of prosecution.

Witnesses must tell the truth: giving false or misleading evidence will be treated as a serious matter, and may be considered a contempt of the Assembly.

While the committee prefers to hear all evidence in public, it may take evidence in-camera if requested. Confidential evidence will be recorded and kept securely. It is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly; but any decision to publish or present in-camera evidence will not be taken without consulting with the person who gave the evidence.

*Amended 20 May 2013*

## **The committee met at 8.45 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  
Hocking, Mr Stuart PSM, Under Treasurer  
McAuliffe, Mr Patrick, Executive Branch Manager, Investments and Borrowings

Icon Water Ltd  
Hezkial, Mr Ray, Managing Director

Major Projects Canberra  
Edghill, Mr Duncan, Chief Projects Officer

**THE CHAIR:** Good morning and welcome to this public hearing of the Select Committee on Estimates 2022-2023. In the proceedings today we will examine the expenditure proposals and revenue estimates for Chief Minister, Treasury and Economic Development Directorate; Major Projects Canberra; Independent Competition and Regulatory Commission; Icon Water Ltd; Environment, Planning and Sustainable Development Directorate; and Justice and Community Safety Directorate.

The committee wishes to acknowledge the traditional custodians of the land we are meeting on, the Ngunnawal people. The committee wishes to acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region. We would also like to acknowledge and welcome other Aboriginal and Torres Strait Islander people who may be attending today's event.

Please be aware that the proceedings today are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and webstreamed live.

When taking a question on notice, it would be useful if witnesses could use the words, "I will take that as a question taken on notice," or words to that effect. This will help the committee and witnesses to confirm questions taken on notice from the transcript.

In the first session, we will hear from the Treasurer. We welcome Mr Andrew Barr and officials. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw their attention to the privilege statement. The first time that witnesses speak, could they acknowledge that they understand the privilege implications of this statement.

As we are not starting with opening statements, we will crack on with questions. I will ask the first question. Chief Minister, I note that, on page 9 of the budget outlook, table 1.1.2 shows the headline net operating balance, and the decline in the deficit across the forward estimates from \$483 million in 2022-23 to \$229.4 million in 2025-2026. Can you run us through the three biggest risks to this improvement in the bottom line actually occurring?

**Mr Barr:** The risks associated would be, firstly, that revenue would not reach the projected forward estimates targets; secondly, expenditure would be higher than the forward projected targets; and, thirdly, that the economy might suffer a further external shock.

**THE CHAIR:** You had flagged an interim outcome of a net cost operating balance of minus \$328.4 million for 2021-22. The estimated outcome for 2021-22 is actually \$25.7 million. This is a significant turnaround. Can you detail the reasons for this big difference?

**Mr Barr:** Increased revenue and reduced expenditure.

**MS LEE:** Treasurer, that is a significant difference in the forecasting. Do you have any concerns about Treasury's forecasting in relation to that, given it is such a big difference?

**Mr Barr:** No, because the reason for the increased revenue was the increased population. Obviously, in light of the pandemic, it has been very difficult for treasuries around the world to accurately forecast. ACT Treasury is no different from any other treasury. It puts forward its best estimates at the time decisions are taken and published. We regularly update our budget estimates twice annually. When new information comes to hand, the bottom line is updated.

**MS LEE:** Treasurer, in your answer to Mr Milligan's question, you referred to expenditure. If you look at the budget expenditure over the past 10 years, it grew by 5.4 per cent; and, if you exclude the COVID years, it is still at 4.8 per cent. This budget actually forecasts 1.7 per cent. Can you explain why it is such a big difference, given the previous forecast?

**Mr Barr:** Principally, COVID expenditure that was large and one-off in the previous fiscal year, and that is not replicated in this fiscal year.

**MS LEE:** Given that—and that is why I specifically mentioned that if you exclude the COVID years—it was still 4.8 per cent as an average, which is very different to the 1.7 per cent that you have forecast.

**Mr Barr:** Yes, but the base of last year was extraordinarily high. The growth from one year to the next reflects expenditure in the previous fiscal year, which was exceptionally high because of some very large one-off expenditure that was COVID related, and that is not replicated in this fiscal year.

**MS LEE:** Even so, with that in mind, given that the current rate of inflation far exceeds your expenditure growth forecast, is that something that you have taken into consideration?

**Mr Barr:** Yes, Treasury did, in their forward expenditure forecasts.

**DR PATERSON:** Chief Minister, can you explain how this budget will assist the city in COVID recovery?

**Mr Barr:** It has been important during what has been a very significant economic shock to provide as much certainty and economic support, in combination with the Australian government, to ensure that we built a bridge over the pandemic period. We all hope that the worst of the pandemic is now behind us and we move into the endemic phase of COVID.

We are coming off another wave, and there may well be more in the future, but the trend appears to be that each successive wave is less severe and that, with vaccination levels at the level they are at, the community is well protected. This, I think, gives a greater degree of economic certainty as we move forward, but there are now new external impacts on the Australian economy that flow through to the territory.

The war in Ukraine is one such example, and there are still some lingering supply-side implications from the pandemic that are impacting on supply chains that are fuelling inflation globally. But the feedback from both the Australian government and internationally is that over the coming six to 12 months many of those supply chain issues will be resolved and inflation will peak and then start to decline. That is certainly the stated policy outcome of the Reserve Bank of Australia, pulling its monetary policy levers.

At a local level, we have sought to support the economy through this significant external shock. I think it speaks volumes for the effectiveness of our response that the ACT is the only state or territory to have not gone into recession, and we are about to clock up more than 30 years of consecutive economic growth.

**MS LEE:** Going back to the fact that the current rate of inflation is far exceeding the 1.7 per cent that you have forecast for expenditure growth, are there savings measures incorporated in the expenditure forecast that have been taken into consideration?

**Mr Barr:** The savings measures from previous budgets obviously continue, but new savings measures are outlined in the budget papers each year that would be additional to what we have already undertaken. I think there is a difference between constraining the rate of expenditure growth versus seeking to reduce expenditure, even in nominal or real terms. We have sought to end a number of the one-off programs that were associated with the COVID support package, and they do not continue in this fiscal year.

**MR BRADDOCK:** I have a question about infrastructure spend. I notice that it is quite ambitious, aimed at over \$1 billion a year, which is more than has historically been achieved by the Canberra industry. I also note that Major Projects Canberra, which is a major element contributing towards this, is looking to expand its workforce by 15 per cent, at the same time as there is an incredibly tight labour market. I am concerned about what accounting has happened for the risk in that area.

**Mr Barr:** We have been progressively improving our delivery against infrastructure budgeting. It is challenging in every jurisdiction. From memory, in the last fiscal year, we got to about 80 per cent of the program, as was published in the mid-year update. Essentially, the challenge is largely around gearing up new projects. Once a large-scale project is well underway, and absent an external shock like the pandemic or extreme weather events, we are quite effective at delivering.

The thing that I look at in the infrastructure program is the balance between new works and works in progress, and the size and scale of the project. There is an intersection between the total volume of the program and its component parts. A billion-dollar program that had only one project that was a work in progress, that had already been through all of the planning and procurement, would be less risky than a hypothetical program that costs a billion dollars and had a thousand individual small projects which had to go through their planning, procurement and other processes. That is where it tends to be slower.

On the industry capacity question, that is something we are very conscious of. At times when the territory has delivered above \$750 million in capital works in a fiscal year, we have required a large tier 1 contractor to be on site delivering a major project. We certainly achieved that level of expenditure during the peak of light rail construction. The expectation is that, given where the Canberra Hospital project is at now, they will be churning through a very significant volume of work, because they are on site, there is a large workforce and the project is running smoothly.

**MR BRADDOCK:** Does that tier 1 contractor bring in a workforce from outside the territory?

**Mr Barr:** It is a mixture. Some skills are always imported into the territory, so we also have to be conscious of what is happening in the infrastructure program across the east coast in particular, with New South Wales and Victoria being most prevalent. But if we were to solely base our infrastructure program on local capacity, we would have to halve it, and there would be a range of projects that could never be delivered in the ACT because those skills do not exist; they are not part of the regular infrastructure program.

If I can put it this way, there are projects that we do every year. We build new schools; we do a range of things that are fairly straightforward, relatively speaking. It is when you do a once-in-10-years project or a once-in-50-years project that you generally need to bring in skills from outside the territory. Broadly speaking, they are sourced from within Australia.

Light rail was an example. It was the first rail project built in the territory under self-government, and it needed external skills. Those skills did not exist because there was no market for them in the ACT.

**MR BRADDOCK:** How much is the infrastructure program delivery dependent on that expansion in the Major Projects Canberra workforce?

**Mr Barr:** There is the pipeline of future projects. That goes to the point I made around getting projects to the point where they are through the planning and procurement phases and have a good project management framework in place, depending on where they sit in the capital framework, and whether they are tier 1, 2 or 3 projects. More complex ones require additional skills and will often have an independent project board that will manage the project, on top of the work that is undertaken within Major Projects Canberra. It will be important, but in large part it is around the pace of delivery rather than our capacity to deliver a project at all.

**MR BRADDOCK:** What is our plan to be able to expand Major Projects Canberra above 15 per cent?

**Mr Barr:** We will obviously be taking to the skills summit later this week a series of proposals that would go to meet some of the identified skills needs that our economy has. That is really across the span of the infrastructure professions, from engineers and project managers through to some of the trade skills that will be necessary. We will need to compete in the same labour market as the other states and territories. Everyone is facing this challenge. Those who closely follow budget rounds across the states and territories will see that there have been no major new projects added by governments. In their most recent budget round, the focus has been on delivery of the existing pipelines.

**MR BRADDOCK:** Are you hoping to poach workforces from interstate, from governments who may be starting up fewer new projects?

**Mr Barr:** There are some opportunities there, but international migration will also play a part.

**MS LEE:** Treasurer, in the budget outlook for 2021-22, total infrastructure investment was forecast to be \$1.34 billion. What was actually spent? Do you have those figures?

**Mr Barr:** Yes, we can provide that on notice. I think you are referring to the not updated one; that number came down in the midyear review, from memory, to something like a billion dollars, and we delivered a little over \$800 million, from memory, but I will get the exact numbers for you today.

**DR PATERSON:** Chief Minister, my question is in relation to the labour market. In the economic outlook, the ratio of unemployed people to job vacancies declined to a record low of 0.6 per cent in May 2022 in the ACT. This is half of the level of the national ratio. What aspects of the strong Canberra market have led to this ratio being this way?

**Mr Barr:** It is very challenging. It is probably the right sort of challenge that you would want to have in your labour market. The 0.6 per cent ratio indicates that we nearly have two jobs available for every unemployed person in the city at the moment. People have observed that economics is a dismal science and that there is no Goldilocks outcome where there is just the right amount of employment or just the right number of jobs in an economy. Having seen both sides of this equation over my career, I would much prefer to be in the situation we are in now, where employment is effectively at full capacity.

The challenges that we are looking to resolve are to address some of the barriers to participation for people who are unemployed or long-term unemployed, or people who are in the workforce but would like to work for more hours, except that there are constraints to that. Access to child care is one such example.

We are taking forward to the Jobs and Skills Summit a range of policy suggestions that go to workforce participation opportunities in ways that can increase the number of hours worked within the existing labour force for those people who want those extra



hours.

There also needs to be a focus on skills and training. There is a skills mismatch between people who are currently unemployed, the types of jobs that are available and the skills that are necessary for those jobs. A new commonwealth, states and territories skills agreement is necessary. Those negotiations are underway, and they are being led by Minister Steel, on behalf of the territory government, with the commonwealth.

Another element, clearly, is the role of skilled migration. We have asked for a larger pool of skilled migrants to come into the territory to be sponsored through the different migration streams by the territory government and employers in our city. Up to 5,000 would be helpful. Just to give people a sense, we have around 8,000 to 9,000 unemployed people, and at least 12½ thousand job vacancies, if not more. You do not necessarily capture every single job vacancy that is there, just by those that are advertised.

We think there is a role for skilled migration. That would be across a range of occupations. There is a skills priority list, and we are looking to achieve a higher program. The point of difference between what we hope will be the future program and the practice of the past is that a lot of the previous skilled migration was temporary, with two- or three-year work visas. The new federal government has determined—and I support this—to want to promote a more permanent migration stream. I think there are great opportunities for Canberra, particularly if we are able to offer, for our international students, both a job and a migration outcome in our city, as part of that thinking.

I certainly look forward to some of the outcomes later in the week and what will follow from the summit. There is clearly a sense of engagement and consensus building. Over the weekend we have seen business groups and the union movement put forward joint proposals to the commonwealth. Some of that will intersect with our responsibilities. After 10 years of inaction and effectively a war between capital and labour, it is good to see that there is the possibility here of some workplace reforms, some migration reforms and some skills reforms to be agreed and consensus to be reached as much as possible. That is what I am hoping for, out of what happens later this week.

**DR PATERSON:** While COVID has presented huge challenges, has it also presented a lot of opportunities in the way we view the labour market?

**Mr Barr:** It has certainly transformed the way people work. If you talk to anyone in the digital sector, they will say that effectively there has been 10 years of progress made, seemingly in 10 minutes, during the pandemic, when people were forced to dramatically change the way they worked. More flexibility has emerged in the labour market. There have been moments of controversy around whether the role particularly of public servants is just to be consumer fodder or whether their actual job is what is most important. We have sought to adopt a more flexible approach to employment within the ACT government. I think you see that playing out now. I suspect the negotiations over the next enterprise agreement will see that trend continue.

**MS LEE:** Treasurer, with your wish list of making sure that we get a greater share of skilled migration places, obviously, these people will need housing within the capital.

This is a two-part question. What have you asked of your federal counterparts in terms of a wish list on housing, and what are the policy levers within your control that you will exercise to ensure that these skilled migrants will have access to affordable housing?

**Mr Barr:** In the letter that I sent to the Prime Minister in response to the Jobs and Skills Summit topic of maintaining full employment and growing productivity, I outlined a multifaceted approach to ensure that the constraints on the supply of labour do not act as a handbrake on economic growth and living standards.

I sought three key outcomes: firstly, recognition that reform of the health system was a high-priority productivity reform for both national cabinet and the Treasurers' body; secondly, agreement to develop a joint commonwealth, state and territory approach to addressing housing affordability issues, including those facing key workers and skilled migrants; and, thirdly, agreement to expand the scope of commonwealth funding support for state and territory delivered infrastructure to meet the needs of a growing population.

The election commitments that the now federal government made in the campaign included commitments to more social and affordable housing and more key worker housing that would be delivered across the nation. All of the indications are that it would be delivered in partnership with the state and territory governments.

One area to which the commonwealth can actively contribute in the ACT beyond the financing for new housing is to look at their landholdings within the territory, to look at possibilities for the delivery of some of the commonwealth-funded housing on land that the commonwealth owns.

The site that has been discussed and identified by all sides of politics is the former CSIRO Ginninderra site. We are supportive of a commonwealth-territory partnership in the delivery of housing on that location. I think we will have a more mature discussion with the commonwealth, now that the government has changed, than the threats that were made prior to the last federal election by a former ACT senator.

Clearly, the commonwealth is not going to operate individual land titling and seek to provide municipal- and state-level services to a small community on commonwealth-owned land. Any housing development on that site, and indeed other commonwealth land, necessarily involves the transfer of land titles into the territory's system. That needs a mature discussion about the infrastructure necessary to service that housing and the additional population's impact on a range of territory and local government services. I think that conversation can and will be had, and we can progress with that particular opportunity.

Another one that I have identified is the prospect of working with the commonwealth, through the Sports Commission, on the land that is in the AIS precinct. The commonwealth owns most of that land. The territory has been developing a suburb in and around, in Bruce, adjacent to the AIS precinct, and we do have some landholdings within the vicinity that could potentially resolve a number of the territory's medium-term infrastructure needs, as well as revitalising and redeveloping the Institute of Sport precinct. That is one that I have foreshadowed, as another practical example.

Beyond those areas, the commonwealth have some other landholdings that we are happy to talk with them about. We have shown our capacity to deal maturely with the commonwealth's needs, for example, in the diplomatic estate. There is an agreement there that will also provide an opportunity for more housing, and we will look at other partnership opportunities as they arise.

Obviously, on the supply side, there is only so much that can be delivered in any fiscal year. The same infrastructure constraints apply to the construction of housing as they do to other types of infrastructure. To reflect back on Mr Braddock's question, those issues also act as a constraint on housing supply. You cannot just magic up a workforce; you cannot just magic up all of the supplies that will be necessary. The construction industry have been quite clear about some of the constraints they face in the short term. But there is optimism that changed housing construction materials that are more environmentally sustainable, and that might be able to be produced locally, within Australia, could be part of the answer in the medium term.

**MS LEE:** Could you answer the second part of the question?

**Mr Barr:** I am sorry; you will need to remind me of the second part.

**MS LEE:** The second part of the question was: what are the policy levers within the ACT government's control, to ensure—

**Mr Barr:** Obviously, we have announced a series of initiatives in the budget. I am particularly focused on growing the rental property stock from around 50,000 dwellings that are rented at the moment, and to increase that by at least 5,000 over the next five years or so. The best pathway to achieve that very significant increase in the supply of rental properties is through large-scale build-to-rent projects that will be undertaken in partnership with a range of housing industry players and stakeholders, from community housing partners through to superannuation funds and private investors who are looking at this emerging housing asset type as one that is worthy of investment.

It is my view that the only way that you will get a substantive increase is to go large scale. The idea that one investor, one property at a time, will get you 5,000 more in a hurry is just not going to occur. That is a pathway that we are pursuing. We have a prospectus out in the market now, and a number of sites available.

Also, I am really pleased to see that the market itself is responding on privately held land. We are seeing more build-to-rent projects that are purely market based, and that do not require a government subsidy. They are obviously not targeted at the below-market-rent level of the market; but we also have to remember that at least two-thirds of our community have incomes that are well above the national average and are looking for rental properties at that end of the market.

The government, in terms of expanding supply and incentivising that through either concessional land arrangements or concessional tax arrangements, would be focused on the affordable end—below market rent—in partnership, for example, with community housing providers. The build-to-rent prospectus outlines some of the policy options and supports that are available at that end of the housing market.

**MS LEE:** Do you have access to any figures or any information that you can share with the committee about any potential opportunity for diplomatic estate land that might be available?

**THE CHAIR:** Diplomatic estate?

**MS LEE:** Yes.

**THE CHAIR:** As in owned by the National Capital Authority? Certainly, the approaches from the NCA in recent times have been that the diplomatic estate was maxed out and that they needed more land the other way. The former federal government gazetted and switched land, which they are entitled to do under the self-government act, from unleased territory land to commonwealth land for the diplomatic estate. They did that in north Curtin. We were able to negotiate a section of that land to be available for housing, along Adelaide Avenue and Yarra Glen; and, obviously, access to the area of land that is soon to be the new park at West Basin.

**MS CLAY:** Treasurer, you mentioned the CSIRO site. That is a greenfields site. I gather that there is probably some land there with high ecological values. It would not be all of it, but that would be some of it. There is probably some contamination. I live in Belconnen, and I have not ever seen detailed community consultation about the development of that site. We did not have the opportunity to do it, so that work has not really happened. It is also not on a transport corridor. It is not on our light rail corridor, so we would need to think about public and active transport. What time line are you thinking about for CSIRO? Is this something that we are going to see in the Territory Plan or is this something that is a while off?

**Mr Barr:** I understand that the commonwealth processes are reasonably well advanced, because this was first mooted at least five or six years ago. They were largely ready to go to market, and it was only a little bit of a scandal around a then official within CSIRO that led to some issues being raised around process, and they backed away from that.

The former federal government had done, as I understand it, a lot of work. We were unhappy with elements of what was being proposed by the former government. I am on the public record at least five or six years ago around expressing those concerns. Many of the issues that you have touched on, Ms Clay, were things that we raised. If there were to be housing in that location, the territory government needed to be engaged.

Yes, issues of transport and service delivery were amongst the issues that we raised, and it would be necessary to resolve them satisfactorily. Clearly, the location is within the existing city footprint. It is at the eastern end of that corridor. It is effectively adjacent to Giralang, Kaleen and Evatt. The further west you go, clearly, you are moving a fair way out of the existing inner precinct. But there is still land developed west, I think, of even the westernmost extreme of that corridor.

I do not envisage that being the first place that would be developed, but this still has a period of time to run. It is an opportunity in the next several years to conclude an agreement with the commonwealth and to start building on the social and affordable housing that they have outlined they want to start delivering in this three-year federal

term.

**MS CLAY:** Would you run through those steps of ecological assessments and community consultation?

**Mr Barr:** I understand that a number of those things have already occurred. There was community consultation five or six years ago. I made the observation at that time that I think it would come as a surprise to some people that it was being considered, because I did not think the consultation was as thorough as it could have been. But this is not a new issue; it has been around for several years. It was, obviously, fiercely contested in the last federal election. It was an issue in the 2020 territory election; so it is not new. I would not envisage having to start consultation from scratch again. I think it would be more on a very detailed proposal, perhaps at a state development level rather than the broad concept of the land being used for housing.

**MS LEE:** Treasurer, total territory borrowings are due to reach \$15 billion by 2025-26 and, by that same period, the annual interest expenses will exceed half a billion dollars. I refer to table 3.8.13, on page 293 of the budget outlook. You have listed there new borrowings over the forward estimates of around \$4 billion, if you add up that line. How much do we borrow each year to pay the interest on existing borrowings?

**Mr Barr:** Nothing. We are able to meet the interest on existing borrowings from our internal revenue sources.

**MS LEE:** Do you have that figure?

**Mr Barr:** Yes, zero.

**MS LEE:** Do you have the internal figure?

**Mr Barr:** Yes, as in we have more than \$7 billion of revenue and we are able to meet our interest expenses from within that revenue.

**MS LEE:** I take you to table 3.8.10. There is a bond with a face value of \$1.1 billion, with a coupon rate of one per cent.

**Mr Barr:** Yes.

**MS LEE:** That is expiring in this financial year. What interest rate have you assumed for the rollover of this bond, assuming that it is going to be rolled over?

**Mr Barr:** It would be the estimate of the 10-year commonwealth bond rate with an adjustment for our credit rating. Our borrowing cost would be a little bit higher. As it has not been issued yet, I cannot give you the exact number. Mr McAuliffe may be able to provide some further insight into where the market is at the moment.

**Mr McAuliffe:** I acknowledge the privilege statement. Our estimate for a rollover 10-year borrowing in the 2022-23 year, based on when we set the budget, was about 4.2 per cent. That is where rates are still sitting, roughly, at the moment. They peaked on around 15 June. That 4.2 per cent is probably equivalent to about 4.8 per cent.

Through August they dropped down, probably to about 3.8 per cent. Recently they have started to rise again, but they are around the estimate that we have in the budget.

We will have to expect to see that, going forward. There is ongoing volatility and uncertainty about where inflation will settle, and in regard to all of the other global events that are happening. We are probably not likely to do a new borrowing at this stage until either late this calendar year or early next year. That \$1.1 billion has already been covered. We have already financed that, as part of the last borrowing program that we did. That has taken some of the risk out of the timing of having to go to the market too quickly.

**MS LEE:** Working further down the table, there are further bonds expiring within the forward estimates, including in May 2024, May 2025 and May 2026. What interest rates have you assumed for the rollover of those?

**Mr McAuliffe:** Basically, when we set our interest rate estimates, looking forward, we look at the forward swap curve. That will give you a bit of a sense of where the markets are seeing the interest rates pricing—that forward yield curve, and it is sloping upwards at the moment. It is an incremental of around 15 basis points off that base of 4.2 each year.

**MS LEE:** Going back to table 3.8.13, there is \$7.6 billion worth of rollover and new debt over the forward estimates. You can do the maths, if you want, but that is my rough calculation. Given the recent rapid increase in the RBA cash rate, if you are out by one per cent, that leaves a hole of \$7.6 million to the bottom line by 2025-26. And that is just on new debt. What level of confidence do you have in your interest rate assumptions?

**Mr McAuliffe:** The interest rate assumptions are just assumptions. We have to base them off where the current market is at, and we will reassess these. The budget review will come along, and we will reassess the forward estimates based on prevailing rates and where things are at that time.

**MS LEE:** How often do you look at your interest rate assumptions?

**Mr McAuliffe:** Each time we do a budget update.

**MS CLAY:** Treasurer, I would like to have a chat about the horseracing MOU. That \$41 million public subsidy that we are giving to the ACT horseracing industry is about \$8 million each year. We have wellbeing indicators now, and those wellbeing indicators are meant to ensure that our budget spend matches our community expectations and promotes community wellbeing. Can you tell me which of the wellbeing indicators you ranked the horseracing industry against and which wellbeing indicators it is promoting?

**Mr Barr:** They would be economic and social indicators. I will need to take on notice exactly which ones in the business case were assessed. We note that there are a variety of views in the parliament and in the community about horseracing. Ms Clay, you would acknowledge that there are people who legitimately hold an alternative view to yours. In any budget process, we have to assess competing community views on almost every issue. There is very little on which there is absolute unanimity in the community.

In relation to the MOU, as has been well canvassed, the Labor Party took a position to the election in 2020, outlining what we would do. All parties were asked ahead of the election. Honouring the commitment that we made is exactly what we have done.

**MS CLAY:** The Greens did not make that commitment, though, Treasurer. I am not asking you as a Labor Party representative; I am asking you as the Treasurer for the ACT government. If we could stick to that—

**Mr Barr:** Yes, I am aware of that. We have a process within our parliamentary and governing agreement, and within our cabinet, where it is open to the Greens party and Greens ministers to not support a cabinet decision. That was enacted by the Greens party. I have sought further clarification from your leader in relation to the nature of the amendment that you propose to move.

I note that the public statements of the Greens political party were for a transition, not for an immediate ceasing of funding. So it is not even the Greens party position to not contribute anything to the racing industry in the coming fiscal year. I understand that the amendment that will be moved will not be an \$8 million amendment; nor will it be a \$41 million amendment, because we only appropriate one year ahead. \$41 million is over the duration of the MOU, over five fiscal years, not one. The Greens party position, as I understand it, is to move an amendment that would reduce, somewhat, the appropriation to that particular agency.

Cabinet agreed to the MOU, so the government has proceeded with that. It is in the budget, and the mechanism by which the Greens party can publicly disagree with that has been exercised.

Ultimately, I formed the judgement—based on the publicly stated position of the other party in this chamber, which was, in fact, to support more funding for the racing industry—that the majority of elected members in this place at least supported a continuation of the MOU and the current funding level. The Liberal Party wants to give more money to racing. The Labor Party's position is clear, and so is the Greens party position.

In my role, I am often forced to make a judgement call on what the prevailing community view is, and what the view of the Assembly will be on a matter. I have to factor that in, as Chief Minister and as Treasurer, and I did in this instance—and so did the cabinet, in making its decision.

Whilst I fully respect the right of the Greens party to disagree on racing industry funding, I think it is incumbent upon the Greens party also to understand that other parties and other sections of the community have a different view. My sense—obviously, subject to final confirmation from the Leader of the Opposition—is that the Greens amendment will not succeed on the floor. That will be democracy in action. If it were to succeed, obviously, the amount of money that you are proposing to reduce the appropriation by would then need to be cut from the racing industry funding.

**MS CLAY:** Going back to the wellbeing indicators, I am trying to tease out the public interest reasons behind this MOU funding. I had a look, and I came to the same conclusion, that it is most likely to be one of the economic wellbeing indicators or the

social connection, identity and belonging indicators. That is great; you have taken it on notice.

I will add some more information. I looked at some other organisations that get money. The Brumbies get \$1.8 million, the Raiders get \$2.6 million and our community sport and recreation grant recipients get \$10,000 each. Our Amp It Up! grant recipients get \$5,000 to \$45,000 each.

The horseracing industry, if you are looking at it under social connection, identity and belonging, are getting 800 times as much as community sports recipients, about 177 times as much as the luckiest Amp It Up! recipients, and they are getting four times as much as the Raiders and the Brumbies. I would be interested in knowing how that value judgement stacks up.

If it came through on economic wellbeing, I was looking at Floriade. I thought Floriade might be a good one for large funding, so I would like to know how much money we have put into Floriade. Floriade gets around half a million people attending it, and its economic benefit used to be \$40 million. Whichever one it is, would you be able to benchmark it?

**Mr Barr:** Sure; let us unpack that. Your analysis excludes all of the fixed infrastructure funded by taxpayers over decades that supports each of the examples that you have given. You cannot just look at the recurrent funding grant or sponsorship for the football teams and conclude that that is the only level of public support that they receive. They operate out of a heavily subsidised, publicly funded piece of infrastructure—the stadium.

Equally, in terms of arts recipients, there are publicly funded facilities and venues that are provided by the taxpayer in that instance, so I cannot accept just the recurrent element. The government does not provide a capital contribution towards racing infrastructure; that is provided by the venue and the racing club itself, although I am sure that they would like public funding for their infrastructure.

In assessing economic impact, yes, you are right; probably, over 30 years, \$100 million to \$200 million has been invested by the territory government in Floriade. It has, over a 30-year period, delivered an economic contribution to the territory economy. With the racing industry, there is clearly employment in that industry, and there is clearly a degree of economic activity. There will be various expectations around modelling of what that economic contribution is. Invariably, those who seek to boost the industry's status will overstate that economic contribution and those who seek to end the industry will seek to understate it. In reality, it probably sits somewhere in the middle.

One of the challenges that the territory will always face, as a small jurisdiction, is that a range of diverse activities across the community's social life will require public subsidy; or else, in a city of our size and an economy of our size, they simply would not operate. The football clubs are examples; without the ACT government, there would be no Raiders or Brumbies. Without the ACT government, there would be no Floriade. Clearly, without some ACT government contribution, there would be no racing industry. Equally, there would be no arts and culture if the ACT government did not provide the facilities and the recurrent funding for those activities.



In the end we can have modelling and economic contribution debates back and forth. My view, for what it is worth, is that the industry tends to overstate the economic contribution. It does not matter which industry, whether it is the arts, football or whatever. We know that, whenever you are seeking money from government, you seek to put the best case forward, and those who have an alternative view seek to dramatically minimise the contribution. It tends to be somewhere in between.

Fundamentally, we made a commitment at the 2020 election to continue the MOU at the current levels. The discussion that we have had within cabinet and with the racing industry is that they do need to transition over time to a more sustainable set of operations. The reality is that the only way that will occur is by better utilising the land asset that they hold. That is the only way that it will occur.

**MS CLAY:** I appreciate the need to compare apples with apples. That is entirely reasonable. Obviously, our arts and sports institutions have received the benefit of capital. Thoroughbred Park has land, don't they, and they are going to become a land developer? If you want to cost what they are getting against other organisations, it might be useful to cost the value of the land that they were given as well.

**Mr Barr:** Against what use?

**MS CLAY:** If I am asking about how much money different organisations are being given, and you say that that ignores the assets, I would say Thoroughbred Park has a pretty valuable asset too; is that right?

**Mr Barr:** Only if it was permitted to be used for a different purpose. Its value as a racetrack or a paddock is considerably less, obviously, than its value for housing or other purposes.

**MS CLAY:** You would not see an opportunity cost, as Treasurer, in a large chunk of land in the middle of our city during a housing crisis?

**Mr Barr:** That is the point I made in response to the last question: the only way that the racing industry can become self-sufficient is for their land, or at least part of their land, to be rezoned and consolidated to enable them to earn an income stream independent of budget funding.

The history of this predates your time; in fact, it predates the time of everyone in this place who is sitting opposite me. It goes way back to the funding arrangements under ACTTAB, when that was a government-owned betting entity, and the industry received a certain percentage of revenue from there. The reason we have a publicly funded arrangement is that, when that asset was sold to fund light rail, the agreement was that we would transition to the current funding arrangements. The advantage for the racing industry at that time was funding certainty. The revenue they were receiving through the betting agency was declining, as betting habits changed.

We have been in a period of transition. I have the benefit of nearly two decades of experience in dealing with these issues and thinking about how we may resolve the issue. It would be my preference that the industry become more self-sustainable, but

the only pathway to that is through the realisation of that land asset.

It may well be that agreement can be reached. To pick up on an earlier theme of discussion, around the need for well-located land for housing on the light rail corridor, it may well be that a solution may present itself that would achieve two outcomes— firstly, more land for housing within the existing city footprint on the light rail corridor; and, secondly, a viable pathway forward for the racing industry that did not require ongoing budget funding. That is a process we can have a discussion on. It was already mooted several years ago.

**MS LEE:** Chief Minister, it is extraordinary that you are allowing a cabinet minister to make amendments—

**Mr Barr:** No; I understand Ms Clay is moving the amendment. She is not a member of cabinet.

**MS LEE:** Nevertheless you have now said, in this morning's hearing, that that is how democracy works. Are there any other budget items or policy areas where you can see your new version of democracy working in future budgets?

**Mr Barr:** It is difficult to foreshadow, outside areas that have already been canvassed and that are outlined in the parliamentary and governing agreement. I do not know what other areas; it is really a question for the Greens party potentially to respond to, if they were to foresee other areas of public expenditure that they did not agree with.

**MS LEE:** Perhaps a question for you, then, is: where are you going to draw the line?

**Mr Barr:** I will seek to deliver a budget each year that has the support of the Assembly. That is what I have to do. I am governing under an agreement but in minority. Every territory government, with one exception, has had to govern in minority.

**MS LEE:** But no other territory government has had a situation where a cabinet minister is voting against an item in the budget.

**Mr Barr:** I am obviously aware of the history of this place much more than you are. When Michael Moore was an independent health minister in the Carnell Liberal government, there were many occasions when he would not support an initiative of that government.

**MS LEE:** Initiatives, yes, but not budget items.

**Mr Barr:** Things had to be taken out of budgets in order to receive his support. There is history to this. Perhaps it is a reflection of my dedication to this place, but I do not think that there is anyone here who has tracked the full 30 years of self-government, from working in the First Assembly, through to being a member now for 16 years. I have seen it all in this place, and this is not unusual.

**MS LEE:** Finally, are you going to support—

**THE CHAIR:** No, we are going to Dr Paterson, Ms Lee.

**DR PATERSON:** Chief Minister, in terms of the wellbeing indicators, they have been in place for the last couple of years, in terms of program and budgeting. How is that progressing? Has it been a useful tool in programs and budgets?

**Mr Barr:** It certainly has. We are continuing to embed the indicators and the assessment against those, in business case development, in ERC and cabinet deliberations. It is not a case of just being snapped in, in one budget round. I think we have made good progress over the past few years in implementing those parameters, as part of decision-making.

I am particularly interested in the next wave of data that comes from the census, some of the research that we are commissioning the University of Canberra to undertake and our own datasets, in order to provide that next level of data and information to guide future decision-making. But as you can see from this morning's discussion, whilst data can provide some very objective sets of information, there will always be a degree of subjectivity about how you might weigh up competing outcomes or priorities within that framework.

I certainly think that it provides a more substantive and robust framework than what has been in place previously. It does require a further level of business case justification emerging across directorates. I would observe, having delivered a few budgets in my time now, that it is leading to more collaborative, multi-agency responses when, for particular wellbeing indicators, we have a good dataset and a good understanding, and we are looking at ways to improve outcomes. That often requires agencies to work together on particular initiatives. We are seeing more of that, and that is encouraging.

**MS CLAY:** Treasurer, the ACTTAB sale that you mentioned in 2014 certainly does predate my time. I have FOI'd that agreement because I have not had the chance to see it. I do not think anybody else has, either. In my experience, when you negotiate a \$105 million contract, you usually hire a lawyer and put a term in the agreement, to make sure. Is there a term in the agreement for which the horseracing industry will get MOU funding? I did not think they were a party to the agreement.

**Mr Barr:** Certainly, we required, and this was publicly announced at the time, that the new owner would undertake a range of activities that included maintaining employment within betting agencies for a period of time, a degree of sponsorship and the like. That agreement, obviously, is separate from the government's publicly stated commitment. But you are right, in that there is not a legal element of that particular framework relating to the sale. But there is, of course, the stated government commitment at the time, because the obvious question that was raised at the time of the sale was: what would happen to that funding stream? The government at that time weighed up the various options that were before it and pursued the one that is currently in place through a memorandum of understanding.

I repeat: going into the 2020 election, we made a commitment, and to support your position would be to walk away from that commitment. As I made clear to Minister Rattenbury—and, indeed, to every member of the Greens who has raised this with me—we are not walking away from the commitment we made at the 2020 election. That is why the MOU has passed through cabinet and why it is in this budget.

I fully respect the right of the Greens party to disagree, and there are mechanisms within the governing agreement that allow for that, and they are being pursued. We are just going to have to agree to disagree on this one, Ms Clay.

**MS LEE:** Have you got a position in relation to support for the racing industry after the current MOU?

**Mr Barr:** We will consider, obviously, the questions that emerge out of the land issues that we have discussed this morning and the opportunities that would be there. I would say, Ms Lee, that my preference would be that the industry become more self-sustaining, but I recognise that the way that that will be achieved is through a variation to part of their lease, to realise the value of that land.

The rationale around supporting that, in addition to providing more land for housing along the light rail corridor, would need to be that that revenue that the racing public enjoy—that windfall gain from a partial rezoning of some of that land—would then need to be retained by the racing industry, with a view that that was their long-term endowment and that they would be more self-sustaining. The exact nature of all of that is obviously subject to a lot more detailed work, but that is my view. That is the potential pathway forward that would resolve the issue of no longer needing public funding from the budget.

**THE CHAIR:** Page 290 of the budget outlook, in relation to superannuation liability, states:

The Government maintains a funding plan to extinguish the Territory's unfunded defined benefit superannuation liability over time.

What is the funding plan's target year for 100 per cent funding of the liability?

**Mr Barr:** Early 2030s.

**THE CHAIR:** 2030s.

**Mr Barr:** Yes—so 2030, 2031, 2032. It will depend a little on some policy decisions yet to be made as to whether we target the actual fiscal year 2030-31 or 2031-32. We will give some guidance to Treasury over the coming few budgets. I will be interested to see how the investment portfolio performs over the next few years and the impact of interest rate increases on the valuation of the liability.

We have a triennial review, so every three years actuaries come and look at what the liability is. If we continue to see a trend of our CSS and PSS recipients living longer, then the liability may increase a little. Counterbalancing these questions is where interest rates are, compared to the long-term discount rate that is used to assess and provide the snapshot in any given fiscal year.

There are three or four factors that we will need further clarity on as we move towards that early 2030s target. We have the flexibility, if we need to increase the capital appropriation or we need to adjust the return objective. Obviously, the level of inflation

is a factor there. It is very difficult if inflation is running very, very high to achieve CPI plus 4.75.

But I do note that over the past 26 financial years the portfolio has returned CPI plus 5.2, so it is above the current settings. They are the range of things that can intersect what the forward projection of the liability will be over that time, versus the rates of return and the level of capital contribution that comes through the budget.

**THE CHAIR:** Was there a review that contributed to this and the recommendations?

**Mr Barr:** Yes. There is a triennial actuarial review, so every three years we have the liabilities assessed. We then make annual updates—or actually, biannual updates, because there is updated information in the budget review as well. So it remains an area of significant focus. It is obviously one of the biggest areas of government investment, if you like, off the budget each year.

We are in a unique position, in that we are the only state or territory that has this legacy of superannuation arrangements that we inherited when we were granted self-government. The other states and territories have a different set of superannuation arrangements. Hence, we have the variance within our budget reporting—as has been extensively canvassed in every estimates I have appeared at as Treasurer—between the headline and operating balance, and the uniform presentation framework.

Why is it different in the ACT? Because we have this unique superannuation arrangement where our expenses are counted under the UPF but the revenue we generate is not. I understand that there is a new and interesting view that has been put forward in the repechage of the budget advisers' report to the estimates committee on considering it as a partially funded liability. That is an interesting proposition. Nevertheless, we continue to present a headline net operating balance, as we have since we moved from the Australian counting standards to the government finance statistics in the 2006-07 budget.

**THE CHAIR:** When was the last review done?

**Mr Barr:** The triennial review? Mr McAuliffe?

**THE CHAIR:** And is that public?

**Mr McAuliffe:** The last triennial review was done last year. For the two years in between, we just do an annual evaluation. That updates the financials and updates the membership statistics. When we do the triennial, that captures an update not only of the financial assumptions but also all the demographic assumptions such as mortality rates, the rate and take-up of pension versus lump sum—all of those types of factors. And, yes, it is published. The report, whether it is the annual or triennial, gets published on the Treasury website, under publications.

**THE CHAIR:** Right; through an annual report.

**Mr Barr:** There is a separate section on the Treasury website that has all of that.

**Mr McAuliffe:** Each year the valuation report gets published, whether it is the triennial report or the annual report.

**THE CHAIR:** Okay.

**MS LEE:** Treasurer, you made a brief reference, in passing, to the independent economic report that talked about this superannuation liability, which actually advised last year that without a significant increase in investment returns or additional contributions it is unlikely to meet that in 2030. I think this might be the first time you have referenced the early 2030s—so 2030, 2031, 2032. You mentioned that in terms of looking at extinguishing this liability.

**Mr Barr:** No, I do not believe so. I think I have said it before, but whether anyone has spotted it, like you just did, Ms Lee, is another matter. It is a long-term liability, so it is not massively material whether it is 2030, 2031 or 2032.

**MS LEE:** We are talking only eight years away, so—

**Mr Barr:** Eight to 10, yes.

**MS LEE:** Your original date was 2030. You said 2030, 2031, 2032. So it is eight to 10 years away.

**Mr Barr:** Yes.

**MS LEE:** Does this budget contain any additional contributions and, if so, can you point us to where they might be?

**Mr Barr:** Additional—yes, as in there is a capital appropriation into the superannuation provision account. Mr McAuliffe can probably point you to it.

**Mr McAuliffe:** Yes. In the balance sheet chapter, where we were before, talking about borrowings, there is a table which shows the actual emerging costs for each year and it also has the appropriation line. Basically, the appropriation we receive matches the emerging costs.

**Mr Barr:** Page 290, table 3.8.6.

**Mr McAuliffe:** The budget appropriation comes into the account, it goes out of the annual emerging costs and that way we keep the investment assets ring-fenced and keep them invested to try to maximise the returns that we can achieve on that balance of investment asset.

**MS LEE:** Thank you.

**MR BRADDOCK:** I have a question about employee expenses. I am looking through the outyears, and it appears that they are rising, on average, by about 2.5 per cent, give or take a little bit. I am wondering how much of that is due to staffing profile changes and how much of that is due to potential wage increases for employees?

**Mr Barr:** It will be a combination thereof. The factors that impact on our total expenditure on salaries are a function of the total number of people employed and their level of employment—average salaries—and then, yes, we do make provision across the forwards for wage growth.

**MR BRADDOCK:** It would be helpful if appendix K on page 385 actually went further out. It goes for only two years, so you cannot tell whether the staff numbers are changing over the entirety of the budget.

**Mr Barr:** Sure. In large part, there are shifts—generally additions. Each budget round tends to add more staff because we are not Campbell Newman or Tony Abbott or Joe Hockey, or a future Elizabeth Lee. We are not looking to reduce the number of staff in the ACT public service.

**MR BRADDOCK:** Okay. But coming back to the original question, I am asking: how much of that is due to factored-in pay increases for the public service versus other factors?

**Mr Barr:** Mr Braddock, we are about to go into an enterprise bargaining round, so I am not about to reveal in estimates the government's bargaining strategy. That will of course play out over the next six months. Once we have an agreed enterprise outcome, then the necessary funding for that will be updated in the next budget round. It is generally not considered good bargaining practice to announce that ahead of having engaged with employee representatives on the detail. I am certainly not announcing the government's EBA strategy in estimates this morning, for obvious reasons.

**MR BRADDOCK:** Thank you. What would be the impact on the budget if the government adopted the ACT Labor position, at the conference, of 5.5 per cent or CPI, whichever is higher?

**Mr Barr:** You could do the maths on that. Index the rate of expenditure by roughly 5.5 per cent and that would give you an answer.

**MR BRADDOCK:** Thank you.

**MS LEE:** I understand what you have just said to Mr Braddock in relation to not wanting to give away certain things, with the enterprise bargaining coming up. But public service wage growth has been factored into this budget, has it not?

**Mr Barr:** It has, yes.

**MS LEE:** And what is that rate?

**Mr Barr:** That would be exactly giving away our bargaining position. But rest assured that there has been provision made for wage increases. I can say that it is not at 5.5 per cent.

**MS LEE:** That is what I was going to ask: it is not at that 5.5 per cent?

**Mr Barr:** No. I do not think anyone—

**MS LEE:** Is it at the rate of inflation?

**Mr Barr:** Inflation in which fiscal year, Ms Lee?

**MS LEE:** Over the forward estimates. Have you factored that in?

**Mr Barr:** It will be revealed in the context of the government's wage offer. That, of course, can vary between fiscal years. We are cognisant of a spike in inflation at the moment, but we are also cognisant that that will pass. I think it would be fair to observe, Ms Lee, that the sorts of wage outcomes that are occurring across the public sector are going to be in advance of what has occurred previously. There is a desire to have wage growth that is higher than previously, so there is not an arbitrary cap, unlike some other governments. But, at the same time, the idea that the territory could afford three years of 5.5 to seven per cent is not realistic either. That is very clear: the outcomes will need to be less than that and they will be more than is the current agreement.

**MS LEE:** Thanks.

**DR PATERSON:** Chief Minister, there has been some commentary in the community by those who are concerned about the deficit in the budget and the debt that the ACT government is accruing. Could you please talk through what the government is providing Canberrans through this long-term, future-focused investment?

**Mr Barr:** Thank you. Yes. Obviously, the government has incurred debt for a number of reasons. Some of that was in response to external shocks. Included amongst them have been the loose-fill asbestos eradication scheme, our COVID response and providing cost of living support. So a proportion of our debt is related to the past 10 years and projected forward over the forward estimates. They are contributing factors.

The infrastructure program itself has also been a primary driver of the increase in government debt. So what has that delivered? Well, three hospitals: the Centenary Hospital for Women and Children, the University of Canberra Public Hospital and the Canberra Hospital expansion. It has delivered new and expanded schools across the ACT and a new TAFE campus in Woden. It has delivered community infrastructure and housing—more public housing and a range of community infrastructure projects, the details of which are available over the budget papers of the past decade.

In terms of what is in the forward infrastructure program, there has been significant investment in environment and climate action initiatives. The Sustainable Household Scheme and the Big Canberra Battery are examples of where the government has made capital available in order to address environment and climate action issues. In transport infrastructure, we have had light rail, the electrification of the bus fleet, new bus depots and then a large program of road infrastructure, both in new areas and in duplication. The bridge for the Molonglo Valley is another example.

So there is a long list. The answer to “What have we got for our debt?” is infrastructure, addressing loose-fill asbestos eradication, our COVID response and cost of living



support. We have, during the pandemic, provided nearly \$1.6 billion worth of public health and other responses, including economic support for businesses. In cost of living support there has been nearly \$800 million in waivers, rebates and freezing of fees and charges for a period of time as well.

So across the many different infrastructure asset classes and some of the emerging shocks, such as asbestos and COVID, that is why we have debt. What we have got for it is a community and an economy that has, in large part, survived the pandemic and we have infrastructure for a growing population.

The alternative would have been to not have taken on any of that debt and to not have built anything or provided any economic support and to have done nothing on the asbestos eradication scheme. If we had done none of that, we would have very low levels of debt, but, I would argue, we would live in a community where there would not be enough places in growth areas for kids to go to school, where necessary infrastructure would not have been built. Our health system, which is under pressure, would be under even more pressure if we had not built the Centenary Hospital for Women and Children and the University of Canberra Public Hospital and if we were not undertaking the Canberra Hospital expansion.

These are the choices that were before government, and I believe we have made the right choices. But I acknowledge that in investing in infrastructure and in providing relief for cost of living, in the COVID response and in the asbestos eradication scheme, we have incurred debt in order to do so.

**DR PATERSON:** Chief Minister, you mentioned cost of living. The government has taken steps to ensure that key cost of living drivers, such as water and electricity, are fair. I am just wondering what other steps the government has taken.

**Mr Barr:** We have looked at some of the key areas that are the major expenditure items for households. Some of the biggest expenditure is on utilities, so it is pleasing to see both nominal and real reductions in electricity and water pricing in the current fiscal year. We have also provided increased support to more than 30,000 low income households through an increase to the utilities concession. That is an important and timely increase and comes off the back of some very significant additions during the pandemic to that particular concession. As you will see this year, the rate of increase in government taxes and charges is well below inflation. In some instances, there is no increase at all—public transport being an example. So that all comes at a cost to the budget but delivers a benefit to Canberra households.

**DR PATERSON:** In terms of concessions that the ACT government offers to more vulnerable people in the community, I was just wondering if you can outline what this budget will do for concession holders.

**Mr Barr:** Yes. There is a very significant investment in the budget each year in providing concessions across a range of different government services, from utilities concessions to concessional fares on public transport, concessions for particular households on motor vehicle registration and other government fees and charges. So there is a very comprehensive package of support. Spectacles are even part of the government's concession program!

The full detail of that we have consolidated in a single website that enables people to go to one point to look at all of the available concessions. We have provided support for home buyers through the Home Buyer Concession Scheme, particularly targeted at those entering the market for the first time—so an effective full waiver of stamp duty for those who are eligible—as well as pensioner duty concession schemes and disability duty concession schemes. There are a range of government programs that are in place. If you go to the annual task expenditure statement that the government publishes, that gives an insight into the various tax concessions that are offered to charitable groups and others, as well as some of the targeted initiatives to support economic development and activity, particularly around payroll tax.

**DR PATERSON:** Chief Minister, in terms of the concern in the community about the rising cost of living, how are we looking to the future to ensure that people can afford to live in Canberra?

**Mr Barr:** I think the policy settings in relation to some of the larger cost of living expenses that are directly within the control of the territory government, such as energy and water and sewerage, are in the right space—in this instance, with nominal reductions. Once you factor in inflation, they are real reductions that are approaching double digits, given what is happening elsewhere. Those long-term policy settings are working in favour of improved affordability.

We have touched on some of the other drivers of cost of living increases. Housing clearly is one that requires a multi-government response. As I identified when we started this morning, in terms of our approach to the Jobs and Skills Summit, there are some of the land availability issues, that Ms Lee touched on in her earlier line of questioning, around how we can work with the commonwealth. I have outlined what we intend to do there, plus the build-to-rent programs.

Obviously, the committee has canvassed in some detail, or will canvass in some detail, the public housing portfolio. We will continue programs and initiatives in that area. There is no doubt already that the Reserve Bank's interest rate decisions have had a dampening effect on demand in the housing market. That, as with everything in monetary policy and economics, has both positives and negatives, depending on the personal circumstances of a household. Those who have recently taken out a mortgage at a lower interest rate will face higher interest rate costs. At the other end of the spectrum, those who rely on interest income from their savings will finally start to earn a little more as a result of, one would hope, the banks passing on increases in deposit interest accounts. I do note that they are very quick to raise the mortgage rates and not so quick to raise the rate of interest that they will pay on savings in term deposits and the like.

What undoubtedly is flowing through into the housing market itself is that the unsustainable peak and surge in demand for housing when interest rates were at historic lows and the market was being stimulated by the commonwealth renovation stimulus—HomeBuilder I think they called it—certainly inflated the housing market and the renovation market to an unsustainable level. That will, in time, taper off and we will start to see more stability within the housing market. Presumably, in order for the demand side to settle, you will see a decline in house prices and rents. The question of

whether that is nominal or real remains to be seen, the distinction being: will the fall be in nominal dollars, as in will actual house prices fall, or will they just remain steady and be eroded by inflation over time? That remains to be seen.

**MR BRADDOCK:** Talking about support for vulnerable people, ATCOSS have called for a review of the Targeted Assistance Strategy. Is that something this government will be conducting this year?

**Mr Barr:** We do every budget. I guess there is an open question about whether you effectively throw everything up in the air and start again, if that is what is meant by a review, or simply assess the—

**MR BRADDOCK:** ATCOSS are saying “major review”, so that does indicate—

**Mr Barr:** I would need to perhaps understand—and I will follow up with them—what they mean by “major”. If they are proposing that we move away from certain concession types altogether and increase others, I would probably consider that major. An assessment of what are the current levels of concession in each of the existing categories is perhaps a more normal thing to do in each annual budget, and that is what we did this time around, looking at particular circumstances. To illustrate that point, the year before, when there was an increase in energy prices that was significant in the territory, we increased the utilities concession by about \$250, by about 25 per cent, but that was a one-off. This year, because of the reduction in both energy and water but an expectation that gas would increase a little, we made that a \$50 increase. I would consider that that is part of your annual assessment of need.

**MR BRADDOCK:** When was the last time we had a major review?

**Mr Barr:** We did do a wide-ranging one, certainly in my time as Treasurer, and Katy Gallagher did one as well, so there have been two in the past 10 years. It is not wholesale change every couple of years. There is not going to be anything particularly different from the last review. As I recall about the issues that came up then, we consolidated a number of concessions into one line: utilities. Rather than providing individual concessions for water and electricity, we consolidated them into a single utilities concession. We looked at eligibility.

**MR BRADDOCK:** Could you please take on notice when the last major review was?

**Mr Barr:** It has been in the past five years. I did one as Treasurer and Katy did one before, so there have been two in the past 10 years. They are on the website and the reports and outcomes are in previous budget papers. I am not, at this point, proposing a wholesale shake-up of concessions. I think that there is always room to make annual adjustments in particular areas, but we comprehensively looked at all of these issues only recently and I do not think enough has changed to, for example, say that we would no longer provide motor vehicle registration concessions or we would no longer provide concessions on bus fares.

I am not cutting anything from the concessions program. The only thing I will look at is whether there are some targeted increases that might meet particular areas of concern. That is an annual assessment and it is principally driven by movement in utility prices.

I think that is the biggest single concession that we offer outside of what we do in the housing space through public housing and the various stamp duty concessions for pensioners, disability and first home buyers. In short, I am not proposing radical change, but we look each year across all of those concessions and make small adjustments.

**MR BRADDOCK:** Thank you.

**MS LEE:** Treasurer, how much of the territory's debt is from accumulated structural deficits?

**Mr Barr:** Almost none of it, because our debt is driven by infrastructure, COVID, cost of living supports and the loose-fill asbestos eradication scheme.

**MS LEE:** So you are saying that zero per cent of the debt is from accumulated structural deficits?

**Mr Barr:** Well, to the extent that the rationale for some of those deficits is, or was, the asbestos eradication scheme, the COVID response and cost of living support. That is what drove those deficits in those years.

**MS LEE:** Have you got a percentage?

**Mr Barr:** It is not a percentage question. It is simply: what has contributed to our debt? They are the policy decisions that were taken at that time. I can go through the budget papers—and anyone can do this—and look at the infrastructure program, look at the net cost of the loose-fill asbestos eradication scheme and look at the dollar cost of the COVID supports. I am attempting to explain what the actual policy decisions were—

**MS LEE:** I know what you are trying to do, which is to talk about the underlying causes. But my question is very specific: how much of the debt, in percentage terms, is from accumulated structural deficits? Can you answer that question?

**Mr Barr:** Well, none, because the territory is able to utilise its revenues to meet all of those interest costs. So what has driven our deficit position has been either recurrent or infrastructure spending. But it is entirely a subjective thing—

**MS LEE:** I was about to say that it is obviously the way you read it. So do you have a percentage or not?

**Mr Barr:** No, there is not a percentage. It is not a percentage because it is an entirely subjective assessment. I can tell you the factors—what has contributed to running and operating a deficit. I can point out the areas of expenditure that, if we had not undertaken, we would not be running an operating deficit.

**MS LEE:** Yes. I think we are at a crossroads on the question. So you can continue doing what your reading of the budget is, but—

**THE CHAIR:** Thank you, Ms Lee.

**DR PATERSON:** What impact would it have if the ACT government immediately and

radically cut spending to return to budget surplus?

**Mr Barr:** Given that half of our expenditure is wages, salaries and superannuation, it would be very difficult, particularly if the benchmark is an operating surplus under the uniform presentation framework, which seems to be the opposition's benchmark—that is, not accounting for the return on superannuation investments and wanting to go to that measure as the measure of surplus or deficit. Then that would mean thousands of public sector jobs would be lost, and hundreds of millions of dollars would need to be cut from concession programs, from health, education and community services. You would certainly need to go beyond racing in order to get to a UPF budget balance at this point in time.

If that is the fiscal policy alternative, politicians who wish to advocate for that are welcome to explain how they are going to do that. That is the policy alternative. My view is that a level of debt for a growing jurisdiction with emerging needs in a number of areas is appropriate. I do not regret the government participating in and running the loose-fill asbestos eradication scheme, but that is a cause of our debt. I do not regret the decision to provide a holistic COVID-19 response and cost of living support, but that is a major contributor to our debt.

I do not mind the fact that we have invested in three hospitals, dozens of new schools and school infrastructure improvements, a new TAFE, new transport infrastructure and more housing, and that we are making provisions across the forward estimates to deliver more infrastructure for our growing community. Those are the policy choices. If the view is that you cannot incur any debt and that you must pay up-front, in cash, for 40-, 60-, 80-, 100-year assets that are going to be enjoyed by the community for generations to come and that this generation has to pay up-front in cash for all of those assets, if that is your fiscal policy view, again, you are welcome to prosecute that in the public square. But I think that over the history of the commonwealth, and at state and territory level, governments have borrowed in order to fund long-term infrastructure assets that are used by generations of their communities.

Equally, every Australian government has incurred more debt recently as a result of COVID. Is it higher than I was anticipating pre-COVID? Yes, it is. No-one anticipated COVID. Is there always a public policy debate about the level of debt that governments will take on? Yes; that is as old as politics and public policy debate. But, in the end, I think it is incumbent upon those who wish to pursue a different strategy to outline what they would not have spent and/or what it is in the future program that they will not spend. Credit to the Greens party in this instance: they are at least prepared to put their hands up on one thing that they do not want to see spending on.

**MR BRADDOCK:** We can do more, if you want.

**Mr Barr:** I have greater respect for that than I do for the people who get up and argue that we need to spend more, and then give a long list of all the things we need to spend more on, but that simultaneously we need to raise less revenue and then, by spending more and raising less, somehow magic up surplus budgets. That is what we were faced with at the last election: someone offering that magic pudding. And it looks like that is what we are going to be offered up again.

**MS CLAY:** Treasurer, I have heard a lot of progressive economists talking about debt. They are less concerned about overall debt; they are more concerned about a government's ability to service that debt and they are more concerned about the services and assets that a government acquires in relation to that debt. It strikes me that I have heard this explained quite a lot: that most people understand that they borrow money to buy a house, and that is better than renting, and they might borrow to invest money in a degree or some other type of services that will set them up well for the future. Do you hear from Canberrans a lot of concern about the overall level of debt or do you mostly hear just: "What do we get, and can we meet it?"

**Mr Barr:** You get a mixture of community views, obviously. There is a bit of a drumbeat on debt and deficit that emerges from certain sections of the media and certain political parties. But, beyond that, no. I think most people are focused on, as you say, the asset side of the equation, rather than the debt side of the equation, within reason.

As with all things in life and politics, the more extreme you are at either end of the spectrum, the more likely you are to be noisy and shouty about a particular issue. I guess, the closer to the political centre and more moderate you are, the more likely you are to be able to take into account both perspectives. You see that spectrum of community opinion, just as you see that spectrum of opinion represented in this place.

Within political parties and between political parties there will be a variety of different views on questions of debt and public financing and the like. In the end, the independent assessments of our budget and our fiscal position are undertaken by Standard & Poor's, amongst others, and they have accorded the territory the highest possible credit rating.

That is not to say that there are not risks and challenges, and we have had a few of them over the past 10 years. If you had asked me when I started this job if I would be dealing with global pandemics and asbestos eradication that had supposedly already been dealt with pre self-government that would cost billions of dollars, the answer would have been no.

But it is what it is. You can only respond to the circumstances that are in front of you. In light of all of that, I am comfortable that the decisions that we have taken have been the right ones and that the debt that we have incurred has been incurred for the right reasons. That is not to say that there is an endless amount of debt that can be incurred; there isn't.

The other extreme—that there can be no debt and that the level of debt incurred is somehow a measure of your economic credentials—is about as absurd as it comes and shows a very, very poor understanding of economics. Nevertheless, we will get both extremes in public policy debate. As with most things, I tend to steer a path that is left of centre, Ms Clay, but not at the extremes.

**MS LEE:** Treasurer, you spent quite a bit of time answering Dr Paterson's original question, if I remember correctly, where you talked about investment, health, education and the like. Yet, the budget, if you compare the estimated outcome from 2021-22 through to 2022-23, actually sees staff in Health, CHS, TCCS, Transport and Education going backwards. Can you justify how that is happening?

**Mr Barr:** Yes, absolutely. That is the impact of the cessation of the Jobs for Canberrans program and the winding back of some of the one-off COVID workforce boosts. As the pandemic recedes and COVID becomes endemic, we are not continuing, for example, the level of the cleaning workforce across transport, education and other areas. The number of people necessary to run the COVID response within Health has reduced, so that is the reason. Those numbers could not be sustained at that absolute COVID public health emergency peak, so some of those temporary positions have concluded, or will conclude over the course of this fiscal year. That is the reason: they were always temporary, they were announced as temporary, and they are ending.

**MS LEE:** And are they being redeployed in other areas of the ACT public service?

**Mr Barr:** In large part, yes, because in many areas we have job vacancies without people. Yes, some of the Jobs for Canberrans participants have moved on to other employment. By and large, we have more vacancies within the ACT public sector than we have staff at the moment. So, yes, provided there is a skills match, which there generally is, there is employment in the ACT public sector for those people.

**MS LEE:** When do you expect, in the forward estimates, that figure to rise back up, as opposed to going backwards?

**Mr Barr:** Well, probably next budget because there is inevitably an increase in staff in each budget year.

**MS LEE:** Thank you. Treasurer, what are the measures used by ratings agencies in making an assessment of the territory's credit rating?

**Mr Barr:** That is probably a question best put to them, but they do look at a range of metrics. I think it is probably best to refer you to their website in relation to that. They will publicly publish that. I think that is probably the best answer I can give you at this point. They are not my criteria; they set them.

**MS LEE:** I get that. But in so far as you are liaising with those agencies to get your credit rating, are there any trigger values on any measure? For example, with the level of net debt to revenue ratio is there a trigger?

**Mr Barr:** No. They are very clear that they do not have absolute arbitrary positions and that they look at circumstances within each budget and each economy. The thing to draw your attention to is that each S & P ratings report that I have seen constantly refers to the stability of the ACT economy, the robustness of the Australian federal financial relations system, and the capacity of the territory that is different from the states to raise revenue through municipal rates that the states do not have.

The states' revenue base is highly transactional. It depends on movement in the economy—the number of houses sold, the level of employment and those sorts of things. The ACT, by virtue of its municipal rates base, has a sizeable and stable revenue source that it is able to levy that no other state or territory has. That is why the tax reform program has been referred to by Standard & Poor's on many occasions as a further factor that reinforces the ACT's fiscal resilience and our AAA credit rating.

**MS LEE:** Is the larger proportion of our workforce being in the public service, particularly the commonwealth public service, compared to other jurisdictions, also a factor?

**Mr Barr:** It would be, because that leads to above Australian average incomes and expenditure in our economy. There are a number of institutional factors that are in the ACT's favour and that is one of them. The revenue base is another. The presence of the Australian government; the strength of the federal financial relations system; the stability in Australian governance; the robustness of the borrowing framework under which subnational governments borrow; and the fact that there has never been a default—all of these institutional factors support the territory's position. We are definitely not a banana republic, Ms Lee.

**MS LEE:** I do not think anyone was suggesting that. I note that you mentioned there not being a trigger in relation to the net debt to revenue levels, but in this budget the net debt to revenue ratio reaches 101 per cent in 2023-24 and is projected to increase to 126 per cent by 2025-26. Does Treasury have a view or has it done modelling or any analysis on whether that percentage, when it reaches a certain point, will have an impact on the territory's credit rating? Is it 150—

**Mr Barr:** There just is not a definitive—for argument's sake, 200 per cent or 250 or five million per cent. There is not one number because that is only one of dozens of things that are assessed.

**MS LEE:** I get that, which is why I am asking: does Treasury have a view on it or has it done some work in that area?

**Mr Barr:** Treasury provides advice on the debt to revenue ratio as part of the budget process and provides advice both holistically and then on individual projects. Again, there is not a single line or a single percentage that means you cross a threshold. There is certainly more risk associated with a higher debt to revenue ratio than a lower one. Obviously, the higher you go, the more at risk you are of a credit rating downgrade. But there are other institutional factors. The thing that the ratings agencies will look at is: what is the cause of the debt to revenue ratio increase and is it structural or is it, as in the case of the pandemic, temporary?

The best contemporary example is the Australian government's position. The Australian government's debt has blown out massively, more than at a state and territory level, but the ratings agencies looked at a range of institutional factors and the capacity of the Australian government to directly levy revenue and recognised the very stable environment. That, again, goes to one of the structural differences between our budget and the others, which is the diversity of our municipal- and state-based tax streams that are not available to the state governments unless they introduce new taxes.

**DR PATERSON:** When will the next assessment of our credit rating be?

**Mr Barr:** They follow the annual budget, so it will be coming this year.

**MS LEE:** Treasurer, we have asked previously for a copy of the Standard & Poor's report and that has not been provided. Will you provide a copy to the committee?



**Mr Barr:** I have responded to you on the reasons why I can't. It is their proprietary work. I think you have written on a number of occasions and I have responded. They do make a public media release available, so you can read that.

**THE CHAIR:** We now draw this session to a close. Thank you, Treasurer Barr and officials, for your attendance during this morning's session. If any questions were taken on notice, please provide answers to the committee secretary within five working days. The committee will suspend for a 30-minute break.

### **Hearing suspended from 10.45 to 11.16 am.**

**THE CHAIR:** Given it is now 11.15, and we have had our coffee break and recharged, I think we will start on this second session this morning. We will continue speaking with Treasurer Barr and officials. As this is a new session, we will need to go through a few housekeeping matters, so please bear with me. Please respect the stated room limits and physical distancing requirements that are in place in this building as part of the Legislative Assembly's COVID-safe measures. Please allow the cleaner to clean the desks and seats between witnesses. Please practice good hand and respiratory hygiene.

Witnesses are to speak one at a time and will need to speak directly into the microphone for Hansard to be able to hear and transcribe them accurately. The first time witnesses speak, they will need to state their name and the capacity in which they appear. Please be aware that the proceedings today are being recorded and transcribed by Hansard, and will be published. The proceedings are also being broadcast and web streamed live. When taking questions on notice, it will be useful if witnesses use the words, "I will take that as a question taken on notice." This will help the committee and witnesses to confirm questions taken on notice from the transcript.

I also remind witnesses of the protections and obligations afforded by parliamentary privilege and draw attention to that privilege statement. When you speak, please mention your name, the capacity in which you appear and that you understand the privilege implications of that statement. Before we go to Ms Clay, Mr Barr has asked if he could clarify or give some better response to some questions.

**Mr Barr:** Thank you, Mr Milligan. Yes, there were a couple of questions that were posed earlier, that I took on notice, that I now have the answer to. Ms Lee asked about the capital spend for fiscal year 2021-22, and \$845.5 million is the answer there.

Ms Clay asked about the wellbeing impact assessment of the Canberra Racing Club and Harness Racing Club MOU and the budget business case. The wellbeing assessments were in economy and social connection.

In relation to Mr Braddock's question on the timing of previous concession reviews, the first, undertaken by Chief Minister Gallagher, was in fiscal year 2011-12, and the second was undertaken by myself as Chief Minister and Treasurer in fiscal year 2015-16.

Finally, I have committed an egregious error to my own youth, and suggested that I

worked in the First Assembly. It was in the first Assembly building, but it was in fact the Second Assembly, 1992. It was after the election, so I cannot claim any connection to the very first Assembly. For those ACT political historians, that is possibly a good thing!

**THE CHAIR:** That is all for you for now, Mr Barr?

**Mr Barr:** That is all, yes.

**MS CLAY:** Treasurer, I am interested in the point of consumption tax or the betting operations tax. In 2017-18 that used to be one or two million dollars. That has gone up; now it is projected to be at around \$20 million. But there are quite a lot of different figures in there. I gather that that tax is levied on lots of different sports, including horseracing, and lots of different events all around the country. I dug into the Australian gambling statistics to try and work out how much of that tax is coming from ACT residents betting on ACT horseracing, and it looked to me as if about \$250,000 comes from ACT residents betting on ACT horseracing. Have I got that wrong?

**Mr Barr:** I imagine it would be something like that. It is a tiny amount of the total point of consumption tax; that is correct. Whether I could exactly verify \$250,000, I would need to reflect upon, but certainly it is not a large component, because obviously ACT racing is a tiny component of all of the horseracing in Australia, and the point of consumption tax is not about where the race occurs but where the bet is made.

**MS CLAY:** Yes, sure. Thanks for that. That has cleared that up. There is a lot of commentary at the moment about where taxes levied from an industry should go. Do you think taxes levied from an industry should be given back to that industry, or do you think they should be used for public funds for public purposes?

**Mr Barr:** The old hypothecation question! If you ask any Treasury official, they will say that they are vehemently opposed to hypothecation. If you ask any politician who is advocating for a tax increase, the idea of hypothecating to a particular worthy cause tends to have a degree of political merit. I understand where this line of questioning is coming from and where it is headed. Yes, some of the commentary both in this place and in the media, particularly on the back page of the *Canberra Times*, about the revenue generated from the ACT racing industry, has been massively overstated. Your investigations, Ms Clay, have got to the heart of the truth in relation to the ACT racing industry's contribution to the point of consumption tax.

It is predominantly betting on interstate racing, and all other forms of betting that are covered by the tax. The ACT component is very little. So that is not a particularly strong justification or argument in favour of public funding for the racing industry. It certainly receives more public funding than it generates on ACT racing alone. Now, there are obviously some externalities associated with betting that might occur online whilst people at the Canberra races are betting on other races as well. That potentially may not occur, but all of this is at the margins. The strongest arguments in favour of public funding for the racing industry are not in relation to point of consumption taxes.

**MS CLAY:** Thank you.

**MS LAWDER:** I have a question for Icon Water, and it is about some recent concerns about the discolouration of our drinking water. I wonder how many complaints Icon Water received. I know you put out a media release about this as well. What suburbs did it affect and what can be done to mitigate the risk of it happening again? Does it involve replacing some sort of infrastructure?

**Mr Barr:** Yes, I will invite Ray to respond to that question.

**Mr Hezkial:** Thank you. I assume the question relates to the recent taste and odour issue that we have had with the quality of our water. We have had, to date, 137 complaints logged by phone call, and we have detected somewhere in the order of about 300 social media enquiries that we have been responding to.

In terms of the actual issue at hand, it is a naturally occurring event that we are seeing happen in Bendora catchment, and it is created by an organic compound. The acronym for the compound is MIB. That is a naturally occurring compound that we believe has been stirred up within the sediment of Bendora catchment, we feel, as a consequence of the cooler weather. We are really seeing the sediments mixing through the entire depth of the reservoir, whereas in warmer temperatures we would actually see quite clear layers or stratification, which would then allow us to select and extract more water at selected points to avoid that.

Just to give some context on what is occurring in terms of detection, this is not something we have actually seen occur in the Bendora catchment before. So it is something we are still investigating. The detectable level varies for individuals. Some people have a bit more of a refined palate, but that level is around 10 nanograms per litre. I am pleased to say that those concentrations have actually been dropping quite significantly over the last few days, and we currently find ourselves at 6 nanograms per litre.

So it may be that members of our community can still detect it, but that situation is improving. It could still fluctuate, though, so I do not want to create the impression that the problem is behind us. It is something we still need to work through. And if you compare our experience to what is occurring around the country, it is not uncommon for some water catchments in Australia to experience concentrations between, say, 30 and 50 nanograms per litre. That is not unusual, but it is unusual for us in terms of seeing this type of compound occur in Bendora. It is absolutely aesthetic in nature, and there is no impact to health, but, of course, we are used to a much nicer tasting cup of water in the ACT, so I think we are all a bit more sensitive to it.

**MS LAWDER:** Was it across all of Canberra? There was not one area more affected than another?

**Mr Hezkial:** Apologies; I did not answer that question. Yes, its occurrence was pretty much widespread across Canberra, so we are sourcing from the Cotter catchment at the moment. Whatever we treat from Bendora is going through our Stromlo water treatment plant and affects the entire distribution network, so there are not really any pockets. The other point I should have made earlier is that there has been no discolouration as a consequence of this event; it really is a taste and odour issue.

**MS LAWDER:** You have said that it was naturally occurring, and that other jurisdictions might have much higher levels. Is there any extreme level at which it is perhaps dangerous, or, because it is naturally occurring, could it be at any level?

**Mr Hezkial:** My understanding is that there is no limit by which we would be concerned about the health of the water. But I think it is a relativity issue. We are in a catchment where we are blessed with high-quality treatment, and catchments that are high quality, but different communities will, I guess, feel that change in different ways. What we are probably more concerned about is that the behaviour of the catchment seems to be changing, and there are likely climate factors related to that. So the team are concentrating on trying to understand the symptoms of that in a bit of a deeper way.

**MS LAWDER:** Presumably with regards to climate change, this would not be the only type of issue that would be of concern to you. What other measures are you putting in place to make sure our water supply remains fantastic with potential climate change?

**Mr Hezkial:** Yes, that is a good observation. I think climate change is really a key risk for Icon Water as a business more broadly. In fact, it is a key characteristic of what is driving a lot of the investment in our current price proposal. What we are seeing is not so much climate change as the issue; it is actually climate volatility which is impacting the way Icon Water will operate into the future.

The last time we saw our storages deplete down to approximately 44 per cent was in February 2020, and at that point in time, per our water sourcing guidelines, we initiated a review of our water resource model. That is the model that we use to predict when our next major water augmentation will be required and what the ACT and the region's future water security position is. What we found—so this goes to my earlier point about the catchment behaving a bit differently—is that we are also starting to see yields from inflows into those catchments reducing. So, what we are able to yield from what is coming into the dam is less.

We have also updated our climate change model to the latest data; also, population projections. What that is showing us, as an early data point, is that we are likely to see a need to augment our water security. Our water security position has diminished a little bit, and our need to bring forward that next major augmentation for water security will be a lot earlier than what we originally projected. So that is what we are currently planning to do.

Of course, we have done our drought management planning, and that has a series of identified actions for us to react to sudden changes in our water security position, but we are really starting to see it impacting that longer-term water security picture, and that is what we are focused on. As a consequence of what has come out of that model recently, we have made a modification to our source water guidelines, and this is the guideline that we use to decide which catchment we should extract from preferentially—whether we extract from Cotter Dam or Googong Dam or Bendora Dam.

What we are finding now is that we need to manage the system in a much more secure way. So the model in the past did factor in water security in terms of what dam we extract from, but it also had a financial model attached to it, so we would preferentially take that least-cost option. We are now managing the system in a much more secure

way, where we try and avoid any spillage from the system as a preferential priority in following those rules. So we have made a few adjustments and there is more work to continue.

**DR PATERSON:** I am just wondering; is there any point where you say that this problem is substantial in the Bendora catchment and we will extract from a different catchment?

**Mr Hezkial:** I think it is a really good question. We do absolutely need to understand how big the issue is and how persistent the issue might be in Bendora, so that is one of the things we are trying to analyse before we jump to any solutions. We do typically switch between catchments—for maintenance purposes, primarily. Our next scheduled switching from the Cotter catchment to the Googong catchment will be on 5 September. That is our scheduled operational date.

We are not doing that for the current issues that we are facing, but we usually switch treatment plants to allow us to do some routine maintenance on our Stromlo water treatment plant. We will run out of Googong and then we will flip back. But that would also give us a chance to maybe provide a bit of a reprieve and then, with the warmer weather that is coming our way, hopefully we should be able to see a bit of a settling down of those water quality issues in Bendora. But it is a bit hard to predict at the moment. I think what we need to do is work out what kind of a problem we have, and how persistent that problem will be, and then we might need to look at what further treatment options we need at Stromlo to deal with that new occurrence.

**DR PATERSON:** And none of the other dams are experiencing this problem?

**Mr Hezkial:** So far, we have not detected that in any of our catchments. Historically, though, we do get a different type of problem at our Googong treatment plant. As the temperature increases there you might get some blue-green algae, and we manage that through selective extraction, but we also dose with what we call powder-activated carbon. So that part of the catchment is set up to deal with those taste and odour issues.

The MIB issue that is in the Bendora catchment is slightly different, but historically we have never had those taste and odour issues, so the way the Stromlo plant is set up, those routine processes are not there, and that is what I mean by needing to examine whether this is persistent before we need to invest further in our treatment processes at Stromlo to avoid a recurrence.

**DR PATERSON:** Thank you.

**THE CHAIR:** I have a supplementary question about how you mentioned the climate change model may require the augmentation of water security earlier than expected. What does that look like or what are you talking about when you say that?

**Mr Hezkial:** There are a couple of things on that. At a high level our previous water security projections flagged that at somewhere in the order of about 2060 we would need our next major water source augmentation. That does not necessarily mean a new dam or enlarging a new dam; it is about making sure that we are looking at that equation between what we need to do for supply as well as demand control. The new model has

come back and is suggesting that anywhere in around 2040 we would need to start thinking about that next level of augmentation, but we are still validating that information. As with any model, there are a number of assumptions that underpin what has come up with that particular date.

The other thing to consider—and I think this is an opportunity with the establishment of the Office of Water—is to really start looking at our network in a more integrated way. That might necessarily involve things such as looking at increased use of recycled water in particular applications to preserve potable water, and also looking at other sources of water that we are currently examining through our drought management planning, such as groundwater reserves or any other sources of water. That is on the source water side, and the team are looking at that now.

Then we will continue to put in a lot of effort into the education side of the equation, which is the demand side. So we are making sure that we continue the good work that the ACT community has done thus far on reducing that per capita consumption. So it is a two-prong thing. We are not alarmed by what the model is telling us, but we are absolutely sensitive to making sure that we are getting prepared for whatever might be coming.

**THE CHAIR:** In terms of water security, a lot of the sporting clubs, golf courses and the like have invested in their own water measures—in dams and other infrastructure. The government had an agreement with these clubs and bodies in terms of the water abstraction charge. Just wondering; has that agreement ceased? And is there a new agreement being currently worked on with these bodies in terms of utilising the water that they have put this infrastructure in to cater for?

**Mr Hezkial:** I am not across the water extraction charge issue.

**THE CHAIR:** Okay.

**Mr Hezkial:** We do provide recycled water to one golf club in particular. I could talk to that, but I am not across the water abstraction charge issue.

**Mr Barr:** Talk about that, and I will see what I can find out.

**Mr Hezkial:** We currently supply Magpies Belconnen Golf Club with recycled water. They are just up the road from the Lower Molonglo Water Quality Control Centre. We have also had the ICRC review the costs associated with providing that recycled water. I am paraphrasing now, but what the ICRC found was that the charge applied by Icon Water is actually cost reflective of running the scheme. Notwithstanding, the cost, it is less than the cost of potable water that, otherwise, the Magpies would have access to.

But we recognise, obviously, that the challenge there is that there is a very low customer base. So you have one whole scheme running up the hill, from the sewerage treatment plant, servicing one customer. With scale, that may improve, but at the moment we are providing that recycled water to Magpies for less than the cost of potable water. So it is quite a small scheme.

**THE CHAIR:** Do you know the rate; or do you want to take that question on notice?

**Mr Hezkial:** We might take that question on notice, if that is possible.

**THE CHAIR:** Okay. Thank you. Yes.

**DR PATERSON:** In terms of personal use of water, how do we compare to other jurisdictions in terms of our water consumption?

**Mr Hezkial:** I think we are performing pretty much in the middle of the pack in terms of per capita consumption. I can certainly come back with the exact figure. We do get benchmarked against utilities nationally, and typically Icon Water, or the Canberra community, is sitting in the middle of that pack. We saw some significant drops in per capita consumption around the 1990 drought, and one of the great things has been that that per capita consumption never really bounced back. It really stayed quite low.

It is actually one of the key parameters that has allowed us to defer that augmentation of the water system for as long as we have, because that demand side is doing so well. There is more work to be done in that space. As we are going through a bit of a generational change, that education program really needs to stay current so that we are capturing everyone, not just people who happened to experience the height of the drought. But we are around the middle of the pack there.

**DR PATERSON:** Okay. Thank you.

**MS LEE:** I have a series of questions for MPC. Obviously, Mr Edghill, you would be aware of part 2, division 2.1, section 9, of the Public Sector Management Act, which requires a public servant to disclose any maladministration or corrupt or fraudulent conduct by a public servant or public sector member. And that disclosure is to be made to the Head of Service. Can you please explain to the committee whether in your tenure, as head of MPC, you have made any disclosures under that section to the Head of Service?

**Mr Edghill:** I will take that question on notice if I may.

**THE CHAIR:** Can you address the privilege statement, please.

**Mr Edghill:** I have read and acknowledge the privilege statement.

**MS LEE:** Whilst you are taking that on notice, Mr Edghill, could you provide a breakdown in the last five years, or since your tenure, per year, that a disclosure has been made.

**Mr Edghill:** Yes. Noting that Major Projects Canberra came into existence 1 July 2019, I am happy to do it for the existence of Major Projects Canberra.

**MS LEE:** For that period; yes. Can you also provide, over that time, or if you remember, how that disclosure is made? Is it email, face to face, telephone? Is there a standard form? How do you make that disclosure? What is the process that the Head of Service undertakes once a disclosure of that kind is made?

**Mr Edghill:** Processes that the Head of Service undertakes is probably a question best directed to the Head of Service, but I am happy to take the remainder of the question on notice.

**MS LEE:** Thank you. In terms of those disclosures, do they include instances where an MPC recommendation has been overturned? Would that be a factor that triggers you to go, “You know what; this is something that needs to be looked at”?

**Mr Edghill:** It is probably a little bit difficult to answer a hypothetical, respectfully. If there is a specific circumstance, I am happy to—

**MS LEE:** Okay. I understand the hypothetical. So if that is the case, can I ask—

**DR PATERSON:** That is not—

**THE CHAIR:** Ms Lee has she spent two minutes on this, so I am going to allow another supplementary. We have only spent two minutes on this substantive question.

**MS LEE:** Thank you, Chair. Given that you are considering that to be a hypothetical, can you outline instances, whilst you have been head of MPC, of occasions where a tender recommendation by MPC has been overturned, and can you provide how many occasions.

**Mr Edghill:** Again, I am happy to take that question on notice. If I may, I will make a point of clarification around the question. Within Major Projects Canberra we effectively manage two types of infrastructure project. The first one is the major projects themselves, which are the ones where we have direct ministerial accountability and where we hold the budget for those projects. And in relation to those projects I cannot recall any instance where the circumstance that you have described has occurred.

With respect to the other projects that we manage, they are not Major Projects Canberra projects, so the delegate does not sit within Major Projects Canberra. We effectively provide procurement and contract management services on behalf of other directorates, but the other directorates maintain the budget and associated decisions for those projects. So if the question is relating to how many times has a procurement panel that involves Major Projects Canberra staff made a recommendation which has been not accepted by the delegate—

**MS LEE:** Yes.

**Mr Edghill:** —there is the Campbell school procurement, which I am aware there was a different decision, which was made by the delegate. I am not aware of other examples.

**MS LEE:** Okay. But can you provide that on notice, if you do come across one.

**Mr Edghill:** I am happy to take that on notice; yes.

**MS LEE:** Thank you, Mr Edghill.

**MR BRADDOCK:** Going to page 304, table 4.2.5, and over into 4.2.6, I am looking



at the budget wellbeing indicators. I cannot help but notice that the environmental protection is dropping by 40 per cent in 2023-24, when look at 4.2.5, but when you look at 4.2.6, you see that that is mainly driven by a reduction in the protection of biodiversity and landscape. I am wondering, why the sudden drop in the protection of biodiversity and landscape?

**Mr Barr:** Thank you, Mr Braddock. I am just pulling up the relevant section. The government has responded to this in our response to Pegasus's report. It was forwarded to the chair of the committee on Friday afternoon, so it may not yet be on the website. I am just scrolling through it. My immediate recollection is that there are some technical adjustments related to the renewable energy certificates that are the major driving factor. But just bear with me as I find the relevant section.

The numbers that you refer to relate to the general government sector expenses by function. I can advise that there are no reductions in the base funding for environment protection functions across the forward estimates, and the funding profile represents the impact of one-off initiatives and the classification of large-scale generation certificates. The increase in environmental protection expenses in 2022-23 is mainly driven by the sustainable household scheme, the vulnerable household energy support scheme and the development of the integrated energy plan, all of which involves significant investment in this financial year, obviously, as the government is building on its existing climate action programs and then, we invest in new ones.

The decrease in expenses in fiscal 2023-24 is primarily driven by the classification of the surrender of LGCs—those being the large scale generation certificates. Expenses related to the surrender of the LGCs are included in the environmental protection function up to and including 2022-23, but are then accounted for in a central position from 2023-24 onwards and are classified against the economic affairs function. This expense is non-cash in nature, and the expenses do not have a net impact on the budget as there is offset in revenue associated with the receipt of the certificates.

**MR BRADDOCK:** Thank you.

**DR PATERSON:** Chief Minister, the revelation through the census that the ACT population is significantly larger than projected by the ABS has resulted in an adjustment of GST revenue over the next three years by almost half a billion dollars. If the ABS previously underestimated our population growth, there is a substantial amount of GST revenue deserved but not received. So my question is: are there any projections of revenue lost due to the underestimation of the ACT's population?

**Mr Barr:** Yes, and in the order of \$70 million to \$80 million a year. That is somewhat impacted, though, by what the back-cast assumptions are, on the rate of population growth by fiscal year over the five-year period between the 2016 and 2021 censuses. So it will vary—probably a lower number initially.

What I understand from the ABS "recasting"—I think that is what they call it—of our population, is that we were growing at more than three per cent a year, pre pandemic, and then they presume it slowed. I have no reason to doubt their recast methodology; I have plenty of reason to doubt their methodology prior to this. Both the ACT and Tasmania have suffered egregiously as a result of the inability to accurately measure

population movements between the five-yearly censuses. You see the uplift in the previous fiscal year and in the current and the forward estimates, so it is a factor slightly smaller than that, on the assumption that the population has grown more rapidly in the first three years of the five-year period than during the pandemic itself.

So the short answer is that it is hundreds of millions of dollars. We can capture some of that back. The ABS data will allow us to capture the previous fiscal year and then onwards, but it is a very significant issue, and I have already taken it up and had an initial meeting with the responsible federal minister, Andrew Leigh, and senior officials at the ABS. They are working on an improved methodology and indicated that they would come back to us before the end of the year with their results of how they intend to fix this problem, because it is material for us and it is material for Tasmania. In effect, it showed that a lot of assumptions about movement of people to Sydney and Melbourne were wrong.

New South Wales's and Victoria's populations were overstated, and the ACT's and Tasmania's were understated by five per cent. For our single largest revenue source to be short-changed by five per cent is substantive, and does, obviously, need to be corrected going forward. It has been, and that has obviously contributed to an improvement in our bottom line, but it should have always been there. Previous budgets would have been stronger if we had been receiving our population share of GST, which is the territory's single largest revenue source.

**DR PATERSON:** Now that we know the population level, and the expected population levels of the next few years, how has this in the past impacted on the service delivery, and what are we doing to plan for the future?

**Mr Barr:** Yes. Well, my treasury colleagues will have heard me rant about this more than once. A lot of decision-making on current needs and future needs is based on the robustness of this data. I note that Pegasus Economics has contested the—what would appear to be—quite modest population growth increases that are factored into the budget forward estimates. Again, the government response to Pegasus points out that their reliance on the Centre for Population and treasury figures did not account for the uplift from the census, so I will give Pegasus the benefit of the doubt that they had not followed the debate closely on the methodology and had not realised that the base position had been upgraded.

But, according to the ABS—and I think there is plenty of evidence to support it—we were growing at more than three per cent a year, for a period of time. Given the underlying Labor market conditions, where, as we discussed before morning tea, we have more job vacancies than we have unemployed people, there will be people moving to Canberra for those jobs. Our natural increase in population will continue; there is no signs of that abating. It is relatively modest in the context of the total population increase; it accounts for about half of it. International migration is the other component, aside from the interstate movement that we have talked about.

Now, one of the key factors that will determine the size of the international migration will be some of the decisions the commonwealth takes, emerging from the jobs and skill summits, but there is every reason to think that there is going to be an increase in that program. So, the population projections contained within our budget, I think,

actually have a greater risk of understating the population growth. I have been asking—and we have been running some sensitivity analysis on housing supply and a range of other things—what if the population growth is between two and three per cent, not between one and two per cent? What do we need to do in order to respond to that? We have a set of indicators that we can use as broad proxies for the ABS data—presentations in hospital, enrolment in schools, water and utility connections, the number of rate-paying households.

All of those sorts of things provide us with a reasonably good real-time data set. None of them is perfect, but they can all contribute. There are strengths and weaknesses. How do you account for apartments, for example, where there might only be one water or electricity connection but, obviously, potentially lots of residents? There is a range of things that make each of our pieces of data imperfect, but they broadly give us a sense, comparative to previous periods, of how population growth is projecting and tracking in real time.

I am fundamentally an optimist about people wanting to live in Canberra. I have been told, throughout my chief ministership, by those opposite, that I was running people out of town. Well, we have been growing faster than any other state or territory for 10 years now! People vote with their feet. If Canberra were a terrible place to live in, or a terrible place to do business in, or a terrible place to come and study in, people would not be coming here. But they are coming here more than any other state or territory. People vote with their feet. That tells you a lot about what has happened over the last 10 years, and there is no reason to think that that will not continue over the next five.

**DR PATERSON:** Thank you.

**MS LEE:** Mr Edghill, in the answer to my previous question you said that as far as you are aware, the Campbell Primary School is the only one instance that the delegate overturned, or did not accept, MPC's advice. Was that incident considered by you to be something that would be reported to Head of Service?

**Mr Edghill:** Just to clarify the question, it was not simply MPC advice; there was a procurement evaluation panel that included Major Projects Canberra staff but also had Education staff. I think, at the face of it, the delegate, by definition, is the one that gets to make the ultimate decision. So notwithstanding that it is not something that would typically occur, where the delegate would make a different decision, that, in itself, does not give me cause to think that there were any nefarious issues at play. It is within the delegate's decision-making authority to consider what is being presented to them, and then, make a decision one way or another.

**MS LEE:** But given that, as you have mentioned previously, this was, as far as you are aware, the only one where MPC was involved, did that not strike you as something to look further into?

**Mr Edghill:** It is a project of another directorate, and that directorate made their decision. I acknowledge that it is not something that happens necessarily with great frequency, but it is, at the same time, a leap to go from there to me thinking I should be doing something further with that.

**MS LEE:** Okay.

**Mr Edghill:** I am very conscious that for that particular project, for example, I do not have the ministerial accountability, or budget accountability. It is a project of Education.

**MS LEE:** Right. In terms of MPC employees and their responsibility when it comes to section 9 of the Public Sector Management Act, the 2021 MPC employee survey reports that there are four per cent of MPC employees that have witnessed corruption. Can you tell me what actions you took once you received those figures?

**Mr Edghill:** The employee survey, by its nature, is anonymous, and there are no further details provided in those figures. In terms of the staffing size of Major Projects Canberra, we are a small directorate. So a small percentage of a reasonably small number produces a small number of people. Without me having any details as to what is sitting behind it, in fact, I think it would be kind of inappropriate for me, being off the back of an anonymous staff survey, to go and ask around specific responses and who said what. There is nothing more that I can do with those responses, other than to acknowledge that they are there.

**MS LEE:** So there was no action that you took when you realised that four per cent of MPC staff reported that they were not just concerned about it but witnessed corruption?

**Mr Edghill:** We have ongoing fraud and corruption training within the organisation, and we also have various reporting mechanisms for people to report, should they have actually encountered a concern or instance like that. Certainly, I treat such instances with the utmost seriousness, but an anonymous staff survey is not the mechanism by which to report those issues. There are other mechanisms by which to report them.

**MS LEE:** Okay, then maybe I can put it in this way, then. Have you had instances of MPC staff disclosing to you or reporting corruption or fraudulent conduct?

**Mr Edghill:** I am aware of one instance, which is, I think, a relatively small instance, not undertaken by a public servant but undertaken within one of the projects. But other than that, I have not had somebody come and personally say to me, "I am disclosing to you that I have witnessed an instance of fraud or corruption." Indeed, if that had ever happened, I would be cognisant of it and I would report it, but I have no recollection, other than the one instance that I have just referred to, of that having occurred.

**MS LEE:** What process and action did you take with that one instance of reporting?

**Mr Edghill:** I am happy to take the final details on notice. I understand that the police are looking at it, at the moment. Could I take that on notice, because I am not sure how much I should say that might disclose who the party is? I am happy to take that on notice and receive advice.

**MS LEE:** All right; thank you, Mr Edghill.

**MS CLAY:** Treasurer, today marks Equal Pay Day, which marks the 60 additional days from the end of the previous financial year that women must work to earn, on average, as much as Australian men. We were tracking pretty well on the gender pay gap for a

while. I think we reached our lowest ever pay gap of 8.6 per cent in November 2020, which was really, really good. But it has bounced back up again. The ABS just dropped their data last week, and they have shown that our pay gap is up to 14.5 per cent in May 2022. What do you think is going on that our gender pay gap is now on the rise?

**Mr Barr:** I take it that data is economy wide, rather than—

**MS CLAY:** Yes. That is not just the ACT government sector; that is ACT data, but yes, economy wide.

**Mr Barr:** Certainly, the analysis that I have seen reflects gender distribution of employment into the care economy. So women are more employed in the care economy, and incomes in that part of the economy are lower. I think another contributing factor has been that in some of the male dominated areas of the economy there have been above-economywide wage increases in recent times as a result of, effectively, more unionised workforces in some of the male dominated areas of the economy.

I think there is a pretty strong link when you look at the level of unionisation of a workforce, and its pay outcomes and conditions of employment. I think it has been the case, throughout Australian economic history, that sectors of the economy that have a disproportionately higher level of male participation are more unionised.

**MS LEE:** I think that sounds quite likely as an explanation. And, obviously, during COVID we have had a much higher need to rely on our care sector that is dominated by women. Do you think there are any tools or any leverages that we can use in that sector, which we are so heavily reliant on, which is, admittedly, less well paid than the male dominated sectors? What do we do about that?

**Mr Barr:** There is a wage case before the Fair Work Commission at the moment, for a large part of the care sector. And, again, some of the areas for discussion at the jobs and skills summit over the second half of this week are focusing on the gender pay gap. What I have seen publicly reported and acknowledged between, for example, the ACTU and the Business Council of Australia, is that in some areas of the economy the ability to have multi-employer bargaining—for example, in the child care and cleaning sectors, where there are a lot of small employers or community based employers who do not necessarily have HR departments and large-scale infrastructure to access the enterprise bargaining system as it currently operates—is one area where there will be a policy focus. Reaching consensus here would probably be the most effective way to address gender pay imbalances in those sectors of the economy. That is largely about access to bargaining beyond an enterprise level in those sectors.

The other challenging reality, particularly in community sector employment, is that the capacity to generate revenue to meet increased pay is very limited in the community sector. Ultimately, the only way that pay increases above economy-wide levels can be financed is through public funding. That is the basis of a number of the wage cases that have gone forward. The recent minimum wage increase obviously had flow-on implications across a number of minimum awards that are relevant to sectors of the economy where female employment is often two-thirds to three-quarters, if not higher, of the total workforce. There would be necessary adjustments to public funding to meet those pay increases.

**MS CLAY:** We have had a statement on the budget, which I read as a bit of a retrospective, and we have the wellbeing indicators, which are being used to actively shape our budget decisions. Last week, I had a bit of a frustrating go at trying to find out what tangible measures we are looking at to see whether these things are making a real difference for women. The gender pay gap would be one tangible measure, and I like it because the ABS measures it, but there would be lots of other tangible measures that you could use about community wellbeing. How are we using these tools to make sure that our budget decisions are improving the lives of women and making sure that all of those gaps are moving in the right direction?

**Mr Barr:** Obviously, the principal area that we can impact is our own employment, and we have nearly 10 per cent of the ACT workforce working for the territory government. That is the area where we can make the biggest practical difference. I see from the *State of the Service* report that, as at June 2021, the ACT Public Service gender pay gap had reduced to less than one per cent—to 0.8 per cent. I think that has tracked down, as I look at the data, from a 3.8 per cent pay gap in 2017 to 0.8 per cent in 2021, so there is significant progress there. The *State of the Service* report provides some examples in a few agencies where there is some further work to do that would effectively bridge that gap and get equality within the ACT public sector.

Beyond our direct employment, there are other questions associated with our service delivery that would enable greater workforce participation, and at a higher level of remuneration. They are many and varied—everything from our education and training system through to housing and other community services, all of which can contribute to improving outcomes as measured against the wellbeing indicators. Beyond that, I think the next most substantive things are where we can partner with the commonwealth in relation to Australia-wide policy initiatives.

Whilst there are a range of things we can do here, we also need to acknowledge that many of the policy levers and solutions are at a national level, not at a territory level. I touched on some of those in my submission to the Prime Minister and the commonwealth Treasurer, ahead of the Jobs and Skills summit. Progressing those, plus some industrial relations reform, together with some of the further workforce participation initiatives, like access to child care, would all contribute. There is no one, single answer; it requires a comprehensive range of policies that are territory initiatives; joint commonwealth, state and territory initiatives; and commonwealth-level initiatives.

Clearly, it is a priority for the new federal government—one of the principal pillars of their industrial relations and workplace reform agenda, and something that they were clearly elected on and received a lot of support for. In the context of the ACT, much of that federal agenda is under the ministerial responsibility of Katy Gallagher, as Minister for the Public Service, Minister for Women, and Minister for Finance. So, there will be opportunities to pilot some initiatives in the ACT in partnership with the commonwealth. I know my cabinet colleagues who have some of the direct portfolio interactions with the commonwealth are very engaged on implementing the commonwealth's agenda as much as we possibly can in the territory.

**DR PATERSON:** Chief Minister, recently there was procurement for a school. I think you know it put gender on the tender. I was wondering: is this going to be a priority of

the ACT government going forward?

**Mr Barr:** The Deputy Chief Minister was very pleased to be able to proceed with that. It was a commitment that the government had made. It made sense to choose the project that we did, and we received very strong support across the cabinet for that approach. It does highlight a very significant opportunity in the construction and infrastructure sector—speaking of sectors that have a significant gender imbalance—but, at the same time, we hear repeatedly from industry associations about their inability to attract skilled workers and about the workforce shortage. If half the population are not participating in a large part of that industry sector then that is an obvious area of limitation, but also a very significant area of potential growth and opportunity.

We have sought, through examples of programs like the one you highlighted and other programs that support engagement of women in construction and infrastructure, to support that and to encourage greater levels of engagement, particularly at a school level, when young people are making important decisions about their future careers and areas that they may wish to work in. There is a significant opportunity here.

I note that some of the reaction to that announcement was, as I would describe it, somewhat disappointing and sexist in nature, but I think you only make progress when you forge ahead and push through some of the fairly low-rent observations and obstacles that end up being put in the way of progress. I have seen this in nearly every area. There is always resistance to change. With the benefit of hindsight and looking back on things from a historic perspective, I think a lot of people would be very embarrassed by the positions that they have taken on these sorts of reforms in the past. I have seen a very dramatic change, even in my career, but there is still a long way to go.

**DR PATERSON:** Thank you.

**MS LEE:** Mr Edghill, this is more of a clarifying question, and I know that we discussed this in my previous question. I know the reasons why you talked about MPCs role in the Campbell Primary School procurement, but, just to clarify so that there is no doubt whatsoever, I just want to confirm that you did not report that as anything to the Head of Service under section 9 of the Public Sector Management Act. I am just confirming.

**Mr Edghill:** I think that is a question that I took on notice, Ms Lee.

**MS LEE:** Okay. We have an hour and a half left. Is that something that you can come back with before this session ends?

**Mr Edghill:** I would probably like to confirm with some of my colleagues, if I may. I think practically that might pose a challenge.

**MS LEE:** Okay; so that is a no?

**Mr Barr:** Yes.

**MS LEE:** If I can take you then to the employee survey. We started talking about it

earlier. There is another aspect to that employee survey that talks about the light rail team. The feedback shows that they are well below the MPC and the ACT public service average on commitment and engagement. They said that they have got too much work to do and were dissatisfied with work-life balance. Have you got to the bottom of why that might be the case for the light rail team? What is happening there?

**Mr Edghill:** I think if you were to look at the staff survey results, there is another question which provides a flipside to that—and I think you have referred to both of them—which is that the team undoubtedly has had a very heavy workload. I acknowledge that. It is a function both of the project itself being large and complex, but also, as has discussed in this forum earlier today, of the infrastructure market, not just in the ACT but also across Australia, operating with resource constraints.

I think what I would note with the staff survey results is that it was taken at a point in time. I think it might have been November 2021, from memory; so a little time ago. I think one of the interesting things about project teams is that project teams very much kind of ride the highs and the lows of where a particular project is up to. They definitely have their own life cycles, times, and so forth. The team is working very, very hard. I freely acknowledge that, and I think they are doing a great job. I appreciate that this is somewhat unscientific, but I think that, if the same sorts of questions were to be asked today, for example, I would describe the mood in the team as reasonably buoyant at the moment.

Since the staff survey results, we have reached some very significant milestones in the project. For example, the raising the London Circuit contract has now been signed, and recently it was announced that we have signed contracts for five new LRVs, the retrofitting of existing LRVs and the Mitchell Depot works. It is reaching those project milestones and being able to move the project forward into its next phases, which is exciting I am sure for the community, but it is also exciting within Major Projects Canberra itself and exciting within the light rail team.

As to my take on the staff survey results as they relate to light rail, of course, I want all of my staff to have a better work-life balance. Looking at MPC as a whole, I think we were pretty much spot on average in terms of the whole ACT government response. Of course, I want us to be doing better than that. But I think it is a reflection of the nature of the project and the point of time it was up to when the survey was undertaken. My sense—as I said, my unscientific view of it—is that there is a definitely a buoyant mood within the team at the moment, with those major light rail related project milestones having been achieved. It does create that sense of excitement.

**MS LEE:** So that begs the obvious question, which is: what happening on the project in November 2021 that would have led to, I suppose, less than you would hope for in terms of the survey result?

**Mr Edghill:** In November 2021, we would have just been coming off the back of the shutdown of the construction industry in the ACT. I think it was an all-round tough time for the whole community, but it was also a tough time within the infrastructure sector, in particular. The light rail project is the largest infrastructure project that we are undertaking at the moment. At that point in time, we had not reached some of those milestones that I just referred to—the signing of contracts to deliver the raising of



London Circuit or to procure the new LRVs.

Again, I do not want to underplay the importance of the staff survey—and I certainly freely acknowledge that the team has been working exceptionally hard—but, as I say again, I think now that we have achieved some of those milestones, if you were to take a survey today, I would hazard a guess that the results may be different from the results that were obtained in November 2021.

**THE CHAIR:** Mr Braddock, on a substantive.

**MR BRADDOCK:** I see that payroll tax is expected to overtake general rates as the largest source of earned taxation from 2023-24. I know that, in the past, adopting a progressive payroll tax system of having tiers—like WA implemented—has been mentioned. Has that been considered by the ACT government at any point?

**Mr Barr:** Yes, it has. I looked at that 10 years ago. We had some options prepared for a tax-free threshold and then a taxation rate up to a certain payroll tax and then another higher rate beyond that. My recollection is that, at the time, there was a degree of complexity and the concern that that might act as a discouragement for businesses to grow their payroll above a certain level. I guess it is sort of implicit that, in having any threshold, you do have that risk.

We then also looked at the comparative level of payroll tax in the territory compared with other jurisdictions and the types of businesses that would pay payroll tax. The conclusion was to, rather than have a multi-tiered system, further raise the tax-free threshold but maintain a single rate of payroll tax above that threshold. The policy rationale in the end being that we largely wanted to focus payroll tax on the larger businesses and to provide an opportunity for a tax-free environment for small- and medium-sized businesses.

There are many different policy alternatives you can pursue. If you are seeking to raise more revenue then you could just add another tax bracket on top of the existing one, and that would mean that certain industry sectors would pay more. Or, if you were looking to collect the same amount of revenue, you could collect it in a different mix, as in more from one section of business than the other. A factor that I distinctly recall that was an argument against the higher tax rate for larger payrolls was the impact that would have on the university sector, as universities are some of our biggest payroll taxpayers. So a model that pursued a higher rate, say, for a payroll of over \$10 million or over \$20 million—at a higher tax rate than would currently apply—would have had a disproportionate impact on the university sector.

My thinking at the time was that that was not necessary nor desirable, given that was a sector of the economy I wanted to see grow rapidly, as it was important for a number of other areas of the territory economy but most particularly as our single largest export sector, and I did not think that whacking another tax on top was justified. So we did not pursue that, and we pursued the model that we currently have in place, which is a higher tax-free threshold that supports small- and medium-sized enterprise.

When we look at the mix of businesses in the territory, there are a lot of businesses with fewer than 20 employees, and the ones that pay the payroll tax, in large part, are your

big national and multi-national corporations. If you wanted to look at some of the distributional impacts, whilst it might be superficially attractive to have the banks, major supermarket chains and other pay some more tax, you then have the consequence of it hitting other industry sectors. If you said, “Well, let’s exclude higher education,” for example, you end up with a very complicated tax system. So, in the end, all of those options were examined and we settled on the system that we have.

**MR BRADDOCK:** So you support the principle of large multi-nationals paying the same rate of tax as a firm which has 20 to 30 employees?

**Mr Barr:** In the context of payroll tax, it is an imperfect tax but it is one that, unless there is a substitute revenue line, as your opening question outlined, it is a very large source of revenue for the territory. As with all taxation, there is the legal incidence of where the tax falls—and that is levied on employers—and then there is the economic incidence and whether that is, in effect, passed onto consumers. All of the modelling that has been undertaken at a commonwealth level and the various tax reviews over the last 40 years has indicated, in large part, that payroll tax is, in most instances, passed onto consumers and is, in effect, a somewhat complicated and inefficient way but an equivalent of a consumption tax.

An argument that has been put forward—which has merit—is that payroll tax be abolished and the GST be increased. That would be the most efficient way of collecting the revenue, but that obviously comes with a range of political challenges—and, so, that is not going to proceed; let me be very clear.

**MR BRADDOCK:** I was about to ask.

**Mr Barr:** But that has been the public policy argument: that payroll tax is, in effect, a de facto consumption tax but is levied at a state and territory level.

On corporate tax, the ability to have a more nuanced profit- or income-driven taxation arrangement is available at the commonwealth level, just as it is with income tax. So the commonwealth, as is the case in most areas of taxation, has a better set of taxation instruments and revenue lines than state and territory governments. The only tax that we have that has a minimal economic distortionary impact is municipal rates. It is amongst the best taxes in Australia in terms of its inability to avoid, its stability and its lack of impact on economic and investment decisions. If you are in the business of raising tax, it is one of the better ones. The worst ones were insurance taxes; so we got rid of them. Then there is a sort of a spectrum. Stamp duty is not a particularly good tax, and that is why we are seeking to get rid of it as well.

**MR BRADDOCK:** Has the ACT government recently investigated any new taxes that it might seek to take up?

**Mr Barr:** Yes, and we increased one of them in this budget—the point of consumption tax.

**MR BRADDOCK:** I mean new revenue sources of taxes.

**Mr Barr:** As in new tax lines, no. Probably the only other one that has come on the

agenda in recent times is a replacement for fuel tax, road-user charging, that a number of states have indicated. There is currently a High Court challenge to the Victorian road-user charge, and the commonwealth have joined that case. There is quite a lot at stake in relation to the success or otherwise of that Victorian tax line.

The challenge is: is it an excise tax? I am not going to offer a legal opinion. I am not qualified to do so. But that will be, I guess, the line of argument in that case. Equally, if that case is successful, it would make it very difficult, potentially, for states and territories to levy user charges on state and territory owned infrastructure. So there is quite a lot at stake.

It is a topic of conversation amongst the Board of Treasurers—that is, the state and territory body. Clearly it is an issue that, over the next 15 to 20 years, will need a resolution. Fuel tax is a diminishing revenue source for the commonwealth and, as the electric vehicle uptake builds up speed—and it will happen quite rapidly over the next 10 to 15 years—the proportion of vehicles that are paying fuel tax will diminish quite considerably, and there still needs to be a revenue source.

I have been very, very clear that the transition to zero emissions is not a pathway to smaller government and lower revenues. It should not be used as a stalking horse to reduce the amount of revenue available. The outcome, if it did go down that path, is that there would be less money made available for infrastructure maintenance. So the roads that we will all be driving our electric vehicles on in the future would not have a source of revenue to fund their upkeep, and that would be a bad outcome. So all for zero emissions transition and moving to EVs but not at the expense of the revenue base.

**MR BRADDOCK:** I think we might be partially in agreement. I think there might be elements where duplication of roads might be a costly exercise, whereas—

**Mr Barr:** Well, I am just talking about maintenance of existing infrastructure, Mr Braddock; not adding, just maintaining the existing.

**MR BRADDOCK:** Thank you.

**THE CHAIR:** In the budget outlook on page 227, you refer to payroll growing over the forward estimates to an average rate of more than 7.6 per cent. But, given the rising interest rates that we are seeing right now, do you think that there is any risk to achieving these forecasts?

**Mr Barr:** No. Obviously, payroll tax is also impacted by the rate of wage growth. Wage growth will increase, which means that the overall share of the economy going to labour will be higher. That is certainly the intent of commonwealth government policy. It is to reverse what has been a several decade long drift where the profit share of the economy has increased but the wage share has decreased. An increased wage share means that the payroll tax line will increase. The other element that we are looking at is that the total labour market will grow. So not only will wages be higher but there will also be more people employed. As our population grows, that is a reasonable assumption, because there will be more jobs created in the economy and those jobs will be filled and the businesses that are paying payroll tax will continue to pay and, in fact, will pay more as more people are employed and wages increase.

**THE CHAIR:** That is obviously providing that those businesses are going to put more people on. But when interest rates continue to rise and borrowings impact the bottom dollar for those companies and entities, you would just hope that obviously those interest rates do not rise that much where it might start to impact the possibility of an employer employing more people.

**Mr Barr:** That ultimately is a judgement that the Reserve Bank board will need to make. But, again, we can only go by the public statements and the published board minutes of the RBA Governor and the RBA board around their intent. I think everyone—it does not matter whether you are a capitalist, a unionist, an entrepreneur, a householder, a student or a state or territory treasurer—is hoping that the RBA manage the normalisation of interest rates in a way that reins in inflation but does not send the economy into recession. It is a delicate balancing act.

Interest rates had to normalise—they could not stay at historic low levels forever—but there is a lively debate around what is a normal level of interest rate in this current environment. Every bank economist is speculating on this. Everyone has an opinion. What did Paul Keating once say? I think it was that, if you walk into the resident pet shop, even the galah has a view on microeconomic reform. At the moment you can go anywhere and the only things people want to talk about are the Jobs and Skills Summit and where interest rates are going to land. We will watch closely and update any of our budget forecasts accordingly. If the facts change, we will update our forecasts.

**THE CHAIR:** Has the government done any analysis on the impact of rising interest rates on tax revenues that the government receives?

**Mr Barr:** Certainly, there are risk sensitivities outlined in the budget papers of what happens if certain things move up or down. I would refer you to that section of the budget papers.

**THE CHAIR:** Obviously, you put a lot of faith and hope in the RBA to get that level right, but is the ACT subject to a particular level, do you think, where rising interest rates might have a big impact on local business and also revenue, through the payroll tax, for the ACT government?

**Mr Barr:** Certainly nothing that varies dramatically from the rest of Australia. Again, you can be very clear about where the RBA is headed through the statements of the governor and their board minutes. We do not have a seat at the table there. We, as in collectively state and territory treasuries, have obviously raised concerns about the need for this landing—in terms of the normalisation of interest rates—to be well executed. But we are not the decision-makers in this regard. As I say, we will follow what happens and make any adjustments that we need to our forward projects. Rest assured that, between me and the Treasury officials in this room, we follow it very, very closely.

**THE CHAIR:** Where is the current threshold at the moment for payroll tax?

**Mr Barr:** The current threshold is \$2 million.

**THE CHAIR:** Where is it in other states—New South Wales, Victoria, Queensland?

**Mr Barr:** In New South Wales, it is about \$800,000. So we are way more generous there. Victoria, from memory were the lowest, at around \$600,000, but they may have changed that recently. It ranges from down there at less than a million dollars in most of the bigger states. The medium-sized states tend to be about \$1.1 million to \$1.3 million. We have got the highest tax-free threshold of all the states and territories.

**THE CHAIR:** What comes to that \$2 million figure? Did you do an analysis on what businesses were out there?

**Mr Barr:** It was \$1.5 million earlier and then, as I indicated, when we looked at where we should go with payroll tax, we made the decision to increase the threshold from \$1.5 million to \$2 million. The rationale for that was to support the growth of microbusiness into small business—so businesses that had between five and 10 employees being able to grow to 15 to 20 without falling into the payroll tax net at all. That was where we saw the bulk of homegrown small business development opportunities.

We obviously periodically review the payroll tax threshold. But, because we have had 10 years of very low wage growth, there has not been a particular need to adjust the threshold up beyond the increases that I have brought in over the last 10 years, which have moved it from \$1.5 million to \$2 million—so about a 25 per cent increase.

**THE CHAIR:** What is the percentage rate?

**Mr Barr:** The tax rate?

**THE CHAIR:** Yes.

**Mr Barr:** It is 6.85 per cent.

**THE CHAIR:** And how does that compare?

**Mr Barr:** That would be at the high end.

**THE CHAIR:** At the high end. So it is lower in other states?

**Mr Barr:** Yes. The rate of tax is lower in other states, but their tax kicks in at a lower threshold. In essence, they have more small and medium businesses paying payroll tax and they tax the big end of town less. We go the other way and exempt small and medium business from payroll tax and we apply a higher tax rate to multinationals and the big national companies. It is a value judgement: do I want to tax the Commonwealth Bank, ANZ, Woolworths, Coles, Apple, Microsoft—those companies? Yes. We tax them more than we tax James Milligan printing—

**THE CHAIR:** Publishing.

**Mr Barr:** Publishing; sorry.

**THE CHAIR:** Not at it enough to pay payroll, sorry!

**Mr Barr:** Indeed. Businesses with a payroll of between \$1.2 million and \$2 million pay tax in New South Wales, but they do not in the ACT.

**MS LEE:** Treasurer, I think it was in response to Mr Milligan's first question that you talked about how you were confident in forecasting at 7.6 per cent, because you factored in wage growth and the fact that there will be more people in jobs.

**Mr Barr:** The payroll tax line?

**MS LEE:** Yes. Have you done any modelling on that, and what is the wage growth that you have factored in?

**Mr Barr:** Yes. The Treasury forecasting group undertake that modelling in assessing the payroll tax revenue under the forward estimates, and that will include an expectation of an expected WPI, which is published in the budget papers. That is the rate of wage growth that is factored into that model, together with the employment growth forecast that is also in the budget papers. So those two are the two sets of data that you are looking for.

**MS LEE:** Do you have that exact reference there in terms of the budget outlook?

**Mr Hocking:** I have read the privileges statement and acknowledge that. Table 2.2.1 on page 17 of the budget outlook has all our economic forecasts, including for employment and the WPI.

**MS LEE:** Thank you. I have another supplementary on the payroll tax. If there were a rush in contractors employed in the commonwealth government, what impact, if any, would it have on payroll tax revenue projections?

**Mr Barr:** It could potentially have some, depending on whether that employment was lost to the territory or not. But it would not be significant in the context of the total payroll tax collection. There is that sensitivity. I think there was a public statement from the new federal government in relation to a shift of some employment back into the public sector, and that was taken into account in the forecasts.

**THE CHAIR:** A last supplementary before we move on, if you have one.

**MS LEE:** Has that been factored in at all in terms of the modelling that we spoke about?

**Mr Barr:** Yes, it has. We were aware of that. But, across the workforce that we currently have, the movement is not significant.

**MS LEE:** Have you got exact figures? If so, could you take that on notice?

**Mr Barr:** No; there would not be exact figures. But we certainly can provide some further information in relation to the assumptions.

**MS LEE:** So that is taken on notice?

**Mr Barr:** That is taken on notice, yes.

**MS LEE:** Thank you.

**DR PATERSON:** Chief Minister, the ACT government is halfway through a major tax reform program, particularly in relation to stamp duty. I was wondering what the progress of this transition is.

**Mr Barr:** It continues every budget. We have made some further announcements in this budget in relation to further stamp duty cuts and sticking with the stage 3, 3.75 per cent rate increase. That is the increase in revenue. On the other side of the equation, there are a number of changes in terms of eligibility for the Home Buyer Concession Scheme. We have changed one of the tax thresholds and tax rates. The lowest threshold has been increased, which provides a further stamp duty cut on every single property in the territory—because every single property would be above the first threshold of the stamp duty regime—and we have made some other adjustments to some of the other targeted concession programs.

Holistically, we are around halfway through the tax reform process. It has another decade to run. From memory, heading to the 2024 election would be the time that I would give some further detail on what stage 4 will look like.

**DR PATERSON:** There are lots of comparisons between states and territories surrounding tax revenue through rates and the impact the shift from conveyance duty is creating. Can you outline why one-to-one comparisons between the states and the ACT are disingenuous?

**Mr Barr:** Yes. Obviously, we have a unique revenue mix in light of our hybrid state and local government responsibilities, and we have a differently shaped economy. Some of the comparisons with other jurisdictions obviously need to take into account mining royalties. They are a very significant part of, for example, the Western Australian economy. They are particularly significant in Queensland and are also relevant for the Northern Territory and, to some extent, South Australia—although not that much—and New South Wales and Victoria. So the economies are different and the tax mixes are different.

What we can measure is the decline over time in the stamp duty share of own-source revenue. That is going to fluctuate because of the cyclical nature of the housing market. One of many policy rationales for moving from stamp duty to rates is that the rates base is a very predictable chart over time—I think even Pegasus point to this. The way the rates system works is that the territory picks a revenue target and then all of the ratepaying households are then apportioned their share of that total target. So how much is paid is relative to each other, based within a growth cap overall for the revenue line.

Stamp duty revenue ebbs and flows. It is like a yo-yo. In recent times, we have had a housing boom, so stamp duty revenue has increased. At other times, stamp duty revenue will be considerably lower. It is a very, very volatile tax line. So you need to look at the revenue replacement and the reform over a longer-run period. There is no point in picking the peak of a housing market to say, “That is where stamp duty revenue will always be,” because it will not be. Equally, you would not pick the trough of the housing market and say, “That is where stamp duty revenue will always be.” It is volatile from

year to year, but the trajectory is that rates increase as a proportion of own-source revenue and stamp duty decreases.

Of course, in the first round of tax reform, it will also finance the abolition of insurance taxes off the rates base as well. That is now complete. So, at the moment, the tax reform journey is effectively stamp duty for rates. In the first five years, the reform was insurance duties and stamp duties for rates at a household level and, at a commercial and business level, it was abolition of commercial land tax and the increase in the payroll tax threshold that we discussed earlier. It transitioned with commercial rates. So it was a simplification and a shift.

In essence, there are three factors of production that you can tax: land, labour and capital. We tax capital as lightly as we possibly can because it is highly mobile. You can invest anywhere. That is why taxes on capital, transaction taxes in particular, are as low as we can possibly set them. Taxes on labour is payroll tax, and we have had the discussion about the rationale for why we tax more at the higher end and less at the small- and medium-business enterprise end.

The most efficient form of tax available to us is tax on land. It is impossible to avoid, it is highly predictable and it is the least distortionary of all of the taxes. That is why it is the one that is recommended to be utilised, and that is what we are doing. It is very sound economic policy. The analysis that has been undertaken on the tax reforms to date have indicated that they have contributed to an increase in the territory's gross state product and more wealth in our economy as a result.

**MS LEE:** Treasurer, the Pegasus report—and I think you referenced it in your answer to Dr Paterson—spoke about the revenue coming in from rates not quite offsetting the revenue that is reducing from stamp duty. How much more will rates need to go up to make up that shortfall?

**Mr Barr:** They are going up by 3.75 per cent each year. I think what Pegasus have done is taken the high point of stamp duty revenue and projected that forward. I note they issued a further clarifying note, and we have replied to that in the government response to the Pegasus report. I will find that section for you. It is on pages 26 and 27 of the Pegasus report. The government response is:

Revenue neutrality of tax reform is a key driver of expected growth in general rates and movements in conveyance duty revenue. However, there are other non-tax-reform related factors that influence changes in general rates and conveyance duty revenue. Without tax reform, general rates revenue would increase in line with changes to the wage price index and increases in the number of rateable properties, and conveyance duty revenue would be affected by price and turnover changes. These revenue drivers are still relevant even with tax reform that influences changes in general rates and conveyance duty revenue over the forward estimates. The ACT tax reform program is designed to be revenue neutral in aggregate over the full transition from insurance and conveyance duty to general rates.

There was a study released in August 2020 which demonstrated that the tax had been broadly revenue-neutral to date. What we have said at about stage 3 tax reform is that residential conveyance duty tax rates will decrease at a rate set to offset increases in revenue from general rates that is above the increase in the WPI. The reduction in residential conveyance duty in 2022-23 is to change in the lowest marginal tax rate,



from 0.68 per cent to 0.6 per cent, for owner-occupiers. And, on the commercial side, commercial conveyance duty will see its tax-free threshold increase to \$2 million in 2025-26, and this revenue loss is expected to be broadly offset by increases in commercial rates over stage 3.

In the absence of tax reform, revenue collected from residential conveyance duty would have been \$120.3 million higher in 2021-22 and \$523.9 million higher over the budget and forward estimates period from 2022-23 to 2025-26. In addition, in the 2022-23 budget, on top of the stage 3 reductions in conveyance duty rates, the government increased the lowest threshold for residential conveyance duty, and that was to improve housing affordability for lower income households. To go to one of the points that you have raised and that Dr Paterson raised, using the share of total own-source revenue to measure the effectiveness and revenue neutrality of tax reform is flawed, as there are other own-source revenue streams outside the scope of the tax reform program. A key reason for the fall in the share of rates and duty combined, of total own-source revenue, is the strong growth in payroll tax, which reflects the growth in economic activity and jobs. As I noted earlier, without tax reform, general rates would increase by WPI, not by the average growth rate of own-source revenue. They are the flaws in the Pegasus analysis that have been corrected and addressed.

**MS LEE:** Notwithstanding that, you mentioned that stage 3 is going to require a 3.75 per cent increase in rates, I have had many, many constituents reach out, especially recently, talking about how their rates have gone up significantly more than 3.75 per cent. This comes at a time when we have got record high inflation and the cost of living is soaring. Is the government open to making sure that we revisit this, especially for those on a lower income?

**Mr Barr:** The government moved from a three-year rolling average of unimproved land values to a five-year rolling average in unimproved land values to smooth out the impact of increases in land value, because the increase in land value of your individual property is a factor in determining what share of the total revenue your property pays. If everyone's land value went up at exactly the same rate, universally across the city there would be no change at all in the relativity between properties. But what the increase in land values is doing is it is stronger in some parts of the city than others and so it is adjusting the relativity of a particular property versus the others.

The total amount of revenue is capped, plus 3.75 per cent, with an allowance for the growth in the number of additional properties that come into the ratepaying base. Then, once you have that amount, which is a capped amount that we know, we then divide amongst all of the ratepaying properties, according to their five-year average unimproved value, what proportion of that total revenue target will be paid by each individual property.

In order to smooth that process even further, to reduce the volatility, we do not just take one year's average improved value; we look at it over five years. So any movement in one year to the next accounts for now only 20 per cent of the total as opposed to the previous model, which was every three years and so, it was one third—a shift from one year to the other.

That is the broad answer. So, values wise, some properties are going up by more than

3.75 because their relative land value is higher than others. At the other end of the equation—and, of course, I do not expect you to ask me a question on all the ones that went up by less than 3.75 per cent—

**MS LEE:** I think you are going to give it anyway!

**Mr Barr:** There is obviously a long list of those as well. Within their overall rates cap, there will be individual property movement. But the only reason that that movement would be above the territory average would be because the land value of that property has gone up above the territory average. So those people obviously have a bigger asset, in that their house and land will be worth more.

Having said that, there are a range of concessions, rates deferrals and hardship arrangements in place to support people who are in that category, where I presume is where your line of questioning is going, who are asset rich but may not have high incomes. In that circumstance, there are programs to assist.

**MS LEE:** Many in our electorate?

**Mr Barr:** Yes, indeed; in Kurrajong, yes. What people can do is defer their rates payments entirely—not pay it at all and defer it to your estate.

**MS LEE:** Yes, I understand that.

**Mr Barr:** It would be a very sensible thing to do. If your capital growth is what people have experienced in recent times, that is a wise thing and people do do that.

**MS LEE:** Talking about land value, it is on paper and you go, “This is the whole thing,” and you divvy it up and all of that. But, for the person who is living in the house who gets a notice that basically says, “We have now assessed your land value at double in the next year,” it will have a significant impact on their household budget.

**Mr Barr:** No.

**MS LEE:** Significant.

**Mr Barr:** No.

**MS LEE:** How would it not be significant when their land value has been valued at double?

**Mr Barr:** Because the rate of land value increase is not the rate of rates increase.

**MS LEE:** I understand that, but it has an impact. That is why you have talked about it.

**Mr Barr:** A very, very minor one that is smoothed out and relative to all other properties. In a hypothetical example of your house being the only one in Canberra that went up by a very significant amount then, yes, in that circumstance, your one single property would pay a higher share. But when everyone else’s land value is also going up, it is about its value relative to all other properties, not just your one alone. The only

thing that is relevant in terms of your individual property increase in value is how a bank will value it, and, presumably, if and when you go to sell, the amount of windfall gain you will make in terms of the capital gain—

**MS LEE:** It is all good to sit here and go, “It is all relative and everyone else’s land is going up,” but for the person who is getting the bill, who says that, if nothing else happens, if nothing else changes, their rates bill is going to be significantly higher—

**Mr Barr:** It is going to go up by, on average, 3.75 per cent. If their land value is increasing above the average of every other property in the ACT, then it would be higher than that. But what are they getting? They are getting a massive appreciation in the value of their single largest asset.

**MS LEE:** That might be so, but these are people who are not selling. This is their family home.

**Mr Barr:** But it is still highly relevant for them. It is a windfall gain on, presumably, their largest asset.

**MS LEE:** If they sell it, sure.

**Mr Barr:** It can also be realised in a number of different ways beyond just selling it. Obviously, people will, in many instances, draw down on the equity they have in their property either to finance home improvements or other things. What we are talking about here is households that are now on land worth millions of dollars in some instances.

**MS LEE:** Yes, but that does not mean much to the 75-year-old who has been there for a long time.

**Mr Barr:** Oh, it means a lot. I absolutely guarantee that, if it went the other way, if everyone’s land values halved, you would be asking me a very different set of questions.

**MS LEE:** But that is not the case, so I am asking you this question.

**Mr Barr:** That is because land values have increased, and that means increased wealth for those who own the land.

**MS LEE:** By double.

**Mr Barr:** In some instances, by double, yes. That is called the housing market inflating, Ms Lee, which is what happens when interest rates are very low.

**MS LEE:** Treasurer, I will take you to page 8 of the budget outlook. You have inflation estimate of 3.75 for 2022-23. Given the strength of inflation for the year to June was at 6 per cent, what was the basis for that basis for the 3.75 for the 2022-23 forecast?

**Mr Barr:** The Treasury economics and forecasting group provided that particular forecast. It is based, as I think we have indicated in the commentary in the budget papers, on some factors that we anticipate inflation being lower in the ACT. Obviously, it

remains to be seen exactly where the national figure peaks at and whether inflation will end up being higher than that forecast.

That forecast, of course, was made at a point in time before some of the other more recent datasets came in and it is obviously subject to revision. It would be fair to say that there is probably more upside risk than downside risk in relation to that forecast. But, aside from an economist forecaster's debating point, its implications are relatively minor in the grand scheme of things. If it ends up being through the year at four point something, as opposed to 3.75, then we will adjust that in the mid-year update, when there are further datasets available. But I might ask Mr Hocking to talk a little more about what the forecasters were thinking at that time.

**Mr Hocking:** There are upside and downside risks to all of our forecasts. At the time that we were preparing these forecasts for the budget, that was pretty much in line with, for example, the Reserve Bank's forecast of 4.3 per cent. They only revised up their forecast after we published the budget. I would note in terms of downside risks that, since we published our forecast, from about 10 July to 21 August, petrol prices have actually fallen by 16 per cent. So that probably produces a bit of downside risk to our forecast as well, noting that the commonwealth Treasury and the RBA had higher numbers subsequently, at the last minute, when we were preparing our forecast.

The general pattern of our forecast is in line with their forecasts in terms of the trajectory. Like the commonwealth Treasury and the Reserve Bank, we expect that the headline numbers will probably stay high and maybe go higher through the rest of this calendar year. But, as the Reserve Bank's efforts to increase interest rates and reduce demand in the economy take hold, like them, we expect that the rate will come down. But, as I say, there were a range of upside and downside risks, which we have pointed out in the budget papers, and at the time that was our essential forecast.

**MS LEE:** You mentioned that you were basing it on the fact that the ACT tends to have a lower inflation rate. Can you provide an explanation to the committee about the basis on which you have made that assumption?

**Mr Barr:** The budget papers outline a couple of things that were known at that time, particularly in relation to energy prices. We knew we were going to have nominal decreases in electricity and water. We also knew—

**MS LEE:** What was the percentage decrease in electricity and water?

**Mr Barr:** In nominal terms, 1.5 per cent down in electricity and a little over two per cent in water. Mr Hezkial may be able to—

**Mr Hezkial:** 2.2 per cent.

**Mr Barr:** 2.2 per cent down.

**MS LEE:** For the same period, what was the increase in gas?

**Mr Barr:** I do not think that has necessarily been set at this point. It is not a regulated amount. But, obviously, we look across the household energy mix. Everyone has water

and everyone has electricity. Only two thirds of Canberrans have a gas connection. So gas has a lower impact across the entire community.

We were then also aware of what we were doing in relation to our own ACT government charges—the freeze on public transport fares, for example—and that we would be seeing our fees and charges increase by well less than the headline inflation rate. So we were not going to be contributing to significant increases. They are all factors.

The other underlying assumptions included that the housing market had peaked and is coming down. So that will be reflected in the housing share of the CPI basket. Then there is the interesting interaction of global oil prices and fuel prices—noting that there are going to be some ups and downs when the fuel excise halving is removed. But that does not occur until the next quarter. Its impact will kick in from the end of September. But, as Mr Hocking has indicated, there has been quite a dramatic reduction in fuel prices.

The other thing that is noted is that fresh produce is coming down in price as a result of some of the supply issues emerging out of the floods being addressed. I think at one point there was a real shortage of lettuce and even KFC shifted from putting lettuce on their burgers and instead putting some sort of cabbage or something on them. It was \$10 for an iceberg lettuce. When I was on Coles online shopping yesterday, you could get an iceberg lettuce for \$2.40. So I think we are starting to see some of those price spikes easing.

From the engagement that I have had with a number of industry sectors locally and nationally over the last month or so at various events and ministerial councils and engagements, we are starting to be advised that some of the supply side shortages that were impacting, largely COVID impacted, are starting to ease and prices are falling in a number of sectors as well.

I think there will still be some residual inflation in the system. But you have to remember that, in order for it to build momentum, prices have to keep on increasing, and they are not. They are now starting to come down. But I acknowledge, as do the treasury officials, that they can only make a point-in-time forecast and, whilst there are a number of factors that could lead to significantly lower inflation in the ACT, I will not be surprised if we do have to revise up that forecast. But we need a few more pieces of data before we can conclusively make that call. But we will see. If this continues to be a major concern for the committee, and you have a particular interest in inflation forecasting, then we can probably arrange a briefing to go through the detail of how that is done, if there is such a level of technical interest in the inflation forecast. But I think the only reason anyone is asking any questions about it is because Pegasus decided it was something that they would fixate on. I doubt any of you would have even noticed otherwise.

**MS LEE:** I would not make any assumptions on that.

**Mr Barr:** I have been coming to estimates for a very long time, and I do not think I have ever been asked about inflation before.

**MS LEE:** We also have not had an increase in a long time. It is obviously in the news as well. I have a general question about forecasting. We have talked about the inflation forecast, which clearly is lower than what inflation currently is and what the commonwealth has indicated, and you had accepted that you may need to increase that in the mid-year. I am just finding it hard to do a comparison, when you compare that new forecast payroll tax increase at 7.6 per cent per year, which is quite significant. I think earlier in the day we talked about the forecast that you have set in this budget for expenses, which is at 1.7 per cent, which, again, is grossly under what was the average of the last 10 years. Treasurer, you mentioned this morning that you did not have any concerns about Treasury's forecasting. But I just cannot get all those figures and say that they make sense.

**Mr Barr:** I will endeavour to step you through it again, Ms Lee.

**MS LEE:** Can you do that not in the most condescending way possible, please?

**Mr Barr:** Well, your questions are condescending of the professional—

**MS LEE:** How are they condescending when I am asking you—

**THE CHAIR:** I think we—

**MS LEE:** You forecast payroll tax at 7.6 per cent per annum and expenses you forecast at 1.7 per cent.

**THE CHAIR:** Can we just let the Treasurer respond to your question?

**Mr Barr:** Are you finished?

**MS LEE:** Yes, if you can do it in a non-condescending way and not a mansplanation?

**Mr Barr:** Ms Lee, you do not get to dictate how I answer questions.

**DR PATERSON:** Respect to the witnesses.

**THE CHAIR:** Well, it is going both ways, so—

**Mr Barr:** These are the same questions that you asked earlier, and I have given the most detailed explanations, I think, ever given to estimates on these questions. But let us go through it again. The one forecast that Pegasus have taken issue with relates to inflation. What drives payroll tax is the wage price index, so where wages are going, and the total level of employment in the economy.

If you believe that there is an upside risk on inflation—and we have also had a line of questioning this morning about that upside risk on inflation probably driving higher wage outcomes—then that is going to flow through to higher payroll tax revenues. So there is probably an upside risk on payroll tax, particularly if wage growth accelerated beyond something with a two in front of it across the whole economy to something with a three in front of it or, indeed, in advance of what has been forecast. So I think there is actually an upside risk on payroll tax.

In relation to expenditure, the relative increase from one year to the next reflects the level of the previous year with the level of expenditure in the next one. The level of expenditure last fiscal year was abnormally high for reasons that we have explained ad nauseam, with one-off increases that do not flow through to the next year. So, if you were to exclude those one-off increases and then look at the rate of expenditure growth across the rest of the budget, you would see that it is consistent with the expenditure decisions taken in the budget. That is what this fiscal year's expenditure is: the decisions taken in the budget.

Then, if you were to compare that with a normal base year as opposed to an inflated base year with \$400 million of business assistance and a billion dollars of health expenditure that you would not otherwise undertake, plus the cleaning costs and all the other things that you pointed to when you saw a decrease in employment in certain areas of the ACT government, they are the reasons that expenditure growth will not be as high. But it is because it is coming off a really high base, like a historically high base, and normalising. That is why the increase from one year to the next.

If we were growing at five per cent on top of the highest ever expenditure, that would be a legitimate line of questioning: why is it that you have locked in pandemic emergency levels of expenditure? That would be a legitimate line of questioning. But, when you come off that extraordinary high level of expenditure and normalise, it should not come as a surprise that the rate of growth is lower. That is pretty straightforward budgeting, I would have thought.

**MS LEE:** So, if we accept that then, what about the years pre-pandemic, Treasurer? There has always been a forecast of expenditure and that has never, ever been met. And this is way before the pandemic. So it is not a matter of coming off a high base—

**Mr Barr:** Sorry; a forecast of expenditure that has never been met? Is that what you said?

**MS LEE:** That has never been as low. If you look at the budget year on after year on after year—

**Mr Barr:** Yes, that is—

**MS LEE:** It is all good to sit there and explain all about the high base and the one-offs and all of that. We all get that. We accepted that.

**Mr Barr:** Well, evidently you do not, if this line of questioning continues. It is quite straightforward mathematics, I would have thought.

**MS LEE:** So can you answer the question that I just asked: what about the years where the expenditure forecasting has been off, before the pandemic?

**Mr Barr:** It sometimes has been over or under, depending on delivery of an infrastructure program or other factors.

**MS LEE:** Can you take on notice the instances where it has been over?

**Mr Barr:** Where expenditure has been over?

**MS LEE:** No; the forecasting has been over the actual actuals.

**THE CHAIR:** Can you both stop for a moment, please? Can you finish with your response to Ms Lee?

**Mr Barr:** I will endeavour to. I keep on being interrupted.

**THE CHAIR:** Without interjections—just let him finish.

**MS LEE:** Yes; that is fine. You have said, it is either over or below. Can you take on notice an instance in the last decade where the forecasting—

**DR PATERSON:** Multiple questions again. Chair, Ms Lee is not respecting the committee—

**THE CHAIR:** Ms Lee, can we just let Mr Barr answer your last question?

**MS LEE:** Yes, and that is the last question. I am just explaining the question.

**THE CHAIR:** Can we just let Mr Barr answer the question.

**Mr Barr:** Thank you. So you are asking for instances where the actual expenditure has been less than the budgeted expenditure?

**MS LEE:** Yes.

**Mr Barr:** Okay.

**MS LEE:** And forecast to be, yes.

**Mr Barr:** Yes. Easy; that I can do.

**MS LEE:** So you will take that on notice?

**Mr Barr:** Yes, we can do that. Yes.

**THE CHAIR:** The Treasurer will take that—

**Mr Barr:** So I will take that back over four years? Five years? Pre-pandemic?

**MS LEE:** Pre-pandemic, yes.

**Mr Barr:** Okay, yes.

**MR DAVIS:** Chief Minister, I appreciate that there was a bit of a conversation about the land tax before I got here, but I want to ask specifically about land tax as it relates to landlords and the potential impact on rent prices. Chief Minister, you will be aware of a lot of the commentary where landlords are drawing a distinction between the rates



of land tax they are charged and its effect on the rental market. Has the government done, in the broad, any modelling on how, if at all, land tax impacts rental prices?

**Mr Barr:** The government has addressed this particular issue in our response to the Pegasus evaluation on page 9, and I will go to that now. There are, of course, a wide range of factors that influence rental prices—letters to the editor of the *Canberra Times* probably not being highest amongst them, although I found it interesting that that someone's letter to the paper was seen as a source of an authoritative statement. Vacancy levels, demand, housing stock, average income of residents and costs associated with providing a property for rent are the major factors. Land tax applies to residential ACT properties that are not the principal place of residence of the owner and that are fit for occupation. So there are obviously some—

**MR DAVIS:** I have read the government's response to the report, Chief Minister. I am asking if the government has done any of that specific modelling, like to counter the argument from some that the rates of land tax they are charged are put onto the tenant?

**Mr Barr:** This goes to a conversation that we had earlier about the legal versus the economic incidence of taxation. Depending on the elasticity of demand and supply for a particular good or service, the tax burden will either be shared between the supplier and the consumer or it will fall more to one or the other. It would be almost impossible for it to exclusively fall on one party or the other. The sort of supply and demand equation there would need to be quite extraordinary and not that would apply in any normal market.

So let us step through it. Land tax is tax deductible. When you are a landlord and you generate rental income, the costs that you incur to generate that rental income are tax deductible. State and territory land taxes are part of that. Obviously, there will be other costs that landlords incur, and they can tax deduct those. So, straightaway, part of the land tax at a territory level is offset by a federal tax concession. So immediately you can draw the conclusion that the totally of land tax is not passed on to the renter.

**MR DAVIS:** Great. Could I ask a follow up—

**Mr Barr:** Well, I have not finished. Some of the other factors that impact on who pays and where the burden of the tax falls obviously relate to capital gain on the property—effectively the intersection of supply and demand. So, in a tight rental market, there is only so much that can be borne by the renter, but then, equally, obviously the landlord can increase prices to a certain extent, except that there are regulatory impairments. We have in place in our tenancy laws that you cannot increase rents beyond certain amounts without going through a formalised process.

**MR DAVIS:** But that does actually lead me to the broader point I am trying to make in these questions. I am to get an understanding from you how the government counters the narrative that, because of (a) land tax and (b) changes to the Residential Tenancies Act, there are fewer landlords in the market and the argument that that is reducing supply for tenants. I mean, they are not bulldozing the dwellings on the way out, right? Specifically, my question is: does the government actually have any modelling showing that there is a reduction in landlords in the ACT because of its tax and regulatory reform?

**Mr Barr:** The question has many potential answers. Let me step through a couple of them. What we can measure very clearly is the number of properties paying land tax. To the extent that they are not principal places of residence and they are fit for occupation, they are in the system and could be notionally considered properties available for rent. We obviously have data on rental bonds. Why I am going to this level of detail is that what we do not necessarily have absolute data on is that, of around 50,000 properties that are subject to land tax, the number of properties to the number of investors might be smaller. That could vary because an investor could own more than one property.

What I indicated earlier this morning was that increasing the supply of rental properties in any substantive way is not going to be done at a household investor level. So that old cliché of the mum and dad investor, or the dad and dad investor, or the mum and mum investor—that household investment level of one or two properties; some people own more—is a very slow way to increase 50,000 rental properties to, say, 55,000. So that is not the path we are pursuing.

**MR DAVIS:** No, but—

**Mr Barr:** What we are seeking to do to increase the number of rental properties is to go to large-scale institutional investors who will come in with projects in the hundreds of additional rental properties. What I would like to do is take 50,000 to 55,000, and do that, ideally, in 10 projects of 500, but I do not think we are quite going to land that, so there will probably be 20 projects of 250, or some combination of that.

**MR DAVIS:** There is some argument being made by some, Chief Minister, that what that actually means is that the proportion of properties available for rent is not decreasing but that there is a smaller pool of very rich landlords owning that and it is flushing mum and dad investors out of the market. If you couple that with what you have just spoken about, build-to-rent schemes et cetera with the big corporations, do we risk having a situation in the ACT where a very small number of people own a very big number of our dwellings and we are not actively encouraging small-scale investment instead of large scale?

**Mr Barr:** Implicit in that is that a small-scale investor or landlord is a better landlord or more efficient at supplying affordable rental housing. The answer to that is demonstrably, no, they are not. On the question of which owners, we are mostly seeking finance from superannuation funds, so the owners of the properties will be workers, people who contribute to super funds. The models that we are pursuing that attract the greatest level of public subsidy are community housing provider tenancy support, with an institutional investor looking for a long-term capital gain, not short-term profits. That is largely going to be an ethical or social investor, not a corporation.

There is room in the market for some large-scale, high-value, high-yield rental properties. There is a section of the Canberra market that has three times the national average income and wants someone to be there to collect their parcels, someone to walk their dog. There is room in the market for that, but that is not the publicly subsidised end of build-to-rent. The publicly subsidised end is through a community housing provider or something that sits in between the two. This is the intersection of federal

government policy around key worker housing and the superannuation funds wanting to invest in housing for their members, as part of those superannuation funds' mandates. That is the space that I think we have got a lot of capacity to operate in.

If people have a problem with super funds—that is, workers, through their retirement savings—owning housing to rent to their own members at below market rent, I am sorry, I can't help you. There is not a better solution available than that sort of model. That is what we are pursuing, together with an even more affordable model that is highly subsidised by taxpayers, with a community housing provider as the tenancy manager that can inject more supply into the bottom end of the housing market, the affordable end of the market. That is what we want to pursue.

That is my answer to why large-scale makes sense. The purpose of build-to-rent is that it is rented in perpetuity, for at least 20 years. So the tenant can have a lease for more than a year and does not face the risk of the landlord wanting to move back into the property or sell the property. It gives a huge amount more certainty for a tenant at a below market rent outcome, and it boosts the supply in a meaningful way. I think that, of all of the policy solutions available, it is one of the most effective.

There is always commentary on the housing market. There are 455,000 Canberrans and 456,000 opinions on housing and what is necessary. It is a bit like planning; everyone has a view, and that is fully understood. Any policy setting is not going to meet the needs of every single person who has a view on housing, but I think this is a good way forward and that is why we are going to pursue it.

**DR PATERSON:** Chief Minister, are there other jurisdictions here or internationally where large-scale build-to-rent has been in place for a long time that we are considering?

**Mr Barr:** Yes, there are. In fact, Australia has been a bit slow to come into this housing type. People in the UK and the US and other comparable countries have been enjoying this sort of living arrangement. It is very strongly supported and the outcomes are generally pretty good. There will always be examples where things have not gone as well as, or gone exceptionally better than, was anticipated. Part of this is the zeitgeist of Australian home ownership as the only pathway. That is, again, the cliché—the great Australian dream; all of those things—and there is nothing wrong with that, but it is not what everyone wants and it is not what everyone can afford. It is incumbent on government and the system to deliver some alternatives.

**MR BRADDOCK:** How does allowing large institutional investors to move in and build deal with the existing stock that we have, which might be the mum and dad investors? An example the other day was someone calling in to the radio with 283 investment properties—

**Mr Barr:** Probably an outlier, the 283 investment property person.

**MR BRADDOCK:** Actually, that is a good question: are we able to track how many people have large investment portfolios of housing here, as landlords in the ACT?

**Mr Barr:** Possibly. It could be a question of whether we might be breaching privacy in

that regard. We will think about that one whilst I go to the other part of your question.

**MR BRADDOCK:** The other part of the question is: how do we effectively bring as much stock as we can into the rental market and have effective use of existing stock?

**Mr Barr:** I think we have made some changes to the tax arrangements that effectively say that if it is not your principal place of residence and it is fit for occupation then it is subject to the tax arrangements, so you may as well earn some income from it. Mr Davis made an excellent point that when an investor exits the market they do not demolish the house on the way out, so that property then becomes available either for another investor or for an owner-occupier, who presumably either frees up another property or moves from rental into ownership. So the total housing stock tends not to diminish in the private rental stream in that regard.

Having looked at this and seen what happens if you just leave it to the market and small-scale investors, we know that you will get some market response to a tight rental market but you will not shift the dollar. If you want to lift the vacancy rate from less than one per cent to above three per cent, which is deemed to be a healthy market, you have to add at least another thousand properties to get there, and we need to do that reasonably quickly. The only way I can see that that will happen is if we have a number of large-scale investments that deliver hundreds and then they combine to deliver at least a thousand.

**MR BRADDOCK:** I am agreeing with you. I am just asking whether there is another option, given the answer to question on notice 729, where 2,397 residential sites have little to no water use, noting that this does not include those without water meters. Is there some way we can better tap into that stock as well?

**Mr Barr:** When you drill down into a lot of the circumstances of that, you find less availability than you think. There are a number of Canberrans who maintain two properties—one at the coast and one here, or one here and one in another city—who might only occupy their Canberra property for several months in the year. So, depending on which quarter you look at for water usage, they may have none. I imagine that if you look in winter there are a lot of people who leave Canberra for that period and go elsewhere. They might Airbnb their properties, but otherwise I do not think they are going to put them up for year-round rental if they are using them for half the year or a quarter of the year themselves. That is a factor.

There are obviously a lot of people in Canberra who are on foreign postings, when you look at the DFAT numbers and people who are Canberra based. Some of them rent out their properties; others don't. They just do not want someone in their home when they are on their overseas posting, and that is their right. It is their principal place of residence in the ACT. Their second property is a short-term thing when they are overseas.

I think both of those factors diminish that pool of available properties. That is not to say it fully exhausts it, but I do not think it is that high that you could suddenly click your fingers and they would all be available as rentals, because there would be legitimate reasons why not—some are under renovation or they are not fit for occupancy et cetera. When you start deducting for all of those legitimate reasons why a property is not

available for rental, it is not 2½ thousand.

**MR BRADDOCK:** I am not suggesting it is 2½ thousand, but does the government have a strategy to target those that remain after you remove those who are overseas?

**Mr Barr:** Yes. If they are not someone's principal place of residence then they are subject to tax.

**MR BRADDOCK:** Thank you.

**THE CHAIR:** Just on this, will the new bill that the Greens are putting through, on residential tenancy energy efficiency, potentially increase rent, given that the government's own listening report said that approximately 20 per cent of landlords would remove their properties from the market if these standards were mandated?

**Mr Barr:** Let's go to the start of the question. I think that is actually a government piece of legislation rather than the Greens.

**THE CHAIR:** I was waiting to see if you would say that!

**Mr Barr:** Good luck selling that one; see who is buying! Certainly, there are some up-front costs associated with being more energy efficient and there may be a call from property owners to increase rents as a response to making that capital investment. But rent is not the only expense that a renter has. Let's use a hypothetical example from a renter's perspective. Would you be prepared to pay \$5 a week more in rent in order to have \$10 a week less in energy costs? Answer: yes, you probably would. It would be a more comfortable environment. So there are some up-front costs, clearly, that come with higher standards and there is evidence that that does lead to some increases in costs. I do not think anyone is denying that. The flip side to that is the reduction in the operating cost of the house for the tenant, so you have got to balance the two.

We have sought to put in place some other programs and supports that would enable a landlord, in conjunction with a tenant, to invest in some improvements that would reduce both the operating costs of the house and enable a landlord to undertake those reforms with some support. I think that is a valid way forward. Take the argument to its logical conclusion. You can rent an absolute slum, the absolute basic minimum, terrible housing for a lower amount, but then all of the other costs associated with living there will be incredibly high.

I think the bigger issue here is the rate of change, the pace of change, when you require it and how you can make that transition in a reasonable way that hopefully means that the costs for the landlord are able to be offset and that the benefits for the tenant, in lower heating and cooling and other costs, are able to be realised. That is the balance you have got to strike and that is the basis of the regulatory impact assessment of such a proposal.

**THE CHAIR:** Is there currently a percentage cap in terms of how much a landlord can increase rent annually?

**Mr Barr:** I think the residential tenancies legislation does have a CPI arrangement and

then there is a process to go beyond that.

**THE CHAIR:** All right. That is through ACAT, isn't it?

**Mr Barr:** That is my recollection. I do not have carriage of that legislation, but that is my understanding.

**THE CHAIR:** Okay.

**MR DAVIS:** Treasurer, when the Attorney-General first presented the exposure draft of the Residential Tenancies Act, the majority of the feedback that I received was from people pointing the finger back at the ACT government, as a landlord, and, in particular, Housing ACT, saying, "Private landlords are being held to a new standard that anecdotally many in our community do not think Housing ACT is held to." As Treasurer, will you make sure that Housing ACT is adequately funded to ensure that it can bring all of its properties up to the same standard that we are asking the private market to do in the same time frame?

**Mr Barr:** This very question came up in the context of the regulatory impact statement. Yes, we do need to be conscious of our responsibilities as a landlord and not impose on the private sector standards that we cannot meet ourselves. That is an argument, as we look at our capacity to improve the public housing stock for this process, to be reflective of the time frame necessary to do that. That would be a factor in having a longer transition period to achieve this outcome. It is not a reason not to do it but a reason to phase it in over a longer period of time.

What we have been doing over the last 10 years is effectively demolishing the least environmentally sustainable Housing ACT properties and rebuilding them. We have lowered the average age of the Housing ACT stock by nearly a decade, I understand, through getting rid of 20 per cent of the worst properties in terms of their social, environmental and economic outcomes, and building new, to a much higher standard that would meet this benchmark.

We also have a number of existing programs that support Housing ACT to make those improvements to the balance of the remaining housing stock. All new builds are obviously at a higher standard. I think one of the factors that will undoubtedly guide the final decision-making in relation to the time frame for this adjustment will be Housing ACT's ability to do that and to do that in a way that does meet the standards. I suspect that, in the end, that is an argument for taking a little bit longer, because of all of the other calls on the territory budget.

In the housing portfolio itself there will be a call for a net addition to the number of houses. Whilst we have been doing that, we have simultaneously been improving the older ones and improving the total housing stock. There are only so many resources, so the question of priority will be, over the next budget round: is it more important to get the existing housing stock up to that minimum level or is it more important to build more new? Or is it—as I suspect it will be—a combination of the two, and the time frame necessary to achieve that will be offset against some of the other priorities in that portfolio?

**MR DAVIS:** Chief Minister, is it necessary that we are even considering at this early stage prolonging or extending the period for both the government, as a landlord, and private landlords to bring these properties up to standard when Canberra renters have seen the highest increases in median rents ever and at the same time their landlords are making off like bandits with huge capital gains because their assets are increasing substantially. Can we not afford to prioritise this and speed up the rollouts so that people have safe, comfortable homes?

**Mr Barr:** If you assume that what is applicable for private has to be applicable for public then there is a logistical time frame around completing the work. Even if the budget was unlimited, which it is not, there is still a logistical issue around supplies and services in order to achieve that outcome. This is what a regulatory impact statement and assessment looks at.

I take your point, but, equally, whilst there are some who have done very well out of the private rental market, that is not the case for every single landlord. We also have to be cognisant that presumably some of the same tradespeople who we will call upon to improve public housing may also be called upon by private landlords to improve private housing. One of the constraints here is supplies; another is skilled labour and another is budgetary. All three point to a longer transition period, frankly.

**MR DAVIS:** That makes sense. Thank you.

**THE CHAIR:** Thank you, Treasurer Barr and officials, for your attendance today. If any questions have been taken on notice, could you please provide answers to the committee secretary within five working days. The committee will now suspend for a one-hour break.

**Hearing suspended from 1.45 to 2.45 pm**

Appearances:

Cheyne, Ms Tara, Assistant Minister for Economic Development, Minister for the Arts, Minister for Business and Better Regulation, Minister for Human Rights and Minister for Multicultural Affairs

Chief Minister, Treasury and Economic Development Directorate

Arthy, Ms Kareena, Deputy Director-General, Economic Development

Bailey, Mr Daniel, Executive Group Manager, Operations, Economic Development

Starick, Ms Kate, Executive Group Manager, Policy and Strategy, Economic Development

Priest, Ms Jenny, Executive Branch Manager, Business and Innovation, Economic Development

Triffitt, Mr Ross, Executive Branch Manager, Events ACT

Balaretnaraja, Mr Ash, Senior Director, Innovation, Investment and Tertiary Education, Economic Development

**THE CHAIR:** Welcome back to the public hearings on estimates 2022-23. In this session we will hear from the Assistant Minister for Economic Development, Ms Tara Cheyne, and officials. Please be aware that the proceedings today are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and webstreamed live.

When taking a question on notice, it would be useful if witnesses used the words: “I will take that as a question taken on notice.” This will help the committee and witnesses to confirm questions taken on notice from the transcript. I also remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement. The first time you speak, please confirm for the record that you understand the privilege implications of that statement.

As we are not starting with opening statements, we will go straight to questions. I will pass my substantive to Ms Castley.

**MS CASTLEY:** Thank you, Chair. Minister, I have a question: is now the time for Amp It Up!?! Can I ask Amp It Up! questions in this session? Is it part of the events fund?

**Ms Cheyne:** It was in arts.

**MS CASTLEY:** It was in arts? Okay; no worries. But I can ask about the ACT events fund now? Yes? Okay. The 2022 grant funding round for the ACT events fund was open for applications from 3 August 2021 to 6 September 2021 and was for events to be staged in 2022. I am just wondering if you can tell me what was the total value of funding available for this round and where is that listed in the budget?

**Ms Cheyne:** Thank you, Ms Castley. I confirm that I have read and acknowledge the privilege statement. Can I confirm that we are talking about last year’s funding round for this year’s events?



**MS CASTLEY:** Yes.

**Ms Cheyne:** Yes. It opened, as you mentioned, from 2 August and it closed on the 13th. There was \$400,000 available, which is, I believe, consistent with previous years. My understanding is that it fits within budget statements B, in a broader envelope of funding regarding events, but I will get that confirmed for you shortly by Mr Triffitt.

To confirm the total funding allocation: there is \$400,000 for the competitive funding round, then there is \$15,000 for a workshop to help the sector learn how to apply for funding and what is available for them. There is also out-of-round event funding, which is \$50,000, and that is ongoing until it is exhausted. It is for things that come up from time to time where an organisation might have missed, for whatever reason, that window for funding but would otherwise be eligible and is assessed. So the total funding is \$465,000. I believe that there were 22 organisations that were recommended for funding, which I approved, and that totalled \$399,800. I will check with Mr Triffitt if he has information on where that funding fits within the budget papers.

**MS CASTLEY:** Thank you.

**Mr Triffitt:** I have read and understand the privilege statement. I can confirm that the funding for the ACT events fund is from base administration funding, so it is in the recurrent funding for tourism and events.

**MS CASTLEY:** Okay. Just so that I understand: is this for major events or community events?

**Ms Cheyne:** Community, yes.

**MS CASTLEY:** Great.

**Ms Cheyne:** Major events is in the Chief Minister's portfolio.

**MS CASTLEY:** That is what I just wanted to clarify.

**Ms Cheyne:** Yes.

**MS CASTLEY:** I think that is it for now. Thank you.

**DR PATERSON:** Minister, would you be able to detail some of the events that were recommended for funding?

**Ms Cheyne:** Yes, I can. As I mentioned, there were 22 events that covered a range of different genres: arts, sport, community gatherings and festivals and food and wine that features local produce. Some that you might have seen or participated in include the Truffle Festival; the Stronger Than Fiction documentary series, which is held throughout the year; Shakespeare by the Lakes; Sunset Cinema; the Canberra International Music Festival; the Canberra Comedy Festival; the Stromlo Running Festival; the sheepdog trials, which I believe you have represented me at before; but also events like the Pearce Crafters Market, the Canberra Duathlon and our Fair Day, which is run by Meridian and will be later this year.

Soon there will Celebrate Gungahlin as well, with funding going to the Gungahlin Community Council, and another year of support for SouthFest, which went to the Tuggeranong Community Council. You might also be interested to know, Dr Paterson—and I know Ms Castley was interested in this in previous years—that we have events that have been funded in previous years that were not able to be held because of COVID. They get to keep that funding, with the intention that they will hold that event again. There are quite a few coming up.

Events from 2020 that have been carried over but not yet held that are coming include the Canberra highland gathering and a previous iteration of SouthFest in the suburbs, as well as Forage. From 2021 there are events carried over that are coming, including Wine Island, the *Canberra Times* Fun Run, Yes!Fest, Canberra Beer Fest and CAN GIVE DAY. Most of those are held in November or early December. So there are still a large number of community events to look forward to with our summer season.

**DR PATERSON:** Thank you.

**MR BRADDOCK:** The future jobs fund: is this the appropriate session for that?

**Ms Cheyne:** Thank you, Mr Braddock. The future jobs fund is the Chief Minister. However, it is a little bit complex. You were right to ask, because some of the initiatives that I lead are funded out of the future jobs fund. So while the Chief Minister has overall responsibility for that fund and what is funded out of it, some of the initiatives that are funded I lead, together with officials here. It might depend on where your question goes, but I will be able to direct you, either way.

**MR BRADDOCK:** For completeness, can you take me through the initiatives that you are delivering under the future jobs fund and just how that works in terms of use of the moneys and what it is going to achieve?

**Ms Cheyne:** Sure, Mr Braddock. I think the major initiative that has been delivered and that we are delivering is the Canberra Cyber Hub. If you look at the administrative arrangements, cyber falls within my responsibilities. I am happy to speak in more detail regarding that, as well as the space sector development. We have quite a bit of information that I can share with you about that.

The other initiative that was funded in the previous budget from the future jobs fund was the Academy of Interactive Entertainment's sound stage, where we contributed \$450,000. It was a budget announcement last year, on the day we went into lockdown, so I remember clearly. AIE is investing \$5 million itself, so our proportion of that is a small proportion of the overall funding but funding that it was important for us to provide. Outside of that, I will just check in with Ms Arthy to see if there is anything that I am missing that might touch on my portfolio.

**Ms Arthy:** I have read and understood the privilege statement. As well as the items listed by the minister, there are two other areas which touch on the minister's responsibility. One is key industry development promotion and advocacy. That is work we do with various ambassadors that we have to support, as well as the work that we do when we go to the big conferences where we do the Team Canberra approach. We

take a lot of ACT-based businesses to major conferences and put wrapping around them to give them much more presence than they would be able to have by themselves. There is also a budget in there for business communications, which is primarily led by Minister Cheyne, although some of it does roll into the Minister for Economic Development's role as well. They are the main headline items.

**Ms Cheyne:** Mr Braddock, Ms Arthy has just reminded me that we focused quite a bit last week on talking about our website presence and updating that in the business space. That has been partly funded from the future jobs fund.

**MR BRADDOCK:** Okay. So going back, I think it was cyber and space that were the first two you mentioned. Could you please let me know how much the investment is in each of those and what are we exactly investing in or spending those moneys on?

**Ms Cheyne:** I can detail quite a bit about what we have invested so far in cyber. Space is a bit more ongoing. I probably do not have an actual figure on that yet because of the stage of where that work is up to, which I can go to. This could be a quite lengthy answer, Mr Braddock, so feel free to stop me. I am happy to go in which direction is worthwhile for you.

Essentially, the Cyber Hub came out of some work that was done, I think in 2020, where we had recognised that the ACT has a competitive advantage when it comes to cyber and space and growing our knowledge-based economy. We know that there are an enormous number of jobs to be realised within this. Notwithstanding that we recognise that there is a competitive advantage and that we are already doing incredibly well in those areas, the ACT government can do more not only to externally show our support for it, which builds even more goodwill, but also to put our money where our mouth is and fill some of those gaps that the industry has been identifying.

Through the work of the Nous Group and then some industry roundtables, it was identified that a cyber hub would be very beneficial to the broader cyber industry and the cybersecurity industry in the ACT. The Cyber Hub has a website, which I can share with you, that does a very good job of detailing exactly what it is about. It is really putting it in one place, and it supported by a team that is led by Dr Michael Frater. It is [canberracyberhub.com.au](http://canberracyberhub.com.au) if you are looking it up.

**MR BRADDOCK:** Already found it, yes.

**Ms Cheyne:** It identifies education opportunities and pathways, existing businesses in the ACT, as well as careers that people might be considering pursuing. It really provides that connection point for it all. On top of that, it is undertaking a number of workshops and working groups on delivering a more skilled workforce and where we need to be engaging in deeper research, promotion and branding—that is, does having the Canberra Cyber Hub brand really elevate the sector as a whole and how can businesses be accelerated?

My understanding is that, as part of the future jobs fund appropriation—and the Chief Minister will be able to tell you if I am wrong or not tomorrow—it is \$1.87 million over two years, \$850,000 in this financial year and a little over \$1 million in 2023-24. I believe about \$700,000 has been spent so far, but we can check that.

**MR BRADDOCK:** Yes. And the space initiative?

**Ms Cheyne:** It is very good timing, in that space is an area that cuts across many of these portfolio responsibilities. Again, it is something that we have reflected on—that very clearly is an industry where we think we have a competitive advantage and that we wish to grow. Building on what we have seen with our cyber work, we are adopting a bit of a similar approach. If you want to read more about the ACT government's outward-facing commitments in these areas, not only is it very firmly detailed in CBR Switched On, which is our economic ambitions over the coming few years, but we also have industry prospectuses on our canberra.com.au page. Again, that is showing that the ACT government takes this very seriously and wants to grow these industries.

So we are in the beginning stages. Perhaps I am misspeaking; it is not so much beginning, in that these have been conversations that have been going for many years, but really beginning to formalise a space strategy. On Friday we had a workshop with space industry experts in Canberra, together with government, all coming together in one space—I really did not mean to do that—to talk about what are our competitive advantages within the space sector, what are the gaps and what should our focus areas be, as a city, as an industry, and what can the government do to support that?

We also flagged—and it is in the economic ambition statement—that we want to create a space and advanced technologies hub, similar to the Cyber Hub. What does this actually look like? We want to co-design this with industry; we do not want to assume that we know what we think it should look like. We have got some ideas. We tested those on Friday. I was not able to stay for the entire time, but that will be, I expect, formalised over the coming months. Ms Starick or Ms Priest might have a little more detail that they can add.

**Ms Starick:** I can start, Minister, if you like.

**Ms Cheyne:** Sure.

**Ms Starick:** I have read and understand the privilege statement. Thank you, Minister. Just to follow on with a bit more about what we covered in the workshop, we had about 80 people from across different sectors. Similarly to cyber, space influences a lot of other sectors, if you think of emergency services, earth observation and aviation. So we had a range of interest groups whose industries depend on the downstream data benefits and research benefits of space.

There was a lot of discussion, not surprisingly, about workforce development and skill development, and about how we encourage women in particular to be interested in the skills that lead to space careers, as well as the careers that we already train for, whether it be in fabrication, precision welding or cad design, that easily translate to space trades or space careers. There was a large interest in that, and also in how to connect people who are interested in working in this industry with employers and with businesses so that they can do workplace placements and the like.

There was also a lot of discussion around how we create an opportunity for businesses to network and link with each other but also with education research—how they can

get more awareness of the different research that happens in Canberra and how that can benefit them; how we can look to grow our SMEs. As the minister said, space is forecast to be a significantly high-growth area because of the research benefits. It is about how we can connect those research benefits to a commercial opportunity for our local businesses.

Finally, there is a very long tradition of space in the ACT. We have a good story to tell about how we are the natural home of space, so how do we get that narrative and that story out? That is probably it for space. If you would like more about cyber, I think Jenny—

**MR BRADDOCK:** No, that is fine. Do we have a figure for how much has been devoted to the space initiative?

**Ms Starick:** As you can see, there is a lot that we are currently working with the sector on. Of that, there will be functions that the space hub will be established to deliver. We are not certain about what those functions will be. That will inform its funding, going forward.

**MR BRADDOCK:** Thank you. That is great.

**DR PATERSON:** Minister, we have seen more and more movies being made in the ACT. I was wondering if you could detail the work that is being undertaken by Screen Canberra to attract more movie creators and directors to the ACT.

**Ms Cheyne:** Thank you, Dr Paterson. We have been very pleased with the success of Screen Canberra over the past few years. It has been building and building, not least with *Blacklight* but with everything from local productions to films that have been screening at major film festivals and winning awards. Screen Canberra's funding is essentially in three separate parts, in addition to POD, which is its writing initiative. There is the screen investment fund, which is \$5 million over a number of years. It still exists. Regarding how Screen Canberra uses that, it takes a stake in an ACT-linked production and it provides funding for a broader production. It does not wholly provide the funding, but its funding goes some way to financing that being done.

We have also got a screen arts fund, which is about \$100,000, and that is essentially a grants application program. We have seen some great success from that as well. Also, we announced last year—and it will be becoming reality this year—a screen attraction fund, which was an election commitment. It is essentially a location incentive scheme. It has a funding pool of \$450,000 and provides up to 10 per cent of the ACT spend for productions over \$2 million. For example, if a production confirms that it will have a spend of \$4 million in the ACT, it could be eligible for up to a \$400,000 grant from this fund. I think all other jurisdictions in Australia have a location incentive scheme. This is something new for us. It is for just one year of funding, but then we will do a review of it. That will be opening imminently.

All of these have resulted in quite a lot of success recently. I think of most relevance at the moment are *Sissy* and *6 Festivals*. *Sissy* is a horror film, but it has been receiving extraordinarily good reviews for a horror film. On Rotten Tomatoes, the last time I looked, it had a critics score of 98 per cent, which is unheard of for a horror film, I have

to say. There have been some great quotes, including one that said that few genre films this year have made quite as much impact as *Sissy*. It also has some local stars in it and was filmed in Canberra. It was principally financed by the Academy of Interactive Entertainment, but Screen Canberra provided it with production funding through that screen investment fund. It also received some funding from Screen Australia and some other bodies.

There is another film, called *6 Festivals*, which has also been described as “destined to be a cult hit”. I have seen both of these films and I highly recommend them. They have both had their Canberra premieres, but I think *Sissy* will have its more public premiere towards Halloween. I encourage everyone to keep an eye out for it and support local film.

**DR PATERSON:** What is it about Canberra that attracts filmmakers, or what are we offering film producers to come and film here?

**Ms Cheyne:** A lot. That is the short answer, Dr Paterson. I think it speaks to some of those competitive advantages that we find in cyber and space. Creative industries are totally different. I think it is that we have a horizontal level of engagement and not having to go through all of local government and state government and federal government to get things happening. You can come to the ACT and we have the collapsing of our state and local functions, so to get things done you just need to speak to a few people instead of lots of people.

There is the tight-knit market as well—the tight-knit way that government works and people can refer each other and find solutions quickly, but also being able to identify who might be able to help. There is a really strong network with industry. Screen Canberra does an exceptional job, I think, of maintaining that network and being able to provide that quite good one-on-one support to any productions that are here. That is consistently the feedback that we have been getting, especially through *Blacklight*, where we had quite a few challenges to get through, given that there was a car chase filmed just out there. But because government was able to work in such a quick way, challenges, as they arose, were able to be resolved quite quickly. I will see if Ms Priest or others have anything further to add.

**Ms Priest:** I acknowledge the privilege statement. I understand and accept my responsibilities under the privilege statement. I think the minister has largely covered off on the advantages of the ACT, relative to the incentives that we can offer. One of the other things that I have learnt since being in this role is that the ACT’s altitude and our access to sunlight are also very attractive for film producers. There are a whole range of things, as the minister referred to, that are hidden gems for Canberra to offer to the screen industry in coming to Canberra.

**DR PATERSON:** Excellent. Thank you.

**Ms Cheyne:** You would be surprised how important having a sunny climate is.

**THE CHAIR:** Just to follow up on that, what was the uptake of the CBR investment fund this year, compared to previous years? What was it like?

**Ms Cheyne:** I will have to check that. Do you have that detail? Thank you.

**Mr Balaretnaraja:** I have read and understand the privilege statement. In 2022, it was \$412,900, distributed through the screen investment fund. It went to support six projects.

**THE CHAIR:** Six projects?

**Mr Balaretnaraja:** That is right.

**THE CHAIR:** Sorry; you may have said it earlier, Minister, but how much was allocated for Screen Canberra in the budget?

**Ms Cheyne:** Screen Canberra receives recurrent funding for its operations, as well as that \$450,000 of the screen attraction fund. That was in the last budget, but it is formally launching now, so it was provisioned. I think last year's budget is where you will find it. Screen Canberra also has a \$100,000 screen arts fund. There were seven successful applicants, which were announced in April this year, I think. It will open again. It rolls year on year.

**THE CHAIR:** Right.

**Ms Cheyne:** Am I missing anything? I think that is it.

**THE CHAIR:** Okay.

**Ms Cheyne:** Screen Canberra also receives POD, which is a writing program.

**THE CHAIR:** Excellent. Thank you very much.

**MS CASTLEY:** Minister, I would like to go back to the grants funding I asked about earlier. I am just wondering how many of the applicants who received funding were based in the ACT? Was it all of them?

**Ms Cheyne:** A good deal of them, Ms Castley. They do need to have a demonstrated link to the ACT. That means that all of the events need to provide a benefit to the ACT and the ACT community. That is stipulated in the event guidelines. The funding round is open now for next year, if you wish to look at those guidelines. They are available online.

I could go through the list again. I think you can hear that a good deal are in the ACT. Contour 556 is an ACT company. There was also Tuggeranong Community Council, Gungahlin Community Council, You Are Here Canberra, Stronger Than Fiction and Lakespeare. I think these are quite familiar to you as well. There was Tennis ACT, Meridian, Brindabella Motorsport Club and Fertile; I do not know where they are located. I will check if Mr Triffitt has any more granular detail than that, but it is the vast majority.

**MS CASTLEY:** Okay.

**Mr Triffitt:** Sorry, Ms Castley; I do not have any further detail than that, apart from

saying that the overwhelming majority are from Canberra. However, interstate companies are eligible for funding as well, provided that they satisfy all the guidelines and the details and are obviously bringing benefits to the territory.

**MS CASTLEY:** Sure. Do they have to show how much benefit in terms of how many people they will bring to their event and what the impact would be on the ACT economy?

**Mr Triffitt:** That is correct. Yes.

**MS CASTLEY:** That is part of their application?

**Mr Triffitt:** Yes, through the application process.

**MS CASTLEY:** How do they get chosen? Who is on the committee or the board to decide who wins the money?

**Mr Triffitt:** There is an independent assessment panel with representatives from different organisations. We keep the panel confidential so that they are not lobbied for specific applications. But, yes, there is a very robust and strong assessment process through the SmartyGrants application and then assessment by the panel. Then the recommendations are brought forward to the minister.

**Ms Cheyne:** Ms Castley, in addition to the fund application stage, events do need to provide an acquittal. They do that three months after the event has occurred. They need to demonstrate things like attendance breakdown, key outcomes and learnings and what their final budgets are.

There are two different streams of funding within the events funds. There is community event funding, which is really about events that can encourage local engagement and participation. That is up to \$15,000. Then there is event development funding, which is up to \$30,000. So it is not just local engagement and participation but also where the funding could demonstrably enhance an event—that is, an event that has strong potential to develop and grow, including events that bring tourists, visitation and economic activity.

In terms of previous funding from the events fund, something like the Canberra Art Biennial got \$30,000. That is because it is expected to be an event that will bring in tourists and have a bigger contribution to and impact on the ACT economy. With something like SouthFest, for example, you could see that that might attract some tourists, perhaps from different suburbs, but largely it is an event for that particular community. Does that explain the difference?

**MS CASTLEY:** It does. I suppose my question then would be: if they are unable to prove that and they continue to come year after year, is there a certain amount of grace period for events that have not been as financially successful? Is that how you work the fund?

**Ms Cheyne:** Again, Mr Triffitt will have some more detail about the panel's assessment, but events that apply year after year do need to demonstrate that they are a strong and



viable event.

**MS CASTLEY:** Sure.

**Ms Cheyne:** I do not think it is a complicated application process. I think we are quite clear on what we are asking for events to demonstrate. But if they are coming to the government year after year for funding, I think we would be asking why or what would our fund help them do? And if they can answer that question, then—

**MS CASTLEY:** They are in. Great. Thank you.

**MR BRADDOCK:** Just going to those community events, how do we measure the community wellbeing indicators coming out of those, not just the economic development but the contribution to community wellbeing?

**Ms Cheyne:** Thank you, Mr Braddock. The applications are assessed against evaluation criteria which include economic benefit but also social and community benefit. I think it is incumbent on the applicant to demonstrate how they think that benefit is going to be provided. I do not think that for all of them attendance necessarily correlates with the overall community benefit.

For both community event funding and event development funding we ask them to demonstrate their ability to encourage opportunities for involvement and participation across the event, including organisers, participants, attendees, artists, performers, sponsors, partners, community groups, volunteers, local businesses and suppliers, as well as the capacity of the event to generate or enhance city and community vibrancy, community pride and social cohesion.

Those are a bit difficult for us to quantify at times. But I think that is also commensurate with that lower funding amount, whereas the event development funding, the larger \$30,000, needs to demonstrate all of that, as well as the ability for the event to enhance perceptions of Canberra to tourists and visitors—essentially, to bring people here and to keep them coming back.

I will see if Mr Triffitt has anything further about how we measure that against the wellbeing indicators. Applications that are successful would be required to do that well, in explaining what they believe the benefit is going to be, either based on past events or what research they have done.

**MR BRADDOCK:** I will just jump in with a question and then you might be in a better position to answer. Do we do any post event analysis or valuation, particularly with the larger ones? I do not expect smaller community ones to be able to devote the level of resources to that. But it would be just interesting to see—

**Ms Cheyne:** Yes. That is required, through the acquittal, as we were talking about before. They do need to provide what they have learned and the outcomes and participation and so on. It would be most relevant if they applied again. Mr Triffitt, is there anything further?

**Mr Triffitt:** I think the minister has spoken very accurately about the program.

Certainly, the acquittal process does capture the information. In addition to that, we provide advice around the metrics that we use to measure the community events that are delivered by Events ACT, such as New Year's Eve, Australia Day et cetera, where we look for agreement against community impact statements—essentially, whether the attendees surveyed feel that it helps to create city vibrancy and energy, as an example, and their agreement with that statement and a range of other statements. There are about six statements that we use for community impact measurement.

**DR PATERSON:** Minister, just quickly: how is the community events sector recovering from COVID, now that we are in this recovery period? How are the larger events coping with it?

**Ms Cheyne:** That is a good question, Dr Paterson. I can probably talk with most accuracy based on the community events that the ACT government delivers. Again, Mr Triffitt will be able to provide a bit more detail on that. Overall, as with all parts of the economy, we are seeing the impact of supply chain issues, and that extends to our events sector as well. We also, I think, appreciate that the arts and entertainment sector and the events sector are experiencing a longer tail of the lockdown and pandemic aspects.

We have been doing what we can to support that industry through our own events. I think Canberra audiences have been responding very strongly to that as well. We certainly saw that with New Year's Eve—the first big event that the ACT had held in some time. We programmed 43 local performers as part of New Year's Eve. There were 16 groups included in the roving entertainment program as well. Overall, we had a very strong response, not only in attendance but in overall satisfaction with the event.

Similarly, with Australia Day we had a large number of performers, including 46 Indigenous performers, over a two-day event, which I thought was a fantastic number for us to see. You might recall that we had our multicultural performance groups participating on that day as well. I also understand that with Enlighten—and I am delving a little bit into the Chief Minister's space here—there were 86 artistic groups and a total of 705 individual artists engaged by Events ACT across all elements of the festival program, not including creative professionals and artists involved through programming partners and suppliers.

We certainly recognise that this is still a difficult time for this industry, but we are doing what we can in the programming decisions that we are making to provide the greatest level of support that we can. Mr Triffitt is engaged on a daily basis with the sector as a whole, so I will see if he has any further observations.

**Mr Triffitt:** Thank you, Minister. The only thing I would add is that in those programs decisions there is a big focus on local artists. There is a much higher percentage of local artists being engaged, rather than those from interstate. In the example of the Enlighten festival, where we had 705 artists, I believe only six of those were from interstate, so there is certainly a big focus on our local artistic community. We have seen a very strong response from the public with our attendances, attracting record attendances at the Canberra Balloon Spectacular and very high attendances at New Year's Eve and other events.

There are still some areas—the market stall holders and those kinds of

microbusinesses—that rely on events on a regular basis. We are seeing that they are taking a little bit longer to bounce back to the numbers that we saw pre pandemic. Otherwise, things are looking quite promising.

**THE CHAIR:** On behalf of the committee I would like to thank Assistant Minister Cheyne and officials for their attendance today. If any questions have been taken on notice, please provide answers to the committee secretary within five working days. Thank you very much.

**Short suspension.**

Appearances:

Rattenbury, Mr Shane, Attorney-General, Minister for Consumer Affairs, Minister for Gaming and Minister for Water, Energy and Emissions Reduction

Environment, Planning and Sustainable Development Directorate

Ponton, Mr Ben, Director-General

Rutledge, Mr Geoffrey, Deputy Director-General, Environment, Water and Emissions Reduction

Burkevics Mr Bren, Acting Executive Group Manager, Environment, Heritage and Water

Daniel Harding, Mr Daniel, Executive Branch Manager, Climate Change and Energy Policy

**THE CHAIR:** In this session for the committee on estimates hearings, we will hear from the Minister for Water, Energy and Emissions Reduction, Mr Shane Rattenbury, and officials.

Please be aware that proceedings today are being recorded and transcribed by Hansard, and the proceedings are also being broadcast and webstreamed live. When taking a question on notice, it would be useful if the witnesses could use the words: “I will take that as a question taken on notice.” This will help the committee and witnesses to confirm questions taken on notice in the transcript.

I remind witnesses of the privileges and obligations afforded by parliamentary privilege and draw your attention to that privilege statement. When you speak for the first time, could you confirm for the record that you understand the privilege implications of that statement.

As we are not starting with opening statements, we will go straight to questions.

**MS LAWDER:** Thank you, Chair. I have a question about water pricing and the water abstraction charge—specifically, in relation to the Magpies Belconnen Golf Club. They have advised me that their lease is due to expire at the end of March next year, and therefore they are really keen to understand what might be happening with their non-potable water pricing. It has been an ongoing saga for them.

I think you had hoped to get something out mid-year and later this year. Are you close? Do you have a date for when you are able to advise the Magpies Belconnen Golf Club about any review of their non-potable water charges, to enable them to make a decision about their ongoing liability?

**Mr Rattenbury** I am aware of the issues for the Magpies Belconnen Golf Club, and the government has been having a range of conversations with them to understand their position. They have already received a substantial reduction in their water pricing in the past 12 months in the order of 50-odd per cent from the prices they were previously paying.

In terms of the timing for the review, and public consultation, Mr Rutledge might be

able to assist me there.

**Mr Rutledge:** I thank you for your question. As the minister said, we have been working closely with the Magpies. The Magpies are probably not the most acutely affected, but certainly they are the most engaged of our water stakeholders.

There are a number of non-potable water users in the territory. We have been quite engaged with them. We were hoping—and I think it is probably true that we gave them some ambition that we would have an answer by about now—but no matter how we look at the solution, whatever solution there is, there are trade-offs between some people that have been paying historically low prices for water and some people that have been paying relatively higher prices for water.

Trying to bring transparency and an even playing field to our non-potable water users has proven quite difficult. It is a difficult policy challenge for government. We have been talking to a number of stakeholders. We have not yet landed on a recommendation for government, but I think we would say that in this calendar year we would have something for government and then something to provide to the Magpies, in particular, and all non-potable water users.

I think it is clear that if there is any level of frustration, it is probably frustration on the delays, not frustration at the level of engagement, because we have been talking to them often. Both the directorate and the minister himself have taken a number of meetings directly with that water user.

**MS LAWDER:** Can I confirm my understanding of what you have just said: there may be some people who might have to pay more and some, maybe Belconnen for example, may be able to pay less for their non-potable water supply.

**Mr Rutledge:** Ms Lawder, to be clear: no decisions have been made by government. Whenever we apply a theoretical, even pricing across our non-potable water users—no matter which model we look at, if we apply it evenly and transparently across the water users—some see a reduction and some will see an increase. We are trying to come up with an option that is palatable to both the stakeholders involved but also to the outcome.

It is probably true that, currently, non-potable water users do not even know what their neighbours would be paying, such are the price points—and so, respecting the privacy of the commercial operations that are going, the water use that is occurring, and then trying to get a viable option to put to all government.

**MS LAWDER:** Is the government of the view that the cost so far of over \$500,000 of water charges in recent years means that it is difficult for clubs, such as Magpies Belconnen Golf Club, to survive under the current water pricing arrangements?

**Mr Rattenbury:** We are certainly conscious, and Magpies have made it very clear to us, that that is a significant financial impost for them. Again, these are interesting trade-offs. The Magpies, also through that particular water source, have an extremely secure water supply, but I think they would probably trade some of that security for a lower price, and that is part of the work we are trying to do at the moment.

**MS LAWDER:** Yes. I want to confirm that I understand that you said you felt you would have something for them, a definite answer, this calendar year.

**Mr Rutledge:** I said we would hope to have something this calendar year, yes. As I said, we have not provided something to government for them to consider yet, but we continue to engage with the Magpies, particularly.

**MS LAWDER:** Given that their lease expires in March—

**Mr Rutledge:** Yes.

**MS LAWDER:** So if it is not this year, it is down the gurgler, basically.

**Mr Rattenbury:** They have made their deadline very clear to us.

**MS LAWDER:** Thank you.

**MR BRADDOCK:** The Zero Emissions Vehicles Strategy: I am wondering whether the planned phase-out of internal combustion engine vehicles is in line with the ACT government's greenhouse gas emissions targets, particularly since the Conservation Council came out and said that it does not go far enough to ensure a safe climate?

**Mr Rattenbury:** These are certainly the most ambitious targets in Australia. No other government in Australia has indicated a date to begin the phase-out of internal combustion engines. So I think from an Australian standard it is quite ambitious.

I am conscious that it is commensurate, or perhaps even a little behind, some of the more advanced jurisdictions globally. Australia, no doubt, is behind this transition, in the sense of federal government policies in recent years having no emissions standards and the active discouragement of EV uptake. These have all put Australia behind the eight ball a little bit. The ACT is at the front end of the charge.

A key part of this policy objective is to be really clear with the community what is coming so that people do not get a surprise. I think it is fair to say that we will go as fast as we can, but we also need to be fair to the community to make sure that it is a just transition.

**MR BRADDOCK:** Coming back to that question: if we achieve the targets set in the strategy, will we achieve the emissions reductions necessary to achieve the government's targets?

**Mr Rutledge:** Mr Braddock, we have not got updated modelling on that. As you know, annually, the minister releases a "where we are up to", and we did make the 2020 targets.

There are interim targets going forward. As we all know around this table, transport is the big one, and gas is the other. What the government has done is signalling 2035, and, as importantly, bringing on supports to get EVs into the market. We will have to watch how the market responds, because, at the moment, in the EV space we very much have a short-term supply problem in Australia. That will be alleviated, but if we look at this year and next year, it will be as much a constraint of supply, rather than of demand, for

EVs coming into the market.

The short answer is, because of that uncertainty, we cannot give you a firm answer. The Conservation Council has their view and others have views, but, as the minister said, no other jurisdiction in Australia has even made this commitment. If nothing else, it has provided permission to other jurisdictions to take this path.

People may have heard today, the Committee for Sydney, working in New South Wales, has recommended that this is the essential next step. This government has allowed others to say what was unthinkable for many—that at some point you will not be driving your petrol vehicle.

**MR PARTON:** Mr Rutledge, you just indicated that when it comes to the move towards 2035, the biggest determining factor of arriving at that successful outcome is supply.

**Mr Rutledge:** No, Mr Parton, I do not think that is what I said. What I said was that for EVs in the market for this year and next year, supply is the concern. In 2035 we will be in a very different market. If I look at the UK, which is also a right-hand drive vehicle market, they will not be doing new car sales of petrol vehicles from 2030. That is a good predictor, I would think, that vehicles will be made available to the global right-hand drive market by 2030. Five years after that, the non-registration of new petrol vehicles will be one element, but I think for the next two years—and I think what we are seeing right now—demand for EVs in Australia will far outstrip supply. I would not want to model a 2035 outcome whilst we are getting this supply constraint of 2022-2023.

**MR PARTON:** There is a certain level, though, of cart before the horse in this, is there not? If indeed the supply situation does not change in the way you are forecasting that it will, would that mean—and this is probably more a question for the minister—that potentially some of those cut-off dates may have to be revised as we get closer to them based on the reality of supply?

**Mr Rattenbury:** I do not think there is a lot of value in speculating on that at this point, Mr Parton. We are talking about a target—

**MR PARTON:** But you are speculating with this policy.

**Mr Rattenbury:** No, we have set a goal. We have set a clear ambition of where we need to get to. I think we have taken a very responsible path of being clear with the community of where we want to get to, where we need to get to and the government's broad intentions.

Purchasing a car is a significant financial investment for people, and I think the recent success of the electric vehicle expo, which was held at Exhibition Park, where 10,000 people went through in two days, indicates that Canberrans do understand this is where things are going. They are starting to research it and think about it seriously.

I think the signals the government is sending is really helping our community to prepare for that and to make sure, when they are thinking about this big investment decision,

they are thinking about the future.

**DR PATERSON:** Minister, my question is with respect to the new Office for Water that has been established. I was just wondering if you could speak to the key objectives of that Office and outline how that is value for money in terms of setting up a stand-alone Office?

**Mr Rattenbury:** Yes, certainly, Dr Paterson. I can start by saying the primary objective of the Office—and there will be a formal written-down version in lay language—is to improve coordination across the government. At the moment, there are people working on water policy in a range of agencies—TCCS, and the Suburban Land Agency within the Environment and Planning Sustainable Development Directorate. So we are looking for better coordination.

For me, part of it also is to build a critical mass of staff with expertise, who can work together. Rather than having one or two people in an agency, we will have a larger group that can share their expertise and ultimately, therefore, get better outcomes in terms of water planning, water management, and water quality in the territory.

In terms of your question about value for money, part of it is actually pulling existing resources together—so getting better efficiency and better outcomes from the resources we are using. But as you will have seen from the budget, there is some injection of additional resources. I guess that is the government making a statement that we think this is a very important area, and we are prepared to put extra resources into it.

We know that Canberra's future is predicted to be hotter and dryer. That, combined with population growth, and community expectations of being able to use our lakes and waterways as recreational facilities, and all those other pressures, means that we need to improve our outcomes in this space.

**DR PATERSON:** Thank you. I was reading the Office of the Commissioner for Sustainability and the Environment report of 2 August, *State of the lakes and waterways in the ACT*. The commissioner says that there is no clear government structure to guide strategic decision-making for protecting and improving our waterways. The commissioner says:

Whilst the proposed Office of Water will provide a technocratic approach to catchment planning and management, it is also critical that consideration is given to facilitating inclusion of diverse forms of knowledge and that the community is involved in deliberative decision making.

So I was wondering: is that taken into account in the design of the Office?

**Mr Rattenbury:** Yes. I think that is a very good reflection from the commissioner. The history of this is that about 11 or 12 years ago, I first moved a motion in this place to have the previous commissioner do an inquiry into the state of the lakes and waterways. The thinking behind doing this one was that, 10 years down the track, we wanted to measure both where we had got to and what we needed to do next. That is why we commissioned the commissioner to do this next inquiry. I think it has given us some really clear guidance. I expect the Office of Water to be reading that document, and for



it to be a bible on their desk, in making sure that they are responding to the recommendations of the commission, because I think it is a very considered report.

**MS LAWDER:** Will the Office of Water publish an annual water report, similar to the report which I think was published in the 2014-15 period?

**Mr Rattenbury:** It is not something that has specifically been contemplated as a stand-alone feature, Ms Lawder. I would expect, of course, that their work will be reflected in the EPSDD annual report. I am sure there will be a dedicated section on it, but we have not contemplated doing a stand-alone report, no.

**MS LAWDER:** I want to ask about the Healthy Waterways initiatives. Last year's budget paper had funding over a few years for Healthy Waterways. In this year's budget paper, only \$90,000 was spent of the \$750,000 that was allocated for the year, in last year's budget. Then in 2003-04, it is zero, according to this year's budget.

**Mr Rattenbury:** Just remind me which page you are on, if you could.

**MS LAWDER:** Page 26, budget papers E. It is table 27.

**Mr Rattenbury:** Yes, thank you.

**MS LAWDER:** I was just comparing it to the previous year's budget, or is it just that these are variations? I am trying to understand why it might look like only \$90,000 was spent last year.

**Mr Rattenbury:** Yes, certainly. Perhaps the first point I could make is that this table specifically relates to—

**Mr Rutledge:** The mid-year budget.

**Mr Rattenbury:** Yes, the mid-year budget.

**Mr Rutledge:** Ms Lawder, the budget line you are looking at is for the mid-year budget. In that year's budget, we got a little bit of money to complete some projects, and then some money for delivery in 2022-23. In those projects there will be a year of zero, which will be zero maintenance, and then some ongoing work, as you can see, in 2024-25 and 2025-26. In the budget in this financial year—I am trying to find it—we have additional funding for Healthy Waterways. So it is just a break-up of the projects. For clarity, rather than talk the committee through the papers live, why don't I put those together in a table for you on notice, Ms Lawder.

**MS LAWDER:** Thank you. That would be very helpful. Are you able to tell me, over stage 1 and stage 2 of the Healthy Waterways initiative, how much has been spent specifically on initiatives for Lake Tuggeranong?

**Mr Rattenbury:** Why don't we take that one on notice as well—"Yes, we can," is the answer—and we will provide a similar detailed table.

**MS LAWDER:** On the floating wetlands that were installed in Lake Tuggeranong,

I think last year, what evaluation has there been on their effectiveness?

**Mr Rutledge:** It is still a bit too early to say, Ms Lawder. We have seen the wetlands installed; they have held up well to rain events. One risk was that our floating wetland would float down the river in some of our larger rain events. It has held up well. It is looking productive as a piece of infrastructure. What we do not have yet is anything meaningful or shareable to say whether or not it is having a material effect, but that was always the purpose of this trial.

**MS LAWDER:** Do you know when that might be?

**Mr Rutledge:** It will still be another 12 months. We have had an extraordinary couple of years of wet weather, as you know, unlike the previous 10 years, and possibly unlike the next 10 years. As you know, water quality declines particularly in those dry years, and that is when the risks are more acute. If we measured it, the water quality would be of a higher quality because there was so much rain this year. I do not think we would want to attribute that to the fact that we have a floating wetland. So I think it is a longer-term thing that we should be looking at.

**MS LAWDER:** Sorry, did you just say that in dryer years the water quality improves?

**Mr Rutledge:** No, sorry; in dryer years it is more acute, I said.

**MS LAWDER:** Right.

**Mr Rutledge:** The risks are more acute in those dryer years, and we have had some extraordinarily wet years. So we will continue to monitor. As we have done with all of our work, we make our work public, but we do not want to attribute anything in an extraordinarily wet year as a solution due to a floating wetland at this stage.

**MR DAVIS:** Perhaps unsurprisingly, like Ms Lawder, I am interested in asking questions about Lake Tuggeranong. The floating wetlands seem to be positively received by constituents I talk to, but I always have alternative water management proposals raised to me by constituents—aerating of the water and some solar farm work that seems to be working out in the Queanbeyan-Palerang Council. Can I get a better understanding about how the decision was made to fund floating wetlands as opposed to some other water treatment programs that constituents have raised with me?

**Mr Rattenbury:** Sure. As you know, Mr Davis, there has been extensive work done in recent years by the University of Canberra, looking at Lake Tuggeranong in particular. The government has funded research specifically on that catchment, given that Lake Tuggeranong has perhaps been the most problematic of our waterways. As we have talked about on previous occasions, our understanding of that catchment is much better. I guess these are the outcomes that are to be implemented as a result of that. Does Mr Green or Mr Burkevics want to add anything on that decision?

**Mr Burkevics:** Thank you very much for the question. I acknowledge the privilege statement. The installation of the mycelium in Lake Tuggeranong is just one of the many measures that the government is pursuing around the Lake Tuggeranong area to improve water quality. There are a number of initiatives that are happening

simultaneously.

I will give you some examples. There are a number of rain gardens that are going in around the Tuggeranong area. There are changes being made on a trial basis to kerbs, which allow stormwater to be redirected into greenspace, where it gets cleaned by the soils. Under the funded water office, there is a catchment management plan under development for Lake Tuggeranong, which will start to bring an even more strategic approach to improving water quality flowing into Lake Tuggeranong.

**Mr Rattenbury:** Sorry, Mr Davis, just on that as well, I have advice that research has shown that aerating the water will not improve the conditions in Lake Tuggeranong with regard to blue-green algae. People have looked at these things, and that is the advice that we have from the water team.

**MR DAVIS:** Okay. This might be a question then, more broadly for the water team. Is that evidence that the EPSDD would be willing to publish and maybe help constituents who have a couple of raised eyebrows. Is that something that you would be willing to share with people?

**Mr Rattenbury:** Of course.

**MR DAVIS:** My other question is on the catchment management plan. Can I get a better understanding of how we are intending to consult with community on the development of that plan? Lake Tuggeranong in particular has some very active volunteer groups on the waterfront, who I am sure would like to feed in their information.

**Mr Rattenbury:** Most definitely. I commend and thank all the partners, the Waterwatch groups and the volunteers, in particular, that devote so many hours to monitoring and reporting on water quality across the ACT. There is absolutely no doubt that consulting with those groups will be part of the overall strategy for Lake Tuggeranong, as in many other areas of Canberra's water quality.

**DR PATERSON:** Just because everyone else is asking about their electorates, I was wondering if I can ask about Murrumbidgee and what work is being done, particularly around the Yarralumla wetlands, and the kind of proposal that I have asked about a few times over the past couple of years. I was wondering if there has been any progress or any further thought to that project?

**Mr Rattenbury:** I will go to my colleagues.

**Mr Rutledge:** I think we will take that one on notice, Dr Paterson. I have not got an update since we last spoke to the committee, but I will see if we have any new information.

**MS CLAY:** Minister, I would like to have a bit of a chat about the water abstraction charges.

**Mr Rattenbury:** Yes.

**MS CLAY:** The Commissioner for Sustainability and the Environment, in her lakes and waterways report, made a recommendation that we publish an annual detailed breakdown of how the water abstraction charge revenue is expended. Have you had a think about that?

**Mr Rattenbury:** Yes. There are already requirements for details of expenditure. I will ask Mr Rutledge to go through the detail of that for you.

**Mr Rutledge:** We provide those to the ACCC as part of our national requirements. They review that. I think the water abstraction charge is one of those charges or levies that the community has great interest in. Every year we account for the amount of time, effort and money that the government spends on water, both efficiency and quality, and the government reconciles—“reconciliation” is probably the wrong term—or accounts for that. Some years we see a large investment in water, not commensurate with the water abstraction charge. In other years it might be a little bit under, but we need to report that to the ACCC.

As to the commissioner’s report, the government has not yet fully considered a response to that, but we do collate that information. The government will respond to that report. As the minister said earlier, he has had a keen interest in getting this report done. It is a quality report, so the government will consider how best to respond to that.

**MS CLAY:** That is great; thank you. It is not hypothecated, from what I hear.

**Mr Rutledge:** No. It is not a direct hypothecation. You can talk to that, but when you look at it over a period of time, you see that the amount of money spent on water infrastructure and water programs, and the water abstraction charge, would net out if you did the maths. But it is not hypothecated. That is probably reflective of the fact that in some years the government wishes to invest above, and in other years it might be a little bit leaner.

**MS CLAY:** How much of the water abstraction charge is coming from New South Wales?

**Mr Rutledge:** We will take on notice the specifics of that. I know Queanbeyan, through their bulk water arrangement, does pay a water abstraction charge, so it would be for Queanbeyan residents, but I can take on notice the exact figure for that one.

**THE CHAIR:** Where are the current negotiations at, in terms of the ACT, with the water abstraction charge? Was it up for a renewal or was it ending this year for clubs—golf clubs and sporting clubs?

**Mr Rattenbury:** I do not think so, Mr Milligan. I am not quite sure what you are referencing there.

**THE CHAIR:** In terms of sporting clubs and golf clubs and the like, that invested in storing water infrastructure—as I understood it through talking with them—that agreement with the government in terms of offsets was running out this year, or has run out just recently.

**Mr Rutledge:** I think we are talking about slightly different things. As Ms Lawder has raised, the government has done a review of non-potable water charges. The government is still considering it and will do some additional engagement with those non-potable water users. Their water use is part water abstraction charge and part water-use charge. We are still doing that.

As to any deadlines for change, I think the only deadline is that imposed by the Magpies Club, because they are creating a deadline, which is their business deadline. But the government is considering it and, as I said earlier, we will be looking to try and bring something back to government this calendar year.

**THE CHAIR:** Okay. Well I might just chat with my constituents anyway, and confirm with them. I might put in a question on notice.

**Mr Rattenbury:** That would be fine, yes.

**MR PARTON:** As I foreshadowed to the minister in the lobby earlier, my question is about the macro picture in regard to readying the city for 2035. Given that we are going to see some pretty solid increases in the use of electricity, for a number of reasons—one of them being the change over from gas appliances, but also EV charging—how much has, or will, the ACT government be providing in additional funding for poles and wire upgrades over the next 13 years to support what will be a pretty solid additional requirement on Evo Energy?

**Mr Rattenbury:** I will invite Mr Harding to add some comments in a moment. As you know, the ACT government has now indicated our intention to phase out the use of the gas network and to electrify Canberra, in that sense. Certainly, the research reports that the government has commissioned have shown that this is the most cost-effective pathway for the ACT. Those reports foreshadow an increase in electricity infrastructure in the city. They particularly indicate that that is predominantly driven by population growth and an increased electricity demand, rather than the change of composition. What will offset that is increasing the decentralisation of energy use—be that by batteries in local areas or by local generation through solar panels. What we are going to see is a very different grid by 2035. Mr Harding might want to make some comments.

**Mr Harding:** I have read and understood the privilege statement. Further to the minister's answer, Mr Parton, I would make the observation that the way that electricity network investment costs are recovered in the long run are ultimately through the customers' bills. Through a process of national regulation under the Australian Energy Regulator, Evo Energy is required, in a five-year cycle, to develop its network planning scenario, and to provide for what is the necessary amount of capital investment and operation investment to maintain a secure and reliable electricity supply, but also to plan for and recover sufficient funds from customers through tariffs over that forthcoming five-year time frame to pay for the necessary investments it foresees.

That is part of a normal cycle, where it is not so much an upfront investment by the Canberra government, but that the network is planning and forecasting for future needs. As part of its revenue determination, it will put forward to the national regulator, and they will form their own view as to what is a reasonable amount of costs to impose on customers for the necessary investment in the network, going forward.

**MR PARTON:** Mr Harding, if I can understand it, what you are suggesting to me is that the major upgrades that will be required here will be funded by consumers through power bills?

**Mr Harding:** That is the normal process, Mr Parton. I would observe that electricity networks and gas networks are utility infrastructure, as per our national regulatory framework, and that the network will plan for, and needs to take account of, trends and drivers of change.

**MR PARTON:** But Mr Harding, my understanding—and please correct me if I am wrong—is that a lot of the older suburbs in Canberra, those that are more than 20 years old, have the six millimetre to 16 millimetre wires and associated poles. But as businesses want to upgrade their air-conditioning units, for argument's sake, and cooking appliances with electric systems, many of them will have to wait for that suburb to have an increase to the larger wires—the 16 millimetre wires—to have the poles upgraded to carrying the new wires. We have received that information, obviously, from people who are working in the space. I did not go out and check it out myself.

**Mr Rattenbury:** I was going to say, Mr Parton, I had no idea that you were such an expert in electricity wire diameter!

**MR PARTON:** What I am seeing is some really robust, extremely big upgrades in a lot of suburbs. Are you telling me that consumers are going to pay for all of that through increased bills?

**Mr Harding:** There will be normal network investments that are required in order to build new suburbs and for urban infill and the like. I am not privy to the information you have in front of you, Mr Parton, which you are referring to, but what I would observe is that where a large new development is going in—say, there was a single dwelling on the block and a developer would like to densify that block and build a larger premises with multiple units—you would absolutely anticipate that there will be necessary additional augmentation of the network to supply an increased load on that site.

That is part of a normal network connection inquiry that a customer will put to Evo Energy, the network operator. They may need to do their own network studies, and evaluation of the load profile for a particular location, and there may be some cost to that particular developer to support that augmentation. However, what we are seeing in the broad is that we are talking about a network for a city and services provided across the Evo Energy system. As a generality, the total cost to invest in and maintain the electricity network in the city is recovered from its customers. There is a standard business model for utility infrastructure.

**MR PARTON:** So irrespective of that process, which you clearly outlined, is it possible that we will arrive at a certain date, in the journey towards 2035, when the electricity grid will not be able to supply the power that is required to charge all those vehicles and do all of the things that were being done by gas, and that even though we know those upgrades are coming and they are going to come through power bills that people pay, we will reach a point where you cannot get enough power out of that grid to do

what it is supposed to do?

**Mr Rutledge:** Mr Parton, at the macro level there is no chance that we are going to run out of electricity. There is no concern that sometime between now and 2035 that the scale of demand will be so great that the city runs out of electricity. During this time, the increases will be in population growth, further electrification of transport, and further electrification as we see households' electricity offset by more energy efficient appliances, and people making other energy efficient decisions and people installing solar. We are seeing enormous amounts of solar being placed across the grid for generation.

Block by block, in small areas, there will be small patches across what is a relatively modern grid, where upgrades will need to be made through some network augmentation. Some of that will be offset by community batteries; some of it will see change to transmission. The funding of those will be either spread across the whole of the network, as part of the network cost or, on some occasions, as Mr Harding said, if it is a developer-driven approach, it might be done by a contribution through that approach. The energy security will not change as a result of the increase in demand. In fact, we see increased demand largely driven by population and, as I said, there are a number of factors there. But there is zero concern anywhere in the industry, or anywhere in the government, that we will, somehow, be running out of electricity through the policies of this government.

**MR PARTON:** I think there is some genuine concern in industry.

**THE CHAIR:** Is there any question in that, or just a statement? Do you have a final supplementary?

**MR PARTON:** That was it.

**THE CHAIR:** Are you happy to respond? Otherwise we will go to Ms Clay, for a supplementary question.

**Mr Rutledge:** Mr Parton, you have obviously heard of something happening in one small area. What I am saying is that there will be—not hiccups—small constraints across the modern grid, where changes in augmentation will occur. It will be funded by consumers, largely, and it will be done in a way that Evo Energy, as the network operator, decides. But the changes by this government, in signalling future electrification, is nothing that is new to the electricity business and the distribution business. I am happy to have any individual concerns raised with the minister.

**MS CLAY:** I find myself in the strange position where Mr Parton is the voice of doom, and I am the voice of hope for the future! We will see how that goes.

**MR PARTON:** We are just asking questions, Jo. We are just asking questions.

**MS CLAY:** Having sat through a renewable energy committee inquiry, there is certainly quite a lot of different moving parts in the field. I think we have not heard an awful lot about the role of EV batteries, smart batteries and rooftop solar, and all of those other things. We have heard quite a lot of efficiency from Mr Rutledge. I will not

call those “newer technologies”, because they are all very mature, but the uptake of all of those things is still very small. What role do you think those things are likely to play over the next 10 to 15 years as we make this smooth transition?

**Mr Rattenbury:** I think this goes to the point that has been made by my colleagues, and it certainly sits in a lot of the modelling that the government has received—the expert opinion. What you are describing, Ms Clay, is often referred to as the DER—distributed energy resources, and it points to the fact that between all of the sort of technologies you are talking about, the grid in 2035 will be a very different grid from now.

I think some people think that because the current electricity system is very centralised, you will need big wires to send electricity out. In the future you will see a much more evenly distributed energy grid with localised sources of both supply and demand built in, and that will mean that you will not have to have the massive augmentation of the one-way wires, but instead a different grid being built. So I think the answer to your question is that all of those things you have described will help us build the grid of the future, and each will play a slightly different role.

**MR DAVIS:** I would like us to pin it back to the Healthy Waterways package to take it back to a macro level, Minister. We run on a platform, and it is secured in our Parliamentary and Governing Agreement, of a commitment to \$30 million over four years being invested in the Healthy Waterways package. Can I get a summary on how much of that \$30 million, which we have committed and which we have secured so far, is in this particular budget?

**Mr Rattenbury:** I think I am going to have to take that on notice, Mr Davis. I have had it in my mind at one time, but I cannot give you the exact numbers right now. So let me provide that to you subsequently.

**MR DAVIS:** That is okay. How much has the government’s intended future funding of that Healthy Waterways package contributed to the work that has been done to develop the Office of Water? How much of this is going to be managed by the future Office of Water?

**Mr Rutledge:** Mr Davis, the current delivery of the Healthy Waterways program will be managed by the Office of Water. As part of the Office of Water, some of those assets will have already transferred to TCCS. But the rationale for the Office of Water is to ensure that from policy inception through to delivery and maintenance is done in a seamless fashion. So the Office of Water will continue to monitor, both in a science sense but also in an amenity sense, our healthy waterways assets, going forward.

**Mr Rattenbury:** Mr Davis, the answer to your initial question is \$20 million so far.

**MR DAVIS:** How much of that was funded in this particular budget?

**Mr Rattenbury:** We will come back to you on that one.

**MR DAVIS:** There is \$10 million to go, Minister.



**Mr Rutledge:** Mr Davis, I should say that is \$20 million on kit for the Healthy Waterways. The government has also made an investment over the next few years for the Office of Water, so you could apply that as additional support for water initiatives. The other thing that is ongoing, but not yet finalised, is an ongoing negotiation with the commonwealth government. We have some significant possibilities for revenue for both water efficiency and water quality projects through the Murray-Darling Basin priority projects. We are working with our federal colleagues to see what we can do to get some more federal resources into water quality, as well as water efficiency.

**MR DAVIS:** I am interested in exploring that a little bit further. You might regret bringing it up now, Mr Rutledge.

**Mr Rutledge:** I never regret talking about water, Mr Davis.

**MR DAVIS:** A lot has been said about what the change of federal government has meant for this ACT government in terms of negotiating with federal counterparts. Do you have any more intel for the committee on the negotiations that have already started with the federal government on mutually funding water projects?

**Mr Rutledge:** We were working with the previous government. This was money funded under the previous government, and we were taking projects to them for, as I said, water efficiency as well as water quality issues. Has there been a change in style? I will leave it to the minister to talk about that, but the funding on the table has not changed during that time. We are just closer to finalising an outcome, but the money that we are still negotiating is previous government funding.

**MS LAWDER:** Under stage 2—or is it “phase 2”?—funding, will that include reviewing the effectiveness or efficiency of the GPTs and/or redesigning them?

**Mr Rutledge:** It will certainly be looking at GPTs efficiency, yes. Whether we will get to redesigning as a result of that, that is not our current plan. As you know, Ms Lawder, we are constantly looking for ways to improve our water quality. If redesign was a future option, we would consider it. That is a large capital expense as it is.

**MS LAWDER:** Is it your understanding that at Isabella Pond—the one in Monash—that there is a scour hole that has developed, which means the water sort of goes round and round vertically rather than around and around horizontally?

**Mr Rutledge:** I will take that on notice, Ms Lawder. I am familiar with the project, but I have not got that in front of me so I will get back to you on that.

**MR PARTON:** The minister announced his policy to ban the registration of new internal combustion engine vehicles by 2035. He made that announcement on 19 July this year. What consultation did you undertake with the automotive industry in relation to their ability to meet the sales target prior to your announcement on 19 July this year?

**Mr Rattenbury:** What we have done, Mr Parton, is indicate our intention that that is the necessary policy goal to meet our obligations to reduce our greenhouse gas emissions. That is the sort of deadline we need to meet, and our intention is to work very closely with the industry to get there.

**MR PARTON:** The question was specifically about what consultation occurred prior to the announcement of 19 July. Your answer suggests to me that there was none. Is that correct?

**Mr Rattenbury:** There were no specific discussions in that regard. What I am aware of is that, for example, the FCAI has a set of modelling which shows that they think that goal is not achievable, but their modelling is based on business as usual. I have explicitly said to them, in my meetings with them, that BAU is not good enough—that we need to do better; that we have to cut our greenhouse gas emissions; that we have clear legislated targets; and that we need to work closely with industry to achieve those outcomes. Frankly, the Australian auto industry is in a poor position of being way behind overseas standards in terms of emissions standards.

**MR PARTON:** You issued a work order to a consulting firm under existing panel arrangements on 10 June this year to “conduct research and interviews about the impact of zero emissions vehicles on the ACT community”. The work order states at item 12 that a reporting requirement is that interviews are to start no earlier than 25 July—that being six days after your announcement—and to finish by 12 August. Can I ask, Minister, why was the consultancy not asked to conduct interviews before you made the announcement? Is this not a case of putting the cart before the horse?

**Mr Rutledge:** Mr Parton, I think they are two unrelated issues. One, as the minister has outlined, was to show a clear policy intent. The consultancy which you refer to is less about the impact on particular motor dealers but more about how we are going to help in that transition. So the timing, as you have outlined, was not pre-prepared. They were actually two separate pieces of work. The ZEV strategy which, as you said, was announced on 19 July, was a long time coming. We knew EVs were coming to Canberra. We have done some research, as you know, into charging infrastructure, and we have done some research into multi-units and how they will work in strata titles. This was about what is the next step. As the industry in Australia continues to evolve, we continue to talk to them. But I do not think there is a grand conspiracy between those two.

**MR PARTON:** I am not talking about a grand conspiracy. I am talking about the announcement of a policy which is determined enormously by supply, without actually consulting the people who are responsible for that supply prior to announcing it. So it was a case of: this is what we are doing; get it ready. That was pretty much the announcement, wasn't it?

**Mr Rattenbury:** The ACT government policy is premised on significant policy research. It is based on international trends. It is based on the sort of information that Mr Rutledge shared with you earlier in the session, and it is based on meeting our emissions reduction goals. It is one of those things where, when we set the 100 per cent renewable electricity target, there was still work to be done to get us there, but we got there.

And I think there is a really important role for government in setting goals, in setting targets, being clear about where we need to get to, and having ambition. We have had to do this in the face of significant headwinds from the federal government, and it has

been absolutely vital that state and territory governments set these directions, because the federal government was absolutely absent and showing a complete failure of leadership in this space. Governments all over the world are setting these sorts of targets to make sure that we gear the industry up to get us to them.

**MR BRADDOCK:** How many vehicle manufacturers will still be supplying ICE vehicles, come 2035?

**Mr Rattenbury:** Based on our research very few, Mr Braddock. We have seen significant announcements at COP26 last year, where a lot of the auto makers got together and made announcements about their intentions to phase out ICE vehicle production, and there have been various other announcements along the way. So whilst I do not have the full list on me, I have seen at least a dozen auto makers—significant ones—who have indicated end points for the production of ICE vehicles. And that is certainly an important part of forming the ACT government’s position.

I think we have been very clear that we are talking about stopping, probably, the worst. So, we are not going to be saying, “You cannot drive your car after 2035”; it is about making sure no new cars come in. But, frankly, it is going to be tough to buy a new ICE vehicle by 2035.

**MS CLAY:** Minister, when you are setting out an emissions reduction target, do you think it is important to first look at the science of climate change, or do you think it is more important to look first at what industry would like you to do? Which one do you go to first?

**Mr Rattenbury:** Ms Clay, the first thing I am focused on is the science of climate change. But the nature of government policy is we have to strive for that ambition and then also be very practical about being able to get there. First and foremost, we must consider the emission reduction objectives and then work out an effective way to get there.

**MS CLAY:** Thank you.

**MR BRADDOCK:** The \$2,000 incentives for apartment buildings to install chargers, I just want to understand a bit more of the design of that scheme and how that is going to work.

**Mr Rattenbury:** There is some further design work going on to finalise that program at the moment, Mr Braddock. The program has not started yet but we have announced our intent to roll it out. One of the important questions we need to finalise is how many entitlements, if you like, per body corporate. Because you have an enormous diversity of body corporates from those that are literally maybe six townhouses through to those that are 500 apartments in a large multi-storey tower in Belconnen Town Centre for example. Clearly, given that diversity, the \$2,000 will be quite different, so one of the considerations is should it be an entitlement to a set number of units? How might we approach that? There is consultation going on at the moment to finalise the design and appraisal.

**MR BRADDOCK:** When will the new apartment builds be ready or able to incorporate

these charging requirements?

**Mr Rattenbury:** Yes, that change formally sits with the minister for planning, Minister Gentleman. That work is underway. Mr Ponton might be able to add some detail on the current timeline on that.

**Mr Ponton:** Thank you. I have read, understood and acknowledge the privilege statement.

There are two components to this. There is a role for planning but also for the National Construction Code. Of course, those are for different sessions, with the Minister for Sustainable Building and Construction and also the minister for planning.

But just in very general terms, so that I do not sort of drift into those ministers' portfolios responsibilities, the National Construction Code was adopted by the building ministers meeting on Friday last week. It is set for a commencement of 1 October. There are new provisions in the National Construction Code that allow or require EV charging—and further work is being done in relation to the next phase, which would be the requirement for EV charging through the National Construction Code. Separate to that, there is the ability to require that through the planning system. The preference is that you deal with it at the building and construction stage, which is why this work is happening at a national level. The ACT is also considering—if that takes too long, which it often can is trying to get national consistency in areas like this—the option to also deal with it through planning.

In that respect, Mr Rutledge talked about some work that we have undertaken, some expert advice that we have received, and we are incorporating that into the planning system, review and reform project. That project due in 2023.

**MR BRADDOCK:** Thank you.

**THE CHAIR:** Okay, given the time is now 4.30 on behalf of the committee I would like to thank Mr Rattenbury and officials for attendance today. Naturally, if there are any questions that have been taken on notice would you please provide answers to the committee secretary within five working days. Thank you.

**Short suspension.**

Appearances:

Gentleman, Mr Mick, Manager of Government Business, Minister for Corrections, Minister for Industrial Relations and Workplace Safety, Minister for Planning and Land Management and Minister for Police and Emergency Services

ACT Policing

Gaughan, Deputy Commissioner Neil, Chief Police Officer  
Crozier, Assistant Commissioner Peter, Deputy Chief Police Officer  
Whowell, Mr Peter, Executive General Manager, Corporate Services

Justice and Community Safety Directorate

Glenn, Mr Richard, Director-General  
Doran, Ms Karen, Deputy Director-General, Community Safety

**THE CHAIR:** In this final session for today's estimates hearing we will hear from the Minister for Police and Emergency Services, Mr Mick Gentleman and officials. Welcome.

There are a few housekeeping matters that we need to go through; so I will go through them right now. All mobile phones are to be switched off or put on silent mode. Please respect the stated room limits and physical distancing requirements that are in place in this building as part of the Legislative Assembly's COVID-safe measures. Please allow the cleaner to clean the desks and seats between witnesses. Please practice good hand and respiratory hygiene.

Witnesses are to speak one at a time and will need to speak directly into the microphone for Hansard to be able to hear and transcribe accurately. The first time witnesses speak, they will need to state their name and the capacity in which they appear.

Please be aware the proceedings are recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and webstreamed live.

When taking questions on notice it would be useful if witnesses could use the words, "I will take that as a question taken on notice". This will help the committee and witnesses to confirm questions taken on notice from the transcript.

Can I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to that privilege statement. The first time you speak please state your name and capacity in which you appear. Can you also confirm for the record that you understand the privilege implications of that statement.

As we are not going on with opening statements, we will start with the first round of questions. I have a question in relation to 000 calls. I want to know how long it takes for someone to get through to a police operator?

**Mr Gentleman:** Thanks very much, Chair, and can I too acknowledge the privilege statement and the implications of that privilege statement. Thanks very much for the question. Just before I pass over to CPO to give you the detailed answer of that, can I

just let you know that of course we have two numbers for ACT Policing: 131 444 for the operational—

**THE CHAIR:** I want to know both, actually.

**Mr Gentleman:** Yes.

**THE CHAIR:** So, that would be really good if you did that.

**Mr Gentleman:** And 000 calls is one. So, there is more impetus of course and responsibility for the 000 calls, but again 131 444 will get you through to police operations as well. With that, I will ask the CPO to provide some detail.

**Dep Commissioner Gaughan:** I understood the privilege statement. Thank you. Just some context in relation to the amount of calls we get, I suppose, helps in relation to the actual answer to your question. During the first five months of 2022, ACT Policing received, on average, about 22,000 calls per month, including, on average, 3,000 calls to 000 and 11,000 calls to 131 444.

Of the 000 calls received between January and May 2022, 90 per cent were answered within 11 seconds.

**THE CHAIR:** Eleven?

**Dep Commissioner Gaughan:** Eleven seconds. I might add that we are currently recruiting additional operators, and indeed I think eight additional operators started today. Basically, we answer as soon as we possibly can.

**THE CHAIR:** So, we have covered both 000 and 131 444 in terms of time—how long it takes to get through to an operator. It was 11 seconds for which number?

**Dep Commissioner Gaughan:** For the 000 calls.

**THE CHAIR:** And for the 131 444?

**Dep Commissioner Gaughan:** I do not have that with me. We might have to take that one on notice.

**THE CHAIR:** That would be useful. Thank you very much. Are there any other supplementaries? Yes, Dr Paterson.

**DR PATERSON:** Minister and CPO, I was wondering: with those eight staff, will they go to the 131 444 number as well?

**Dep Commissioner Gaughan:** The eight additional staff?

**DR PATERSON:** Yes.

**Dep Commissioner Gaughan:** No, they will work in the call centre. They will basically take either 000 or 131 444. They may work on the radio. They are actually

multiskilled. We find that area particularly is a good grounding ground for people who potentially want a career as a sworn police officer. They get to sort of experience what it is like to work in a high-tempo environment and a little bit of stress. The reason there are vacancies fairly much all the time is that a lot of people in that area transition to become a sworn police officer.

**DR PATERSON:** Great. Thank you.

**MR HANSON:** The online reporting that you are doing instead of calling up or having a police officer attend, can you give a bit of an update on what is happening there?

**Dep Commissioner Gaughan:** Yes. We have online reporting, as it is now, for motor vehicle collisions, and you can actually store an online report for historical sexual assault matters. We have not rolled out at this time the online reporting more broadly in relation to what I am calling lower-end property crime.

Now, I have spoken about the fact publicly that we are going to roll it out. We just have not done it yet. There are a number of reasons for that. Probably the main one is a supply chain issue in relation to actually getting the technology that we need to enable the report to then talk to our case management system so we do not have to manually input. Once the report is online, it will then record directly into our PROMIS case management system, so there is no double-handling, otherwise—

**MR HANSON:** Have you got a view of when it is going to actually happen?

**Dep Commissioner Gaughan:** I hope to bring it in as soon as possible. The reason why is that it actually will free up resources. But at this time, as I said, it is a supply chain issue, and any ICT program or project across the country at the moment is being, unfortunately, impacted by supply chain issues. So it is a challenge not just for me but for I think anyone who is trying to run a major ICT program.

**Mr Gentleman:** I think it is important to note, too, that police are not changing the way they respond to crime. They still want to keep Canberrans safe. If there is an opportunity to free up some resources from call-taking, for example, and then responding to crime directly, then that is a positive move, I think. Of course, it is moving with the times, as other jurisdictions have.

**MR BRADDOCK:** I have a question about spit hoods. I would just like to confirm whether ACT Police are using spit hoods and, if so, when and in what circumstances?

**Dep Commissioner Gaughan:** The operational use of spit hoods is governed by the AFP Commissioner's order 3 on operational safety and is subject to the scrutiny of the commissioner's orders delivery over such matters. They are used, very seldomly, to prevent a person in custody from spitting or biting officers. Obviously, not only do I need to ensure the safety of the person in custody but I also need to ensure the safety of others, including my officers. They are considered safe when used in accordance with the instruction. Once a person is placed in a holding cell, the spit hood is removed.

They are not generally carried by frontline operational police officers. It is a rare event when it is used—I will give you an example in a moment—and only likely to occur

during the process of custodial intake at the ACT watchhouse. As an example, we had a person in the watchhouse recently who, when being charged, was biting the inside of their mouth until such time as it started to bleed, and then they spat at my officers. A spit hood was used in that circumstance to stop that person from spitting. They were placed in a cell and then the spit hood was removed.

Between 1 March 2020 and 14 August 2022, ACT policing injury prevention and management received 26 reports of members having contact with or exposure to biological factors of human origin—in other words, being spat at or being bitten. Of the 26 reports I have, 31 members were affected. Having been spat at myself, as an operational police officer, I would rather have been smacked in the mouth than spat at, to be honest. I think it is an abhorrent act to undertake.

**MR BRADDOCK:** No-one deserves to be spat on.

**Dep Commissioner Gaughan:** No, absolutely. I obviously have an obligation to protect my members and I think that, at this stage, the spit hood—as I said, used seldomly—does provide that opportunity for me to protect my members.

**MR BRADDOCK:** Do we have any records as to how often or instances where the spit hood is actually utilised? Do we know if, for example, it has been used on children or just on adults?

**Dep Commissioner Gaughan:** They are not used on children. Certainly, we have had a 16-year-old in the city who was aggressive when she was taken into the watchhouse for refusing to give up her alcohol, and she spat and kicked at police.

But, as far as those under the age of 16 go, I have no recollection or no record, I should say, of that being undertaken. It is recorded in our PROMIS system as the use of CO3—the commissioner's order 3—which also covers things such as handcuffs and capsicum spray. It would require a manual interrogation for us, basically going through every case, to determine in which instances spit hoods had been used or not.

**MR BRADDOCK:** Okay. I am concerned because, despite spit hoods being available for use, there have still been those instances, as you described, where police are being spat on or bitten. What are the alternatives that the police could use, like personal protective equipment or similar?

**Dep Commissioner Gaughan:** Something similar to this could be possibly used, but I think that then they cannot see their accoutrements. This the challenge we have. If I put a Perspex on a police officer, they cannot see down. These options have been considered and at the moment the best alternative we find for an efficient use—and, as I said, they are very seldomly used—is the spit hood.

**MR BRADDOCK:** I am just concerned about instances. There was the case of the death of the individual in South Australia due to a spit hood, because you cannot identify respiratory distress or other concerns associated with the individual when they are in a spit hood.

**Dep Commissioner Gaughan:** Chair, I understand, standing orders preclude me from



actually showing what a spit hood looks like. I am happy to take the question in camera to show the committee a spit hood, but I understand I cannot use a prop during estimates.

**THE CHAIR:** We are happy to receive an image, I guess, as an exhibition.

**Dep Commissioner Gaughan:** An image?

**THE CHAIR:** Yes.

**Dep Commissioner Gaughan:** I do not have an image.

**THE CHAIR:** You could take it as a question on notice and supply an image, and we can accept that as an exhibition piece, if Mr Braddock is happy with that.

**MR BRADDOCK:** I am absolutely fine with that.

**Dep Commissioner Gaughan:** Thank you, Chair.

**MR BRADDOCK:** I am just trying to get to the bottom of why those other alternatives are not suitable, given they are being utilised in other jurisdictions—for example, Tasmania or South Australia.

**Dep Commissioner Gaughan:** We believe it puts greater risks on my members and the individual, in short.

**MR BRADDOCK:** You mentioned the instance of that 16-year-old earlier. Were they put in a spit hood?

**Dep Commissioner Gaughan:** They were.

**MR BRADDOCK:** Thank you.

**DR PATERSON:** I have a quite specific question about a Supreme Court finding, *R v Carpenter* by Justice Elkaim. The DNA evidence in this particular case was not enough to establish that the person was driving or riding in a vehicle. This is a 2019 judgement. I was wondering if you could speak to the impact that this judgement has had on people stealing cars and the ability of police to prosecute that?

**Mr Gentleman:** Yes, I might just kick off and then hand over to CPO. I can advise that we have been having discussions particularly with regard to the recent spate of driving behaviour in the ACT, and we are very concerned about some of the activities that have occurred. Police have been doing a fantastic job in keeping that at bay, where they can and, of course, arresting perpetrators and providing the evidence of their criminality to courts. I will not go to any specific instance. But we have been discussing the availability of using that particular evidence and then, what other secondary evidence do you need to have to prove that the person was committing an offence at the time. Usually, it is a sequence of evidence provision that would then prove the crime to the court, and these are the conversations we are having now about how we might be able to extend the opportunities for that evidence to be brought before the courts. But I will hand over to CPO to see if he has any more—

**Dep Commissioner Gaughan:** And I might get Mr Glenn just to talk briefly, after I have said my piece about what the potential solution is here. But R v Carpenter is a case which I understood, and the reason for that was taking DNA on the steering wheel and also on the gear shift. His Honour had determined that was not sufficient to say the car had been stolen, even though it had been moved from A to B.

There is clearly, in our view, a bit of a gap in the legislation, which I will get Mr Glenn to talk to. As far as the impact that has had, the data, sort of, speaks for itself. According to the Australian Bureau of Statistics overview of crime across Australia in 2021, the victimisation rate for motor vehicle theft in the ACT is the highest nationally and the ACT were above the national average for that type of theft.

We have realised that it is an issue, and tangible examples are that we have had people that have had DNA probably on seven or eight cars and the only one we have been able to charge them with is the one where we have actually had the eyes on them. So we have determined that there is a bit of a gap there. We have created what is known as Operation Toric, to look at this issue not just here but also in relation to dangerous driving. I know that is subject to a separate inquiry by the Assembly.

We established that taskforce on 1 August 2022, using people from my proactive intervention and diversion team, raid policing, general duties, with the support of specialists from AFP national. Also, my intelligence and surveillance capability. Primarily targeting recidivist fail to stop and stolen vehicle offenders who engage in dangerous driving.

Since 1 August, 29 offenders that had been charged with in excess of 105 offences, so quite successful. Not only has that been successful, I think the best thing is the reduction in crime. The week ending 25 August for instance, we saw one commercial burglary and eight stolen motor vehicles reported to ACT Policing. The previous week, we saw eight commercial burglaries and 32 stolen motor vehicles reported to us.

So quite a substantial reduction based on the targeting of offenders. It continues. On my way here, this afternoon, there was another situation unfolding on the north side. It will continue until such time as we have got that number basically to zero. Mr Glenn will have, hopefully, an answer in relation to the solution.

**Mr Glenn:** Thank you, CPO. I have read and acknowledge the privilege statement. Dr Paterson, part of our governance with ACT Policing is we have a number of working groups that consider different issues that arise in the operational context. One of those looks at legislative change. So we have been in an active discussion over the last several months about the Carpenter decision and whether there are legislative options to be able to address the limitations that that decision places upon prosecution.

One area that we have been looking at is the idea of trespass to motor vehicle, which is to increase the range of offences that could be charged in a situation where there is DNA evidence the person has been in the vehicle but there is not visual evidence of them actually being there, which is the issue that arises through that decision. We have been working that up and providing some advice to government. That is probably as far as I can take that and that is under active consideration now.

**DR PATERSON:** And do you think that criminals in the community who are stealing these cars have tweaked to this loophole or to this issue and have adapted their behaviour?

**Dep Commissioner Gaughan:** I think there has been some level of that, absolutely. But I think, the fact that we continue to arrest people—I am not going to tell you how we are doing it but we have changed our methodology quite a lot. We are not pursuing these vehicles. We are doing this in a much safer way than we have previously, utilising a large number of resources across AFP national and ACTP. There were a number of people arrested on the weekend. So we continue to bring people to custody. I think they will definitely adapt and change. With the vast majority of those people currently in custody, I would expect that the rate of property offending will continue to decrease.

**DR PATERSON:** Yes, okay, thank you.

**MR HANSON:** Thank you. In the budget, there is a budget line that is joint organised crime taskforce, \$2.5 million. Can you give me, CPO, an explanation of what that is, what the purpose is and how that differs from task force Nemesis?

**Dep Commissioner Gaughan:** Yes, I will get Mr Whowell to talk to the details of the budget, but task force Nemesis is primarily focused, Mr Hanson, on OMCG activity. Clearly in the territory, organised crime is broader than just OMCG activity. We already do have some organised crime capability within ACTP. But as the city continues to grow and we continue to see organised crime activity in the territory, after consultations with the minister and Mr Glenn, it is prudent that we expand our organised crime capabilities, investigation capability, to get on top of this issue. It is extremely resource intensive. These types of investigations take years to come to a successful conclusion, not a matter of weeks. We will continue to have conversations with the government as we move to the police service model, model 2, and other budget considerations, as to how we best serve the Canberra community and where else we need to invest.

**MR HANSON:** And there is \$2.5 million in funding, is that—what is that for, is that for personnel or is it—

**Dep Commissioner Gaughan:** I will get Mr Whowell there, who will have the details as our executive general manager corporate.

**Mr Whowell:** Thank you, CPO. I have read and understood the privilege statement. The joint organised crime taskforce gives us that amount of \$2.523 million over four years and that will enable us to set up a team by recruiting an additional three people.

**MR HANSON:** Three people.

**Mr Whowell:** Yes.

**MR HANSON:** So that is an additional three people. So is the whole taskforce three people or are you going to be drawing in people from elsewhere then?

**Dep Commissioner Gaughan:** We already have two existing organised crime teams;

this basically just supplements what we have.

**MR HANSON:** Right. So you have organised crime teams, does that include Nemesis or—

**Dep Commissioner Gaughan:** No, Nemesis is separate to that.

**MR HANSON:** So you are not going to be drawing people from Nemesis across to this, or you are?

**Dep Commissioner Gaughan:** Well, they could be the same people, I mean, basically, it is three additional FTE. Nemesis, in its name, will continue to be an important factor of ACT Policing tackling the OMCG problem. I must say that I think ACT Policing, over a number of years, well before I even started, has done an incredible job to bring that OMCG situation under a fair amount of control. We certainly do not have the same level of violence in the community that we had years ago. We have not seen a drive by shooting for a number of years, and we keep on top of it. We know who the members of those groups are in Canberra, and we know those from Sydney and Melbourne that also impact on our criminal environment here in the territory.

**MR HANSON:** So when you say you have already got two organised crime teams, that is two in addition to Nemesis.

**Dep Commissioner Gaughan:** That is correct.

**MR HANSON:** And then, this taskforce then does that, sort of, just wrap them all together or?

**Dep Commissioner Gaughan:** No, it is just three additional FTE that will sit within the existing teams, basically. It just supplements those teams.

**MR HANSON:** Okay.

**Dep Commissioner Gaughan:** It is only three FTE; that is not a team.

**MR HANSON:** No, right, okay, so it is three FTE into the taskforce. All right, okay. Thanks.

**Mr Gentleman:** I think, Mr Hanson, this goes to allowing ACT Police to remain agile in these circumstances. If the CPO can come to me and the DG and show a need, and we can support that in some funding in the budget to allow them to stay agile and be prepared for what is going to occur in the future, it is a good opportunity.

**MR HANSON:** CPO, can I talk about the issue of bail. Obviously, there is a lot of conversation about that in the community at the moment, and the Australian Federal Police Association have put out a lot of statements about this, including saying, “the sentencing and bail processes in this city are fundamentally flawed and dangerously inadequate.” And they have recently said, “there has never been a more dangerous time to be a police officer in the ACT.”

Do you have a view of the operation of bail in the ACT? Do you share that view? Do you have a different view, or are you somewhere in between?

**Dep Commissioner Gaughan:** I am probably somewhere in between. I think that legislation should never be set and forget. There should always be continuous review of legislation, and certainly that is my strong view. I mean, the operating environment changes, criminal behaviour changes; we need to think whether legislation is fit for purpose and reflects current community expectations and views. I think that is a given, in my view.

I think that certain aspects of the Bail Act need to be looked at. I do not think the whole thing needs to be thrown out. I think, certainly, magistrates have an extremely challenging job, and I am glad it is not me that makes those decisions whether to allow a person liberty or not.

Certainly, for instance, I think section 44 of the act can be looked at. I will quote certain sections to the committee for its information. Paragraph (3) of the section states:

An application must be made, and written notice of the application given to the accused person—  
(a) within 2 hours after the decision is made;

Paragraph (4) states:

However, an application may only be made if the director of public prosecutions gives the court that made the decision oral notice of the proposed application immediately after the decision is made.

I think the word immediately needs to be looked at. Particularly, if I have junior officers in the court or indeed there are junior prosecutors, I am not sure too many of them want to stand up to a magistrate and say, “I am going to appeal that decision.” So I think that needs to be reviewed, and I think two hours for a written application is also something that needs to be looked at. Mr Glenn is not surprised by that, because I have raised it with him as well.

My understanding is there have only been two oral applications made to magistrates since that act was amended in 2020. The question is why only two? There is also the fact that they were oral applications that were then not proceeded with. So I think there is certainly something that I would ask the Assembly to seriously consider and have a look at.

**MR HANSON:** So that sort of process is that you have spoken to Mr Glenn and looking at reforms that you can then take forward to government? Is that what is happening here? Is that it or is there others as well that you are looking at?

**Dep Commissioner Gaughan:** I think that is the main one that concerns my officers, at this stage.

**MR HANSON:** In terms of the magistrates, and the decisions that are being made, is there a sense that they are consistent with other jurisdictions? Not everything is about what the legislation says; it is about how it is applied. Is there an issue in terms of how

it is being applied? Certainly, that is—

**Dep Commissioner Gaughan:** I think that the legislation, as it is written, is being applied appropriately. If you look at somewhere like Victoria, for instance, the bills are different; so is the Bail Act in New South Wales.

**MR BRADDOCK:** I forgot to ask some further questions on spit hoods. You might have mentioned this: how many reportable uses of force have there been over the last two years?

**Dep Commissioner Gaughan:** Of spit hoods?

**MR BRADDOCK:** Yes.

**Dep Commissioner Gaughan:** I cannot give you that information. We cannot—

**MR BRADDOCK:** Sorry, not on spit hoods; of all reportable uses of force.

**Dep Commissioner Gaughan:** I will take that on notice.

**MR BRADDOCK:** Okay.

**Mr Gentleman:** Mr Braddock, all use of force has to be reported. This is where they are using handcuffs, firearms and handholds in arrests. All of those need to be reported, as per the AFP Act—

**Dep Commissioner Gaughan:** They are all reviewed.

**Mr Gentleman:** and general regs.

**MR BRADDOCK:** The example used of the 16-year-old, is that the youngest person that has ever been put in a spit hood?

**Dep Commissioner Gaughan:** To my knowledge, it is, but we will take it on notice, just to ensure I am accurate in my evidence.

**MR BRADDOCK:** Have you consulted with other jurisdictions in terms of safe replacements for spit hoods?

**Dep Commissioner Gaughan:** No. I might also say to the committee that it is important to note that ACT Policing do not own the commissioner's order. It is actually owned by AFP national, and it is actually overseen by the AFP commissioner. Any change I wish to make could not be done without consultation with the commissioner.

**MR BRADDOCK:** Understood; thank you for that clarification. Finally, what model of spit hood is used in the ACT?

**Dep Commissioner Gaughan:** I will have to take that on notice. I do not know.

**DR PATERSON:** Minister, my question is in relation to the strategic accommodation

study for police. We have a surprising amount of discussion about this in my electorate. It is noted as a saving in budget statement D, on page 30. Does that mean that work has been completed? If so, when will the findings of that study be either released or brought to the Assembly?

**Mr Gentleman:** I think it is a good investment in our strategic accommodation plan. There are a number of aspects regarding providing appropriate accommodation for police, to ensure that police can look after themselves, as they start and finish shifts. We do want to see them out on the road as much as possible, of course.

There are areas like the transport operations centre, which we want to make sure is available for police in the future. In regard to that particular item, there has been some delay in furnishing the TOC, in regard to slowdowns due to COVID. We want to make sure that it is well furnished, as police move into it. It is replacing a very old supply out at Belconnen. My understanding from police is that they are very happy with it so far. The timings can be delayed when we see these sorts of things occur—when the furnishings cannot be found in a timely manner. I will go to Peter to tell you more about how that is written into our budget documents.

**Mr Whowell:** The government has considered the master accommodation plan. We have prioritised, as the minister has explained, what our accommodation looks like and what needs to be addressed first. There have been a number of works in terms of addressing some of the infrastructure in our police stations.

We have a priority list of other accommodation projects to work through. Front and centre of that is looking at the future of the joint emergency centre at Gungahlin, which has been the subject of other budget measures. We are working very closely with JACS in coordinating this. Karen might want to say something about this as well.

In terms of where agencies need to be relocated for their needs, and for ours, we will be staying in Gungahlin and working through it over a number of years. We are at the early stage on that one. The next two priority issues for us involve looking at the future of Winchester police headquarters. It is our second oldest building, being around 43 years old. We are looking to relocate that somewhere in Canberra in the future. We will soon be entering into a feasibility process. We have already done a pre-feasibility study, to understand what our needs might be and how we need to look at what is available in the market.

The next priority for us is the future of the City Police Station, because that is our oldest building. With the change in dynamics at the city west precinct, we need to look at what is a viable location for policing in the future.

The ACT government provides most of our sites. We do have two sites that are covered by the accommodation plan but are leased. One is our exhibit management centre, out at Mitchell. That is fit for purpose at the moment. The other one is our operations base for maritime on Lake Burley Griffin. We are in a temporary site at the moment. We are going through a process with the leaseholder for the site where we have been historically, in looking at a future facility.

**DR PATERSON:** Having listened to that, it sounds like there are no further

accommodation priorities in the near future for the south side of Canberra. Does this mean that there will be more investment in the police services model, and getting police out on the ground in the community in greenfield areas, new suburbs and that type of thing?

**Mr Gentleman:** Both, actually. We want to make sure, as I said, that we have the best accommodation for our staff and officers into the future. Also, as we further roll out the police services model, in the next iteration, police services model 2, we want to make sure that we can service those police out in the suburbs at the same time. Whilst they will be attached, if you like, to a station for rostering purposes and their accommodation, we want to see them out on the streets as much as possible, interacting with our community.

We have seen the success that has brought in other jurisdictions. Our visits to the UK, for example, showed how the police services model can work really well with the community. The community feel more at home with police out in the street, and are more used to them being in the community. Police, of course, have the opportunity to stop crime before it actually occurs. That is the main part of the police services model.

**DR PATERSON:** In terms of newer areas, like Molonglo, a suburb like Whitlam will only have a few houses to begin with. How do you build community confidence that police are there and they are safe in these newer areas when they are in frontier parts of Canberra?

**Mr Gentleman:** Regular operational patrols do that, and the response that CPO was talking about earlier. That is really important, in order to build confidence in the community. We have seen in the reporting from the ROGS that the Canberra community does feel safe and that ACT Policing are doing a good job. That is the view that Canberrans have. We want to keep that up and improve it wherever we can. In this budget we have set some targets regarding people feeling safe, and we want to make sure that those improve into the future.

**Dep Commissioner Gaughan:** Post-COVID, we have also encouraged people to get out more. One thing that has been difficult for us is to engage with the community during COVID. Certainly, in the last couple of months, the officer in charge of Woden Police Station has met with Denman Prospect Community Action Group, and also with the Molonglo Valley Community Forum three weeks ago. They brought some issues to our attention, primarily traffic-related offences, such as burnouts—another committee is looking at that—speeding, theft and undercroft offending. They were the issues that were raised with us. We will certainly encourage things like Coffee with a Cop, and those sorts of things, to take place in that region of Canberra, to build that community confidence.

**DR PATERSON:** Given that the police services model has been in place for a little while now—a year or two years—will there be an evaluation of that model going forward?

**Mr Gentleman:** Yes, certainly.

**Dep Commissioner Gaughan:** Absolutely. I will ask Peter to talk to the numbers of



FTE that we have this year, which go to the final year of the PSM. I am sure Richard will do an evaluation, in any event. Certainly, some of those additional resources coming on deck this year will go to Gungahlin Police Station, to supplement the resources there, as that community continues to grow. We will look at a future PSM, going forward. I will ask Mr Whowell to talk to the actual budget issues for PSM this year.

**Mr Whowell:** In the 2019-20 budget the government provided us with \$33.9 million over four years for the first stage of the PSM. That allowed for the funding of 71 additional positions—61 in operational roles and 10 in support roles. We have recruited about 45 of those so far. In relation to 2022-23, we intend to recruit the final 26 staff from PSM stage 1. This will include 10 sworn members to strengthen our patrols in Gungahlin. The final 10 will be sworn in for the proactive intervention and diversion team, which the CPO referred to—Op Toric.

In terms of what we have achieved from June 2019 to June this year, through the police services model funding, we have scoped, recruited and commenced operationally the intelligence capability, which I think we have briefed the committee on before. We have stood up two of the three proactive intervention and diversion teams, recruited additional operational and support resources, undertaken a range of technology enhancements, including expanded wi-fi for police stations, development of a digital engagement strategy, including the reporting online of non-urgent crime online, and increased our electronic device phone download capability.

**MR HANSON:** In your answer, you talked about ROGS and people being happy with police. I remind you that ROGS indicated that ACT policing has the lowest satisfaction rates of people who had contact with police in Australia. That is no criticism of police; in my view, it is because of under-resourcing, but it is not true to say that ROGS is saying that people are happy with their dealings with police.

On the infrastructure side, there is a strategic infrastructure plan. Is that what it is called?

**Mr Gentleman:** A master accommodation plan.

**MR HANSON:** Is that available?

**Mr Gentleman:** I will check for you.

**Ms Doran:** I have read and acknowledge the privilege statement. No, I do not think the plan has been made publicly available at this stage.

**MR HANSON:** Can we have a copy?

**Mr Gentleman:** It is cabinet-in-confidence, Mr Hanson. I have just been advised. We will see what we can do to provide as much information to you as we can.

**MR HANSON:** Sure. As part of that, the Molonglo community, as you know, would like a station out there. Is there provision to do that? Is that part of this plan—that they are going to get a station at some stage—or is the view that it is going to be managed out of Belconnen and Woden and other stations?

**Mr Gentleman:** That decision has not been made yet.

**MR HANSON:** That decision has not been made—so they are just going to be left in limbo, are they? Why have you not made a decision on it? When are they going to find out?

**Mr Gentleman:** The accommodation plan will grow. It is an ongoing document, so we want to make sure that we can use it into the future. It has identified the needs so far that we have been investing in, and, as those needs grow in your areas, we will be looking at those then.

**MR HANSON:** You can get population statistics. You can understand, as a population grows, what size Molonglo is going to be. Surely, as part of that plan, you are able to say, “Based on the projected population growth, it is anticipated that there will be a need for a station at a certain point in time.” Why are you not able to tell the community that? Why are you keeping that secret?

**Mr Gentleman:** It is not a secret—

**MR HANSON:** It is a secret.

**Mr Gentleman:** That decision has not been made yet.

**MR HANSON:** You have it in your documents, cabinet-in-confidence. I am sure there are projections that are there about when that community will need a station. Why will you not share those projections with the community?

**Ms Doran:** If I could add—the plan itself sets up four key principles that the government can consider as it is looking at accommodation needs for policing, which reflects things like the police services model, the operational needs, and it also reflects a population and demographic element. It is a 20-year road map, so it is not setting everything in concrete, but, rather, gives a framework for those decisions to come back to government in the way that reflects principles, needs and priorities.

It has been very effectively used in the most recent budgets and, in fact, informed the commitment to the investment in the JESC, which was informed by population and demand needs in the Gungahlin area. It elevated that as a priority need for policing. I think that same structure will work in future years as populations change—

**MR HANSON:** People in Molonglo just want to know: are they going to get a station and, if so, when? It is a reasonable question for them to ask. These are all good answers—four principles and all the rest of it—but I think it is a reasonable thing for them to be told, “This is the sort of time frame we are looking at.”

**THE CHAIR:** Is there more you want to add, Mr Gentleman? Mr Gentleman, are you happy to respond further?

**Mr Gentleman:** As I said, the decision has not been made. The master accommodation plan will take us, as the DDG has said, into the future. When the time line for that

decision occurs, we will certainly be making that decision. Of course, it has obligations on other parts of government too, so we want to make sure we do that in a way that services the whole Canberra community.

**THE CHAIR:** Would you like another substantive question, Mr Hanson?

**MR HANSON:** Deputy Commissioner Gaughan, I heard you on the radio a while back talking about the drug legislation that is currently before the Assembly. You referred to the fact that, in recent times—I cannot remember over what period—ACT Policing had referred 192 or 194, that figure may be updated, people to treatment. Can you give me a bit of an explanation of what that number is, who those people were and how that process works?

**Dep Commissioner Gaughan:** I might get Assistant Commissioner Crozier to deal with that from the actual data perspective. We already divert people now, and our focus needs to be, and will continue to be, drug trafficking and organised crime, not necessarily drug possession, which to some extent needs to be treated as an addiction and health issue, not a law enforcement one.

The more people we can get out of the cycle of recidivism in relation to small possession of drugs, the better we will be as a community, so we support that aspect of it. Those health services, and other services, need to be available 24/7, because if they are not, it is going to fail. So and I will get Assistant Commissioner Crozier to talk about the amount of people we have diverted in the—

**MR HANSON:** I am just interested in how you are doing that, and who they are and what the process is to divert them. Is it done through the courts, or do you directly divert them? How do you do it?

**Asst Commissioner Crozier:** I have read and acknowledged the privilege statement. Every person that we are engaged with in relation to this may be subject to a potential option for us to think about a restorative justice option, depending on the type of crime and the circumstances of those matters.

As Deputy Commissioner Gaughan recognised, we are never going to be able to arrest our way out of this problem, if that is the issue we are trying to deal with. We need to look at different options that are supported by other community groups and fit within the community norms as well.

The point that we might make around the type of offences that we would think about a restorative justice option for—they would be probably lesser crimes, initially. Part of that process is ensuring that, through that restorative justice process, the people involved who are impacted agree to some of those processes.

Really importantly for us, we are looking at how we reduce recidivism as part of the strategies and targets that we have got, and we are looking at community support to assist us through those things.

**MR HANSON:** Sure, but I am trying to get my head around the 194 people, or whatever the figure was—over what time frame was that, and what is the process? Are these

people who were referred by the courts or are these people to whom the police have pre-emptively said, “Do you want to go to the courts, or do you want to go to treatment?” How have those 194 people that Deputy Commissioner Gaughan talked about been diverted to treatment?

**Asst Commissioner Crozier:** They can be subject to police decisions to refer them. They can also be subject to the court. The court could potentially be looking at those options.

**MR HANSON:** So the police have the power to divert someone to treatment?

**Dep Commissioner Gaughan:** Absolutely, yes.

**Asst Commissioner Crozier:** Yes.

**MR HANSON:** If someone is before you, and they have potentially committed an offence, how do you do it? Do you charge them? Do you not charge them? Or do you say, “Here is your choice: would you like to go to treatment or would you like to be charged.” How does that work?

**Dep Commissioner Gaughan:** Mr Hanson, discretion exists under common law and has ever since Peelian days of policing—

**MR HANSON:** I am not being critical. I am actually trying to get—

**Dep Commissioner Gaughan:** We can caution someone for small amounts of shop lifting, criminal damage and small amounts of possession of drugs. We are not obligated to take a certain course of action, and that is the discretion that is built in every time an officer swears an oath of office.

I cannot dictate to a constable what action he or she takes in relation to an individual, particularly someone of a young age, or someone that has not come to our notice or, indeed, through the criminal justice system more broadly. There are a raft of avenues we can divert people to, and that is where we use that discretion. Usually, before someone actually steps inside a court, that person has been given ample opportunities through cautions and different diversion programs to try and steer them on a course of conduct.

If it is an addiction they are dealing with, we need to ensure that there are those health processes in place to stop them using the drugs or give them some sort of medication so they do not commit crime. I think one beauty of the bill being proposed is that it provides us, potentially, with more opportunities to divert people away from the criminal justice system and, ultimately, leads to a better outcome for the individual.

**MR HANSON:** When you divert someone, that is the decision of the police officer as to what the diversion would be. Because my understanding is that no-one is being charged with simple possession offences, at the moment. Is that the case?

**Dep Commissioner Gaughan:** That is not necessarily true. I will get Peter to go through some stats in relation to the drugs we have seized over the last 12 months or so.

But if someone is in possession of, say, a small amount of drugs, and they are actually in a stolen motor vehicle, they are going to be charged—

**MR HANSON:** I understand. But these are for offences—because we went through this with cannabis as well, I remember. That if you are just in possession, but not other offences, my understanding is that it is a very, very small number, if any, that are actually being charged and prosecuted for a simple drug offence that is not connected—

**Dep Commissioner Gaughan:** It is a very small number.

**MR HANSON:** What is that number?

**Dep Commissioner Gaughan:** I think it is around 20 a year, but we will have to take it on notice. But it is a pretty small number compared to the overall number of charges that go through the watchhouse.

**MR HANSON:** Yes, can you take that on notice, to—

**Dep Commissioner Gaughan:** We will take it on notice, absolutely.

**MR HANSON:** These are people who have got, you know, a small amount of possession, no other charges laid, whether they, you know—

**Dep Commissioner Gaughan:** We will take it on notice.

**MR HANSON:** How many would then go to court? Yes.

**MR BRADDOCK:** I would just like to ask about body-worn cameras. Noting that the guidance has been in place for a little while now, I am particularly interested in terms of the accountability around when police may turn off the body worn camera. What measures do we have in place to ensure that that is being done for legitimate purposes and nothing ill-willed has happened during those times?

**Dep Commissioner Gaughan:** No, it is a good question. Obviously, it was a bit of a cultural change, if you like, in relation to the fact members had to remind themselves, if you like, to turn the body worn cameras on. Overall compliance is very good. It is actually a breach of our professional standards if you do not turn the camera on when you are supposed to. I do not have the data in front of me in relation to how many people have been put forward for investigation in relation to that, but we will take it on notice, unless Mr Whowell can find it for me.

But the fact that the camera is on and people know they are being filmed, it changes behaviour. It changes behaviour of my officers, to some extent, because they know what they are saying and what they are doing is being filmed but it also changes the behaviour of the broader community, who know their actions are being recorded and can be shown.

There have been a couple of instances recently where I have been more than disappointed in relation to the actions of some of my officers and the courts hold them to account for that, as do professional standards. We have referred a couple of matters

in the last few months where members have overstepped the mark in relation to their use of force and they will be dealt with according to our professional standards system.

But what we have seen—the long-term trend particularly—is that alleged breaches of our professional standards regime have continued to decrease. I would say some of that is due to the implementation of the camera. Certainly, the evidence from other jurisdictions is that the introduction of those cameras certainly saw police behaviour, if you like, improve.

But, overall, compliance is excellent. I have a very, very young police force compared to most other jurisdictions. We have a lot of new people coming through who are embracing the technology. They understand the fact that it will show that 99.999 per cent of the time they have done the right thing. That is why I encourage them—every time we talk to them, we remind them and encourage them to turn it on when they should. In fact I have now said to them, if you are going to a critical incident, turn it on, on your way to the job, because then we will be able to hear your decision making prior to you getting there.

When they are going to a robbery in process or a domestic violence matter, they are actually talking about how they are going to approach it and if things go badly, at least from every type of avenue, they will be defensible in relation to the way they actually thought about how they were going to approach the incident. So that is what they are now doing.

**MR BRADDOCK:** Excellent. Have there been any lessons learnt about the body-worn cameras, in terms of guidelines or any—

**Dep Commissioner Gaughan:** Yes, look, a bit like legislation. We continue to review guidelines and there have been lessons learnt. One of the things is storage for us. We are storing a hell of a lot of data and it is now in the cloud and now we are going to continue to retrieve it down.

So we will continue to review our guidelines. Obviously, some decisions taken by courts in the future will also impact on our guidelines—different case law comes out, et cetera, et cetera. So our guidelines are never set in concrete. They will continue to be reviewed. Nothing particularly stands out, at this stage. Certainly, we will take on board what comes of different committees and different reviews, including this one. We will take that on board and change things if we need to.

**MR BRADDOCK:** Thank you.

**DR PATERSON:** Minister, we heard from the ACT Ombudsman earlier last week. I was talking about reportable conduct with them and when they receive complaints. When the ombudsman receive a complaint, do they immediately report to police if they suspect there is child abuse?

**Mr Gentleman:** Yes, so there is the opportunity for reporting to police and, of course, because we work with the purchase model from AFP, we have the commonwealth presence in place as well. So there are our reporting options at a number of different levels. But I might just hand to CPO to give you the detail on how that occurs.

**Dep Commissioner Gaughan:** So it depends on, if you like, the gravity of the offence, so to speak. So the ombudsman conducts its own investigations, and it can hand it back to our professional standards regime to investigate. They work closely together. Our professional standards regime that sits within AFP National, reports to the ombudsman.

If it is a minor complaint, it can actually be dealt with by ACT Police senior officers, who will counsel the member for the way they have spoken to a member of the public—or something similar to that. Being AFP officers, we also have oversight from ACLEI, the Australian Commission for the Law Enforcement Integrity, so a another layer, if you like, parallel to the ombudsman, I suppose.

So there are a raft of ways that our actions, et cetera, can be reviewed. Obviously, we have the courts as well. The courts, if necessary, can also write to me or write to the ombudsman in relation to behaviour of members.

**DR PATERSON:** The ombudsman said 40-something per cent of reportable conduct came from schools—I am assuming involving children. Whether it is child abuse or domestic violence, or things like that, do you receive those complaints to then investigate or—

**Dep Commissioner Gaughan:** We receive some of those, I think. I could not categorically say we receive all of them. We do work really closely with the Education Directorate. I think that relationship is going from strength to strength. Again, since COVID has ceased—well not ceased, but is not as bad as it was—we now have, if you like, liaison officers for each school. So not only is it an obligation on the inspectors to go out and meet their principals but we basically pop-in at school process, particularly with people that have been to school in Canberra, and we have asked them to reconnect with the school they went to, to try and build that relationship but also, probably assist us with recruitment as well.

**DR PATERSON:** I note there is nearly \$4 million in the budget for the sexual assault from child abuse protection team. I was just wondering if you can outline what that money will be spent on?

**Dep Commissioner Gaughan:** So I will get Mr Whowell to talk to the figures but, I think, about a third of my criminal investigation area resources at the moment are set aside for sexual assault and child abuse. So it is a big commitment, because it is a big problem. Obviously, through the different reviews that have been undertaken by this Assembly, we have been given resources to actually review cases. But what we have found is there has been an increase in case load, unfortunately. As such, we have had increase, our resources into the team. So again, it is not a new team, it is basically just putting additional resources in each team. I have changed the structure there. Now I have that team reporting to inspector, who basically oversees the operations of the sexual assault team. I will get Peter to talk to the numbers.

**Mr Whowell:** Thanks, CPO. We received \$3.84 million over four years in this budget. That is establishing a new team, as you said. And that is really focused on increasing the level of service to the community, and taking on board the recommendations of the report, *Listen. Take action to prevent, believe and heal*. That will mean we will be able

to recruit an additional five FTE to build our capability and capacity there.

**DR PATERSON:** Great. Thank you.

**THE CHAIR:** And Mr Hanson, a question and an answer within 60 seconds!

**MR HANSON:** Yes, I think that is impossible. So I will just say thanks very much for all the work you do out there. As much as we are at the government's throat, we really do appreciate everything that you are doing. Keep up the good work.

**Dep Commissioner Gaughan:** Thanks, Mr Hanson. Thanks, Chair.

**Mr Gentleman:** I might just take that chance too, Chair, to echo Mr Hanson's comments. The police have been doing an amazing job, particularly over the last number of years with all sorts of different operations that have been brought to the fore, particularly around COVID with the demonstrations that we have seen in the ACT and managing their staffing situation as well. So a great job.

And if I could, just in closing, advise, when I commented on those safety numbers earlier on, the community feeling safe, it is in our strategic objective reporting number 2, Crime related community safety, and advises that people who feel safe, or very safe, is 89.1 per cent was the target; 91.3 per cent is the estimated outcome. That is in the JACS report.

**THE CHAIR:** Thank you, Mr Gentleman.

The committee's hearings for today are now adjourned. On behalf of the committee, I want to thank Minister Gentleman and officials for their attendance today, along with other statutory office holders and officials who have appeared here today.

If witnesses have taken a question on notice, could you please get those answers to the committee's secretary within five working days of the receipt of the uncorrected proof. And lastly, if members wish to lodge a question on notice, please do so and get those to the committee's secretary within five working days of that hearing. We now adjourn, thank you.

**The committee adjourned at 5.31 pm.**