LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Inquiry into Appropriation Bill 2022-2023 (No 2) and Appropriation (Office of the Legislative Assembly) Bill 2022-2023 (No 2)

Members:

MRS E KIKKERT (Chair)
MR M PETTERSSON (Deputy Chair)
MR A BRADDOCK

TRANSCRIPT OF EVIDENCE

CANBERRA

MONDAY, 27 FEBRUARY 2023

Secretary to the committee:
Ms S Milne (Ph: 620 50435)

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.

WITNESSES

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Amended 20 May 2013

The committee met at 9.05 am.

BARR, MR ANDREW, Chief Minister, Treasurer, Minister for Climate Action, Minister for Economic Development and Minister for Tourism
HOCKING, MR STUART, PSM, Under Treasurer, Treasury, Chief Minister, Treasury and Economic Development Directorate
MCAULIFFE, PATRICK, Executive Branch Manager, Investments and Borrowings, Budget, Procurement, Infrastructure and Finance, Treasury, Chief Minister, Treasury and Economic Development Directorate

THE CHAIR: Good morning, and welcome to this public hearing of the public accounts committee inquiry into Appropriation Bill 2022-2023 (No 2) and Appropriation (Office of the Legislative Assembly) Bill 2022-2023 (No 2). The committee will today hear from the Treasurer and officers from the Treasury.

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 welcome and acknowledge other Aboriginal and Torres Strait Islander people who may be attending today's event.

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 useful if witnesses used these words: "I will take that question on notice." This will help the committee and witnesses to confirm questions taken on notice from the transcript.

We welcome our witnesses for today. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement. Please confirm that you understand the implications of the statement and that you agree to comply with it. Chief Minister, would you like to make an opening statement?

Mr Barr: No, thank you.

THE CHAIR: We will proceed, then, to ask our questions. I will kick off. This is in regard, Chief Minister, to the Office of the Coordinator-General for Housing. I refer to your media release, Chief Minister, from 3 February this year, where you announced the establishment of the new Office of the Coordinator-General for Housing, to be based in your directorate. Can you please advise what funding has been appropriated for the new Office of the Coordinator-General for Housing?

Mr Barr: There is no funding appropriated.

THE CHAIR: There is no funding? Okay. How many staff will the new Office of the Coordinator-General for Housing have?

Mr Barr: We will take that on notice. They are building a team from within existing resources across directorates. There are staff from Treasury and staff from EPSDD. It is a small team. It will be less than 10, I suspect, but we will get the exact number once that is finalised. There will be project work, so I guess the question will be how many staff there are on any given day, or averaged over the year, because clearly there will be work that the coordinator-general will undertake that will draw upon staff in a number of different directorates.

THE CHAIR: Sure.

Mr Barr: Perhaps a year-long average might be the best way we can do that. We can provide that, but not in advance. Once a start has been made, we will have a record of who has worked on particular projects and we will be able to provide some of that information. It might be best if I do that through annual reports, rather than trying to estimate ahead of time. But it is a small team that will draw from existing resources across a number of different government agencies.

THE CHAIR: Thank you. When will they start?

Mr Barr: They have already started.

THE CHAIR: They have already started?

Mr Barr: Yes.

THE CHAIR: Do you know exactly how many staff are on currently?

Mr Hocking: I have read and understood the privilege statement. The coordinator-general is a Deputy Under Treasurer in Treasury, Stephen Miners, who is not here today. He is fulfilling the duties of the coordinator-general as part of his general existing duties, and he has a small team in our economic group.

We have not hired anyone additional at this stage, but some of the people who were working on other matters are now working on housing matters for him, in a demarcated sense. We have managed to do that without extra resources at the moment. Over time, as the Chief Minister said, we might need to provide extra resources to him, to support him, but at the moment those people are doing it within the existing resources.

THE CHAIR: Okay. Fantastic.

MR PARTON: So, Mr Barr, what you are telling us is that you have got a coordinator-general for housing, but it is a bit of a mirage because there is no actual additional spending and there are no additional staff. I think it was paraphrased in a social media post as rearranging the deckchairs on the *Titanic*. Nothing has—

Mr Barr: By you?

MR PARTON: Yes, it was.

Mr Barr: So you are quoting yourself in a social media post.

MR PARTON: Yes, I am.

Mr Barr: Right.

MR PARTON: But nothing has actually changed here. We have just sort of shuffled some people around into some different areas.

Mr Barr: We have reassigned certain priorities. As we did during COVID, we have brought a team together across government to focus on a list of priority actions. People have been removed from other tasks and reallocated to these tasks.

MR PARTON: What other tasks have they been removed from, can I ask, Mr Barr?

Mr Barr: Well, a range of other projects that would be part of their routine work.

MR PARTON: Right. Based on the level of excitement in the media release, I think that there might have been an expectation that this was a genuine new position, but clearly it is not.

Mr Barr: It is a reallocation of resources within the public sector, yes.

MR PARTON: And printing some different business cards for some different people?

Mr Barr: No. I do not think there will be different business cards.

MR PARTON: All right.

MR BRADDOCK: I have a question about page 65 of the budget paper, under "Continuing the COVID-19 Public Health support package". That funding only goes to the end of this financial year. Is there an expectation that there will be expenditure in other years?

Mr Barr: Thank you, Mr Braddock. I hope not, but we will see. It will depend on the circumstances. It would be a decision that would be taken in the coming budget round.

MR BRADDOCK: Okay. So where it says, "Including the post-COVID recovery clinic," if there is no further expenditure against this line item, how would that clinic be funded?

Mr Barr: Within the Health Directorate's resources and budget, going forward.

MR BRADDOCK: Thank you.

Mr Barr: Unless there is a new initiative in the budget.

MR BRADDOCK: Understood.

MR PARTON: I refer to page 117 of the budget review, under the heading "Land Release Program". I thought this was a fascinating quote:

> If the demand for land is higher than supply, then there may be upward pressure on prices which would see an increase to Government revenues, in the absence of a supply response.

That is a direct quote.

The government has failed, year after year, to meet its land release targets, which has created a situation where demand for land is higher than supply. By your own admission, this does put upward pressure on prices, resulting in an increase in government revenue. I am just wondering if you could explain how this does not give the appearance that the government is deliberately creating a situation where demand for land is higher than supply, therefore raising more revenue, at the expense of Canberrans wanting to buy single residential blocks of land.

Mr Barr: That is obviously a statement of risks associated with upside or downside potential outcomes. Ultimately, the more land the government sells, the more revenue the government will receive. If the argument is that there is an incentive in the system to sell less land, there is not. There is an incentive in the system to sell more.

MR PARTON: I would contend, Mr Barr, that that is not the case, and that, over a long period of time, if the supply is restricted to a point where the escalation in the price of land is great enough to create greater revenue, then that is the situation that you will get.

Mr Barr: It would be almost impossible for such a situation to occur, given the level of revenue associated with the release of even one additional block.

MR PARTON: I thought the statement was pretty clear. You have given us the context of the statement. The statement very clearly says that there would be upward pressure on prices which would see an increase to government revenue, in the absence of a supply response—

Mr Barr: Yes, and that is the key bit. That is supply and demand economics. "In the absence of a further supply response" is the key element there. The counterfactual, which you are suggesting, is that if the government released no land, we would receive no revenue. If we released an extraordinary amount of land, we would receive whatever that number was, multiplied by the value of each individual block that was sold.

There is no incentive to hold back land. There are definitely supply side challenges in the release of land, such as environmental impact assessments, all of the work associated with servicing a new estate, all of the below the ground work that is necessary to be able to release a block of land, and all the infrastructure augmentation. That is all very clear. They are not new issues. They are issues every jurisdiction faces.

But the premise of your question is that the government can maximise revenue by releasing less land. That is not true. The government can maximise revenue by releasing more land.

MR PARTON: Chief Minister, anyone reading that specific statement would say that what I thought was happening is happening, and there it is in black and white.

Mr Barr: No. If you ended the sentence before "in the absence of a further supply response", your point might be valid. But you cannot chop off the sentence in that regard.

MR PARTON: Thank you. I note that in table 3.6.2, on page 260 of the budget outlook, under "Affordable Housing NPPs", there is an allocation of $30,280,000 for the HomeBuilder grants for 2022-23. How much of that $30 million has been paid out to applicants, to date?

Mr Barr: I will need to take that on notice.

MR PARTON: You would have seen media reporting—and I think the *Canberra Times* reported on it last week—that hundreds of Canberrans face missing out on the grant, potentially exposing them to significant hardship. That is due to the federal government refusing to extend the deadline further. The Canberra Liberals have written to the housing minister, urging her to reconsider that decision. I am happy to table a copy of that letter, for the information of the committee.

THE CHAIR: Thank you.

MR PARTON: Chief Minister, given the large number of Canberrans who are facing significant financial hardship if this deadline is not extended, have you or any of your ministers approached the federal housing minister, urging her to reconsider this decision?

Mr Barr: This issue has been raised, I understand, with the commonwealth—

MR PARTON: You understand? So you have not been involved in raising it?

Mr Barr: I have written a number of letters—

MR PARTON: Yes.

Mr Barr: But this is an area, obviously, that is the principal responsibility of the commonwealth. It is their decision. I think a little bit of flexibility would help, and we have certainly communicated that to the commonwealth.

MR PARTON: This is the sort of thing where, when you have a federal Labor government, you could exert your influence.

Mr Barr: This is the deadline set by the coalition government.

MR PARTON: Yes, but the coalition are not in power. Have you received any response, to date, from the federal government?

Mr Barr: Not at this point, no.

MR PARTON: No. All right. I look forward to hearing more about that.

MR BRADDOCK: You will probably have to take this one on notice. Regarding page 77, the community infrastructure and transport projects, can I please have a breakdown of the projected costings by project?

Mr Barr: Yes; we can provide that.

MR BRADDOCK: Thank you.

Mr Barr: We will take that on notice.

MR PARTON: Let me move along to table 4.1: "ACT General Government Sector—Operating Statement".

Mr Barr: Sorry; are you looking at the supplementary budget papers or the budget review?

MR PARTON: I have a copy of the table, but I just—

Mr Barr: Table 4.1, on page 107? I think that is right. Yes. The GGS operating statement?

THE CHAIR: Yes, the operating statement.

MR PARTON: Yes. That is correct. There is a line item under "Other economic flows—included in the Operating Statement", which is named "Dividends (market gains on land sales)". Are you able to explain what this is and why the amount has gone up over $20 million from the budget outlook to the budget review? We just could not get a handle on exactly why that would be. It is "Other economic flows—included in the Operating Statement".

Mr Barr: I can see; it is about halfway down the page, on page 107.

MR PARTON: Yes. We genuinely ask the question because we want to know the answer.

Mr Barr: If it is a dividend, it is likely to come through the Suburban Land Agency, but we will take it on notice and provide a written explanation.

MR PARTON: That would be helpful. It was just one of those things that, when we spotted it, we could not figure out.

Mr Hocking: The land sales program can be quite lumpy in terms of when revenue comes in. I anticipate that it is probably that the SLA finalised more sales than we were budgeting for, but we will provide a more comprehensive response on notice.

MR PARTON: Excellent.

MR BRADDOCK: I have a question about page 44, which has the additional resources for Bimberi. Can you please explain why increased operational demand is driving those extra resources?

Mr Barr: This is $390,000 in the current fiscal year. Let me see. Just bear with us, Mr Braddock.

MR BRADDOCK: My apologies. Page—

Mr Barr: It is outlined on page 56.

MR BRADDOCK: Yes; I got the wrong page number.

Mr Barr: It says, "Meet increased operational demand," so that would mean the number of young people within the Bimberi Youth Justice Centre.

MR BRADDOCK: So we are successfully locking up more young people? Is that what you are saying?

Mr Barr: I think the general occupancy of the centre averages fewer than 10 on any given day, but if there is an increase to 11 or 12 then that may require some additional resources. I will inquire further with the Community Services Directorate in relation to that, but, clearly, there will be some element associated with the operation of the centre that required some additional funding. In the context of that additional funding being in the hundreds of thousands of dollars, it is not a substantive increase, Mr Braddock, given that, I imagine, the budget for that entity is in the tens of millions of dollars.

MR BRADDOCK: Thank you.

THE CHAIR: You will be taking that question on notice, Chief Minister?

Mr Barr: Yes.

THE CHAIR: Thank you very much.

MR PARTON: Chief Minister, I refer to reports last week that the Albanese government had not yet agreed to extend the additional funding allocated by the previous government to meet the costs of higher wages in the homelessness services sector. I note from that same media report that the ACT government is having discussions with the federal government on this matter, which I think is extremely beneficial. Are you able to, through this hearing, update the committee on how those discussions are progressing?

Mr Barr: Yes. The history here is that this was a funding allocation or decision of the Gillard government, where resourcing was provided over a period of at least a decade. That period is, I think, from 2012-13 to 20ß22-23. That additional commonwealth funding expires, as I understand it. The wage costs are still there, so the commonwealth will need to renew that funding arrangement or two things will happen: either states and territories will have to pick up the extra wage costs or the community sector will have to absorb them. It is our view, given that this was a commonwealth initiative of a decade ago, that the commonwealth should extend that particular program.

MR PARTON: We understand all that, but I am just trying to get a handle on whether you are able to update the committee on how those discussions are progressing.

Mr Barr: They are being handled by housing and homelessness ministers, and we would expect an announcement in the commonwealth budget.

MR PARTON: So there has been an indication that—

Mr Barr: I am not in a position to comment on that. I have not been involved in the negotiations. They are being managed by the line ministers, but the time frame for an announcement would be the commonwealth budget.

MR PARTON: We look forward to that.

DR PATERSON: Chief Minister, what do you see as the biggest risks outlined in the budget outlook for this year?

Mr Barr: The Reserve Bank and their position on future interest rate increases will clearly have implications for not just the territory economy but more broadly, and then the next biggest risk is inflation.

MR BRADDOCK: On that inflation risk that you just mentioned, Treasurer, with the ACT government running up deficit spending, is that contributing to potential inflation in the territory?

Mr Barr: The evidence would not support that, given that the scale of the territory's operating deficit is in the hundreds of millions in a near $50 billion economy, so I do not think there is a great risk of that in a macro sense. There is a risk in certain areas of infrastructure where we are competing with larger jurisdictions in a very hot infrastructure market. That would be the only area of risk I would identify in terms of the territory government's spending. I do note that most of our initiatives are actually targeted towards putting some downward pressure on inflation. We are seeing that particularly in the energy market in recent times.

MR BRADDOCK: Thank you.

DR PATERSON: Treasurer, the population growth has been particularly strong in the ACT. What do you see as driving that?

Mr Barr: A very strong labour market. We have twice as many job vacancies as we have unemployed people in the territory at the moment, so even if we could appropriately match the skills of those unemployed with the available jobs we would still need more people.

For the last decade, Canberra has been the fastest-growing city in Australia and the ACT has been the fastest-growing state or territory. This is reflective of a number of factors. It is principally being driven by migration, rather than natural increase, although natural increase does contribute. There are more births than deaths each year in the territory.

The bulk of our population growth has been driven by internal migration—people from elsewhere in Australia moving to Canberra—and an element of international migration as well. Clearly, during the pandemic that level of international migration was smaller—and, in fact, for a period was zero. What we have seen since borders have reopened is a return of international students, a return of tourism, and we still have a very strong labour market that is going to result in more people moving to Canberra to take up those jobs.

DR PATERSON: Do you expect this to continue?

Mr Barr: Yes; there is every indication that that will be the case. There is a very strong correlation between the strength of our labour market and our internal migration outcomes. Also, one of the results of the Jobs and Skills Summit last year was an increased allocation for international skilled migration into the territory that the territory is able to sponsor. From memory, that number is about 4,000. There will be, given the skills shortages in the economy, a demand for skilled migrants in a number of different areas and that will further our population growth.

DR PATERSON: There was quite a substantial miscount in the last census. What has the ACT government done to counter that and address that?

Mr Barr: The miscount was not in the census; the miscount was in the estimated residential population between each five-yearly census. There is a problem with the methodology that the Australian Bureau of Statistics have been using to derive that estimated residential population. The principal area of failure in that ABS dataset relates to internal migration within Australia. There is very, very accurate data on births and deaths and there is very accurate data on international migration, in terms of the first point of entry into Australia.

DR PATERSON: Yes.

Mr Barr: There is very poor data on internal migration. The ABS have largely been relying upon people's Medicare address as their prime source of information. That is not an address that would appear to be routinely updated by people, so that resulted in, for the ACT and Tasmania, a five per cent undercount on population.

We have raised this matter directly with the relevant minister in the new government and with senior ABS officials. That minister happens to be Andrew Leigh, one of our federal MPs, so he is acutely aware of that. He convened a meeting that I participated in, together with senior ACT government officials, to outline the problem and then set a range of work tasks for the ABS to pursue. I understand that that work is progressing and will necessitate a change in their methodology around the estimated residential population.

It is relevant because annually the estimated residential population is utilised for the determination of the relative share of the nation's population for the allocation of, amongst other things, the goods and services tax and a range of national partnership agreements between the commonwealth and the states and territories. So it has a material impact on the territory's revenue and our entitlement to our share of the national pool in the allocation of those population-based funding streams.

DR PATERSON: Thank you.

MR CAIN: Treasurer, I note that on page 104 of the budget review, table 3.5.5, the annual interest expenses will increase each year over the forward estimates, to over $520 million in 2025-26. I also note that in the next table, 3.5.6, you have new borrowings over the forward estimates of over $4 billion. That is adding up all of those annual borrowings.

I know, Treasurer, from your answers to Ms Lee in estimates on 29 August last year, that the government does not borrow to pay the interest on existing borrowing but pays the interest bill from the government's own internal revenue sources. My question, Treasurer, is: do the government's own internal revenue sources include the increased revenue that it is forecast to receive from land tax, residential and commercial conveyances and payroll tax?

Mr Barr: The government's internal revenue is outlined on page 107. I draw your attention to the increases in both interest and investment revenue. As interest rates increase, that does impact on the cost of future borrowings, but it also positively impacts on the returns on the territory's investments, which are substantial. The sources of revenue for the territory are outlined on page 107, and in further detail, by tax line, within the territory budget.

MR CAIN: Is the increase in revenue contributing to interest repayments?

Mr Barr: The increase in revenue is contributing to an improved headline net operating balance.

MR CAIN: But is it contributing to the interest repayments you have to make?

Mr Barr: It is resulting in an improved headline net operating balance.

MR CAIN: That is not the question I asked.

Mr Barr: I am giving you the answer.

MR CAIN: Is the increased revenue you are collecting contributing to interest repayments? That is a yes or no.

Mr Barr: The increased revenue that we are collecting is contributing to an improved headline net operating balance. That is the totality of the budget, Mr Cain.

MR CAIN: And that includes interest repayments?

Mr Barr: It includes a contribution to all expenses.

MR CAIN: Including interest?

Mr Barr: Of course, yes, because that is the headline net operating balance, which is improved. It is implicit, Mr Cain, in revenue and expenditure.

THE CHAIR: He just answered your question, Mr Cain. It does include interest.

DR PATERSON: I am wondering what the improvements in the headline operating balance will mean for ACT residents?

Mr Barr: What we are seeing is an improvement in all key budget metrics, from the improved revenue and the strength of the territory economy. We will see increased cash surpluses across the forward estimates in this budget review. That gives the government greater capacity to invest in infrastructure and services for our growing population.

MR BRADDOCK: The Australian government's consultation package on its plan to legislate the objective of superannuation was released in the past week or two. It states:

> There is a significant opportunity for Australia to leverage greater superannuation investment in areas where there is alignment between the best financial interests of members and national economic priorities, particularly given the long-term investment horizon of superannuation funds.

Is any consideration by the ACT government being given to potentially leveraging the superannuation investments that it is in charge of, for the longer term interests of the ACT?

Mr Barr: We do that already, Mr Braddock. You see the benefits of that outlined on page 107 of the budget review, in terms of returns to the budget. We have a principal responsibility to fully fund our superannuation liability. Higher interest rates mean that that liability is falling, relative to the long-term discount rate. So you see an improvement in relation to that liability. As interest rates are normalising, you are seeing that the level of coverage of our super liability is increasing and will continue to increase as interest rates increase. There is an adjustment to our headline net operating balance from the long-term gains on our investments. I touched on that in response to Mr Cain's earlier question. A normalised interest rate environment sees the returns on the territory's investments also increase.

As for the broader application of the trillions of dollars of savings that are under the care of our superannuation funds, within their investment mandates they have the capacity to invest in productive infrastructure and in other asset classes. You may be aware that part of this discussion has involved work between the commonwealth and the states and territories on investment in, amongst other things, housing. It also includes other forms of public infrastructure, with, as you quoted, long-term returns on the investment but also long-term benefits for the community.

MR BRADDOCK: Thank you.

DR PATERSON: Treasurer, we continue to operate in a full employment environment. What opportunities do you see to grow that and expand the labour market in the ACT?

Mr Barr: I think what we will see as our population increases is that there will be more demand for services. That will see strong growth in a number of parts of the labour market, most particularly in what is broadly described—an umbrella group—as the caring economy. Both the increase in population and the increase in the aged population will see increased employment in aged care, in health care, and in education and training, which are large parts of the territory's labour market.

As the Australian economy grows, the size of the public sector tends to grow with it. There is a proportion of public sector growth that is employment related, so we can anticipate increases in areas of commonwealth government supported activity, be that defence, national security or cybersecurity, and then through commonwealth programs—for example, the NDIS—all of which will contribute to increased employment.

Outside of the public sector there is a very strong area of growth for the territory in professional, scientific and technical services, some of which support government activity; other elements support further private sector activity. The territory's number one export industry is international education, and in the top three is international tourism. I would anticipate increases in employment in the higher education and vocational education sectors, to service international and domestic markets, and increases in employment in the tourism and hospitality areas of the economy as well.

I think we can anticipate that the construction sector will hold, if not slightly increase, its level of employment over the coming period. We are unlikely to see significant increases in mining, agriculture and manufacturing, but I suspect that their total employment will be slightly larger over time. Mining, obviously, is in the provision of services to the mining industry in other jurisdictions, rather than there being any mining in the ACT.

Agriculture tends to be little bit more capital intensive, and similarly with manufacturing, but there will be increases in employment there. The interesting question will be whether it will be an increase in that sector's share of total employment or just an increase in the total number of jobs. I suspect that the other areas of the labour market will grow more quickly than those areas. With a couple of notable exceptions, where technology is driving a decrease in employment, what we will see across the entire economy is an increase in employment, but it will be most rapid in the caring economy.

DR PATERSON: You talked about increased expense and investment to grow this market. What do you think the flow-ons of this strong labour market are to the ACT budget on the revenue side?

Mr Barr: Clearly, a deeper and broader tax base. The ACT suffers significantly from diseconomies of scale, but as our population increases then those fixed costs are spread amongst a greater number of people. Over time, that reduces those diseconomies of scale for the territory, but I think in our lifetimes the territory, although improving, will still be at the diseconomy of scale end of the government services spectrum.

DR PATERSON: To go back to the sorts of different sectors where we are seeing growth, there was an article in the *Canberra Times* not so long ago about how we are the startup capital of Australia. What are we doing to support startups, and do you see this as an opportunity for the ACT?

Mr Barr: On a per capita basis, yes, we have the most patents registered of any city in Australia. That is clearly reflective of our public sector research institutions doing more to commercialise their research, but it is not just the universities, the CSIRO and others. We are seeing some quite innovative service solutions being developed out of the Canberra Innovation Network, for example. I think that trend will continue.

The issue, really, will be access to national and international markets. Businesses can only grow to a certain size servicing half a million people and a $50 billion economy. We need to support their access to the national market and international markets as well. National market access is relatively straightforward within the federation, but there are areas of regulatory improvement that are being focused on. The Constitution is very clear on free trade between states and territories. One of the challenges can be in government procurement. If governments pursue local only, beyond what is reasonable, then it will be very difficult for ACT companies to access government procurement in New South Wales, Victoria and Queensland—all of the larger government markets.

That is why it is important that those constitutional principles of free trade between states and territories are upheld. Whilst it is acknowledged that government procurement will have an element of local supplier support, that cannot lock out others. If that were the case then ACT businesses would suffer greatly from not being able to access 98 per cent of the government services market, and that would be a terrible outcome. We still need access, and our companies need access, to other state and territory government procurements, as well as government procurements.

On an international level, the preferential trade agreements that are struck between our country and others—I think only Australia and New Zealand could really claim to have a free-trade agreement, and even then there are some caveats—particularly as they relate to access to government procurement opportunities, are important. The market for government services in the United States, for example, is bigger than the Australian economy. There are many Canberra companies who start small but rapidly accelerate their growth by being able to access national and international markets.

The flipside of them having that international market access is that, equally, companies from interstate or overseas have access to Australian government procurement and state and territory government procurement. That is what preferential or free trade is about. So we cannot have it both ways. We cannot say that ACT government contracts are not open to anyone else but then expect that our companies will be able to access government service contracts in larger markets. That is how trade works, but within a procurement framework that is supportive of those opportunities. That is the growth pathway for Canberra businesses to access much larger contracts in much larger jurisdictions, nationally and internationally.

MR CAIN: Chief Minister, given that you have confirmed that interest is paid from revenue collected from taxes, what services are Canberrans missing out on to pay off your debt?

Mr Barr: None.

MR CAIN: None?

Mr Barr: No. We provide services under the Australian federation framework; that is assessed by the Commonwealth Grants Commission at equal to the average service provision in Australia. That is the basis on which the federation operates.

MR CAIN: What plan do you have, Treasurer, for eliminating this massive debt?

Mr Barr: If we were to seek to eliminate debt then we would have to cut services, Mr Cain, so that is not the government's major priority at this time. We seek to utilise our debt to fund infrastructure that will improve the productive capacity of the economy or, indeed, the daily lives of Canberrans.

The choices are either no infrastructure program or investment in future growth of the city; cut services in order to prioritise debt reduction or seek to grow our economy and reduce debt as a share of gross state product—or, indeed, as a share of total revenue. There are two paths. You are free to choose the austerity path. That appears to be the line of questioning that you are pursuing, and you can take that to the next election.

MR CAIN: This is not a political forum, Treasurer. You are here in your executive capacity, so I ask you to restrain your comments to your role as a member.

Mr Barr: You do not get to ask me to restrain my comments, Mr Cain. You are not answering the questions.

THE CHAIR: Mr Cain, do you have any further questions?

DR PATERSON: I have a supplementary.

THE CHAIR: I heard you, Dr Paterson.

MR CAIN: You are here as a member of the executive, like your colleagues.

Mr Barr: No, I am here as the leader of the government.

MR CAIN: No, you are here as Chief Minister and Treasurer.

Mr Barr: That is correct—the leader of the government.

DR PATERSON: Excuse me—

THE CHAIR: I heard you, Dr Paterson. Mr Cain, do you have any further questions?

MR CAIN: Indeed, I do. You are saying that you have no plan to reduce the debt in the territory?

Mr Barr: No, that is not what I said.

THE CHAIR: I refer to your previous comment, Chief Minister. You did say that was not your priority—reducing the debt.

Mr Barr: That is right. I did not say it was—

THE CHAIR: You were not seeking it.

Mr Barr: That did not imply—

THE CHAIR: Chief Minister, you said—

Mr Barr: Do you want me to answer the question or not?

THE CHAIR: Answer Mr Cain's question, please.

Mr Barr: There is a difference between priority; understand that, Mrs Kikkert. It is not the immediate priority of the government to reduce debt at this time. We will invest in our city's economy and our city's growing population. As is clearly outlined, debt will increase, but it is to fund infrastructure. The alternative pathway, if you do not want debt to increase, is to abandon all infrastructure.

MR CAIN: Are you saying that debt is totally related to infrastructure expenditure?

Mr Barr: Yes, it is. That is correct.

MR CAIN: All of it?

Mr Barr: Yes.

MR CAIN: I would like to see that outlined, if you are able to do that. It is a question to be taken on notice.

Mr Barr: Yes; it is on page 107 of the budget review, right now. Go and have a look.

MR CAIN: All of the government's debt is because of infrastructure expenditure for—

Mr Barr: Yes. The infrastructure program is large. It is more than $1 billion in this year.

MR CAIN: I would be surprised if any Treasurer in this country would say such a thing.

DR PATERSON: I have a supplementary.

THE CHAIR: You will have your time, Dr Paterson.

DR PATERSON: This is commentary.

THE CHAIR: You will have your time.

Mr Barr: This is not a debate, Mr Cain. You asked a question, and I am referring you to page 107, which indicates the territory operating a budget that includes operating cash surpluses, and that the increase in debt is associated with the territory's infrastructure program.

MR CAIN: That is the increase in debt; what about the standing debt? Are you saying that all of the debt, not just the increase in debt, is related to infrastructure?

Mr Barr: Yes, all of the debt is related to infrastructure over the—

MR CAIN: All of it?

Mr Barr: Yes. The infrastructure program has been larger. We have spent more than $6 billion on infrastructure, Mr Cain.

DR PATERSON: Can I ask my supplementary?

THE CHAIR: Do you have any further supplementary questions, Mr Cain?

MR CAIN: I would like to see any other Treasurer in this country make a statement like that. That is a comment.

DR PATERSON: It is commentary. It is not appropriate.

THE CHAIR: Dr Paterson?

MR CAIN: I did say it was a comment.

DR PATERSON: Treasurer, can you outline how infrastructure spend improves the economy and contributes to a sustainable and growth economy?

Mr Barr: Indeed. Investing in infrastructure improves the productive capacity of the economy by reducing, for example, the amount of time that people spend in transit. It improves the flow of goods and services in the economy. Investing in infrastructure improves people's lives. Investing in infrastructure creates jobs and economic activity. The money that is invested in infrastructure predominantly delivers a local economic return—not exclusively, but predominantly.

The government borrows for infrastructure because infrastructure assets are built for the long term, for decades or centuries, and it is reasonable that the cost of that infrastructure is shared over multiple generations. If the government were not to borrow, it would be akin to this generation having effectively to pay for, in advance, all of the infrastructure that will be enjoyed by subsequent generations.

Examples of these sorts of investments include expanding the Cotter Dam, creating water security for decades if not centuries to come. It would have been unfair to expect that taxpayers in the 2010s would pay for that in cash when it is an asset that will be enjoyed for a century or more. Borrowings are undertaken and they are paid back over time.

Of course, with both inflation and revenue growth, the nominal value of debt reduces over time. Perhaps the more important metric to observe is debt to revenue or debt to gross state product, which gives you a sense of where public sector debt sits comparative to the size of the economy or the size of the territory budget.

In the ACT's instance, both of those metrics are very low and reflect the fact that the territory retains the highest possible credit rating. When compared with other Australian states or territories or, indeed, the Australian government, our debt to revenue and debt to GSP ratios are very low. They remain low, but they will increase as we borrow to fund future infrastructure.

The government's operating cash position continues to improve post the pandemic. As is outlined in the budget review, it has improved by a further $260 million over the forwards since last year's budget, which in itself was an improvement on the previous year's position.

There are two options, essentially, as I was outlining in my response to Mr Cain's line of questioning. If your number one priority is debt reduction then you abandon your infrastructure program and you significantly either increase revenue or reduce expenditure and utilise a budget surplus to pay down that debt. The cost of that will be the infrastructure program foregone, the services not delivered and the extra taxes paid.

Alternatively, you can seek to grow your economy and your revenue base and manage debt prudently over time, which is the approach that most governments take. Of course, there are other approaches, and they are determined in our jurisdiction every four years at an election.

DR PATERSON: In terms of engagement with the federal government on infrastructure spending, how important is that going forward—building that relationship and being competitive when it comes to federal funding?

Mr Barr: The commonwealth have a range of asset classes that they have historically invested in, and some that they historically do not invest in. Obviously, changes of federal government somewhat change the priorities for infrastructure investment.

What we have seen since the change of government in May last year is that there is more of an emphasis on infrastructure partnerships between the commonwealth and the states and territories—an agreed shared program of priorities, rather than the commonwealth announcing their own infrastructure projects without any consultation with state and territory governments and there being, effectively, disputes between the two levels of government over infrastructure priorities.

That era has ended, which is obviously helpful for territory budgeting. It means that there will be an increasing number of shared infrastructure priorities between the two levels of government for our jurisdiction. That will include transport projects, it will include urban infrastructure projects that are not transport related, and it will include partnerships in areas which the commonwealth have identified as priorities.

I refer, for example, to primary health care. I hope that the commonwealth will invest more in higher education. Certainly, we are pleased to see their increased investments in public transport and active transport. For example, they are partnering with us on a new cycle route in central Canberra. They are partnering with us on a new bridge in your electorate, in the Molonglo Valley. They are partnering with us on the extension of light rail. They are partnering with us on a student accommodation project at the new CIT building in Woden. They are partnering with us on the heritage restoration of the Gorman House arts centre for its centenary. They are some examples.

We are also partnering on the delivery of urgent care clinics to improve primary health care. We are partnering on new housing—public, community and other forms of social housing. They are all examples. The commonwealth have also invested in sports and entertainment infrastructure in the territory through the investment in the restoration of the arena at the Australian Institute of Sport. They are all recent examples, and we look to build on them through coming budget rounds.

DR PATERSON: Typically, the federal government does not invest in schools or hospitals. If the ACT government did not invest in those things by increasing infrastructure and net debt, what would happen?

Mr Barr: It simply would not be built. It is as straightforward as that. Again, it is open for people who have a debt fetish to say, "No more schools, no new hospitals, no new transport infrastructure." It is a policy pathway, and it will be up to the people of Canberra to determine whether they want infrastructure or not and whether it is reasonable that assets that have 50 or 100-year life spans are paid for over time through borrowings. It is a pretty simple proposition. It is how pretty much all urban development has occurred in Australia throughout its history. Governments do borrow.

To use a household analogy, it would be a little bit like suggesting that no-one could ever have a mortgage to buy a home; that you could not invest in the asset until you had saved up all of the cash to pay for it outright. If you were to suggest that to Australian households, they would laugh at you. Of course, the difference between government and a household is that government never retires. Government income increases every year. Government, in our case, has the highest possible credit rating. Households do not have those advantages.

MR BRADDOCK: I have a question about page 72, the rent relief fund. I am interested in why it is planned only to be available until 30 June 2024, and whether there is any longer term thinking about this kind of relief.

Mr Barr: Yes. This is an area that is principally a responsibility of the commonwealth. The territory has stepped in to provide some short-term urgent relief. I think there is a hope, Mr Braddock, that there will be a further assessment of rent relief. I do not think that the CRA, the Commonwealth Rent Assistance program, has had a comprehensive review for quite some time. Its payment structures are not reflecting the difference in housing markets across the country to the extent that they probably should.

In the intervening period, the government has allocated, as you see, $800,000 to provide support. Whilst we hope that the commonwealth will undertake some further work, income support is principally a commonwealth government responsibility, and there are great risks and administrative challenges, obviously, in state and territory governments seeking to step into that space at any scale.

MR CAIN: Treasurer, on page 34 of the budget review it states:

> While we are changing the amount of tax revenue we receive from different tax bases, we are not changing how much tax revenue is collected to fund government services.

Treasurer, given the significant increase in own-source taxation revenue that the ACT government will receive over forward estimates, and you have stated that we are not changing how much tax revenue is collected to fund services, where is the increased revenue that you are collecting from businesses, employers and home owners going?

Mr Barr: Where is it going?

MR CAIN: Yes.

Mr Barr: In this instance, in this update, principally to improve the headline net operating balance.

MR CAIN: And is that all of that amount that is being appropriated?

Mr Barr: No, not quite all. I think you will see that there is some new expenditure in this budget review. But the bulk of the revenue improvement has gone to the bottom line, to the tune of $261.3 million over four years.

MR CAIN: Treasurer, I will just touch on your mortgage analogy. As you would be aware, that is a very inaccurate comparison with the government budget. Everyone pays off their mortgage. That is the goal. The goal is to pay off your mortgage. I make a comment that that is a very poor analogy for government—

DR PATERSON: Why is Mr Cain debating—

THE CHAIR: Dr Paterson, this is my committee. No interjections; let him do his commentary. I am sure you have a further question, Mr Cain?

MR CAIN: I do.

Mr Barr: I presume that is a comment couched as a question or—

THE CHAIR: I just said it is—

Mr Barr: Is it a question or—

THE CHAIR: Treasurer, I just said it is a comment and he is welcome to make his comment. Do you have a further question, Mr Cain?

MR CAIN: I do. It is another substantive; is that okay?

THE CHAIR: Sure.

MR CAIN: On page 81 of the budget review, there is a breakdown of the forward estimates for a west Belconnen landfill and resource management centre. Could you confirm whether any of that amount is for the site that is currently at Parkwood Road, and how much of it is for the intended relocated site on Stockdill Drive?

Mr Barr: I will take that on notice.

MR CAIN: Thank you. Are you also able to take on notice the time frame for the Parkwood development?

Mr Barr: Yes, I will take that on notice.

DR PATERSON: My question is in relation to the Sustainable Household Scheme. The government has invested an extra $50 million in capital in the program. To date, what have been the benefits of the scheme?

Mr Barr: We have seen around five per cent of Canberra households already participate, creating a significant additional generation of renewable electricity for the city through the very strong uptake of solar for households. There has also been a component of battery storage that has been supported, together with a very significant shift of appliances. People are taking the opportunity to replace ageing gas appliances with more efficient electric products.

The results have been an investment in the economy of over $150 million. That has supported jobs in the renewable energy sector. We have seen households save hundreds of dollars each year, cumulatively thousands of dollars, in their energy bills, and we have seen a reduction in the territory’s emissions from the household sector.

It is a program that has received very strong community support. Interestingly, the uptake has been strongest in Tuggeranong, west Belconnen, Gungahlin, Weston Creek, Woden and Molonglo, more so than in central areas, partly because of scheme design that particularly targeted the program to low and moderate outer suburban households.

DR PATERSON: Cost of living is more and more of an issue at the moment. How does this scheme reduce the cost of living for households?

Mr Barr: It helps households to, in some instances, generate income from their solar energy production. In most instances it means that the solar energy at zero cost is replacing grid-supplied energy. Where it is associated with battery storage in, for example, an electric vehicle, it is reducing the operating costs of that private transport. For example, an electric vehicle already saves you about 80 per cent of your transport costs, as it is that much more efficient, and the cost of electricity is significantly lower than the cost of petrol or diesel. If you are able to access that electricity at zero cost then you are effectively eliminating your transportation costs.

Switching from gas to electric appliances that are more efficient means that you are not paying higher gas prices. If you are generating solar energy then that is largely for free, and your household operating costs for heating and cooling are lower. If you have an electric heat pump for hot water, again, that is a more efficient way of heating water that lowers your costs.

Given that fuel for transport and energy costs to operate your home are amongst the larger expenses that households face, this is a real and tangible cost of living improvement.

DR PATERSON: Going forward, how important is investment like the Big Canberra Battery—batteries and community batteries?

Mr Barr: Whilst I think it is important to have household-level programs, there are household circumstances that will make it difficult for those households to fully access all of that product suite, because they might be renters; they might be living in body-corporate-controlled dwellings, where being able to put solar on your own roof is not possible. Community-level solutions or territory-wide-level solutions allow those benefits to be extended to people in those circumstances.

I neglected to mention in my list of partnerships between the territory and the commonwealth that this is another area where the commonwealth have committed resources, for three community batteries in the territory—south, central and north—that complement the ACT government's community battery program.

We will see opportunities at a community battery level continue to roll out across different parts of Canberra. The territory-wide large-scale batteries are useful in the context of providing greater energy security for the entire territory, plus the capacity to sell our renewably produced energy into the national grid at times of high demand to generate revenue for the territory.

DR PATERSON: What is the rate of default on the Sustainable Household Scheme?

Mr Barr: I will take that on notice. When I last asked there had been no defaults.

MR CAIN: Chief Minister, I will make reference to a statement by Mr McAuliffe at estimates last year, and it relates to bond rollover interest rates. I am referring to the budget outlook statement for 2022-23, page 292, bond with a face value of $1.1 billion and a coupon rate of one per cent, expiring in April, with further bonds expiring in May next year and May of the subsequent two years. The question was about the interest rate assumptions for the rollover of these bonds. Mr McAuliffe stated:

> The budget review will come along and we will reassess the forward estimates based on prevailing rates and where things are up to.

Could I have an update on that, please?

Mr Barr: Yes, that is outlined in the budget review. You will see the particular areas. Pages 103 and 104 provide that update for you.

MR CAIN: Is that something you will take on notice?

Mr Barr: The answers are on pages 103 and 104.

MR BRADDOCK: What is the total capital budget for transport projects in this budget, and what percentage is being spent on active travel projects?

Mr Barr: In the budget?

MR BRADDOCK: Across the entirety of the budget, in terms of capital investment, what would be the total capital investment in transport projects, and what percentage of that would be spent on active transport projects?

Mr Barr: I think this question has been asked before, so I will refer to the previous answer, unless we have something to update. This is the budget review; this is not the budget. The only thing that will have changed in the budget review will be any of the new initiatives, and I think this question was asked last year.

DR PATERSON: As we know, the ACT government is one of the only governments in the world to deliver a wellbeing budget. Could you update us on progress on embedding a wellbeing framework into the budget?

Mr Barr: Yes, this continues to be an area of priority in budget business case development and in reporting, through the dashboard, on the 12 domains and nearly 100 indicators. Further information has become available through the progressive release of the 2021 census data, as well as some further ACT-specific research that we have commissioned effectively to populate the datasets that are those that are reported as part of the wellbeing framework.

We are going into the next budget round; that provides a further opportunity to extend those wellbeing principles into business case development and assessment. You will see in the budget papers that we do report against particular wellbeing indicator priorities and where the new initiatives are badged against those wellbeing indicators.

DR PATERSON: How does it work? How do departments prepare budgets in respect of the framework?

Mr Barr: They need to be able to demonstrate through business cases how new initiatives will improve wellbeing. They have a degree of baseline data; they then propose an initiative, and they need to be able to demonstrate through the business case that it will improve one or more of the wellbeing indicators.

DR PATERSON: Do you think this will improve data collection across the public service?

Mr Barr: It is certainly sharpening the focus for business case development. The subsequent questions around frequency of data reporting emerge. This is also a discussion at the commonwealth level, as they move towards a model of wellbeing budgeting at a national level. This raises the opportunity for discussion with the Australian Bureau of Statistics about what data is collected and how frequently.

DR PATERSON: Is our model here something that other jurisdictions are interested in?

Mr Barr: Yes. The New Zealand government has led this work in an international context. We are the first subnational government to progress with it, but other governments are certainly looking at it.

DR PATERSON: Will there be some kind of review of how it is working in the future?

Mr Barr: It is always good practice to assess, after each budget round, how things have gone from an internal government perspective. The broader public reporting question comes down to frequency of data collection. We have an active interest in those discussions with the commonwealth around ABS data collection.

Quality of data is a substantive issue, as we discussed earlier around the estimated residential population, for example. That, obviously, has significant fiscal implications. As has been topical in the last couple of weeks, there are the impacts of population assumptions on, for example, planning and zoning. As has been the subject of some conversation this morning, there is the timing of infrastructure investment and when certain things will be needed. It is all relevant.

DR PATERSON: Do you think that the wellbeing framework will also assist in being able to communicate to the community how the budget is spent?

Mr Barr: Yes. That is also useful. People have a broad level of understanding but not a particularly deep understanding, I think, of where every dollar in the territory budget goes. It is clear that a fortnight sitting on your side of the table running an estimates hearing would give a committee member a pretty good insight into where every dollar goes. I think that, broadly, people understand that around a third of the budget is spent on health, and around a quarter on education. The two combine to make up more than half of the territory budget.

It is probably not as well understood that our local government responsibilities, as generally described, would account for around 15 per cent of the territory's budget allocation. There is often a discussion about the balance between our state-level responsibilities and our local government responsibilities. Broadly speaking, it is about 85 per cent at state level and 15 per cent at local government level. That is a useful metric for people to understand.

DR PATERSON: What are some of the wellbeing priorities going into this year's budget?

Mr Barr: Certainly, we have a focus on cost of living and economic opportunity. We want to continue to improve outcomes for Aboriginal and Torres Strait Islander

Canberrans. Health, particularly primary health care, is an area of focus. Again, it is a partnership with the commonwealth, who are the principal funders of primary health care. Nevertheless it will be necessary to have localised solutions to improve primary health care. Clearly, the single biggest opportunity to take pressure off hospitals is to have a better primary healthcare system.

The second biggest opportunity to take pressure off Canberra's hospitals is for New South Wales to do more for their people in the regions. A point I have made repeatedly, but I will make it again, is that the more health services that are on offer at Bega, Queanbeyan, Wollongong, Wagga and elsewhere, the more they take pressure off the ACT system. Effectively, one in four patients in the ACT health system is a New South Wales resident, so it is about looking at what more can be done for primary health care in New South Wales as well. Again, that is a responsibility shared between the commonwealth and New South Wales governments. All of that will contribute to less demand on our hospitals, if we can improve primary health care in the territory and improve primary health care in New South Wales.

MR CAIN: Treasurer, in relation to the question I asked about bond rollover interest rates, you were asked to update the committee on what interest rate you have assumed for the rollover of these bonds. In answer, you referenced pages 103 and 104 of the budget review. Could you tell me exactly where that answer is on those pages?

Mr Barr: Yes. You will see the estimations on market borrowings and on the interest expense associated in tables 3.5.4, 3.5.5—

MR CAIN: What is the actual rate, though?

Mr Barr: and in table 3.5.6.

MR CAIN: What is the rate—the one per cent coupon rate?

Mr Barr: Your specific question is: with the bond that matured, when we refinanced it, what was the interest rate?

MR CAIN: Mr McAuliffe said the interest rate assumptions were based on where the market was at.

Mr Barr: Yes.

MR CAIN: This was in August last year. Things have changed a lot since then, of course.

Mr Barr: Yes, that is correct.

MR CAIN: There was an undertaking to reassess the forward estimates based on prevailing rates that are current.

Mr Barr: Yes. We have reassessed the forward estimates and they are outlined in tables 3.5 and—

MR CAIN: Based on what rate of interest?

Mr Barr: With the rate interest of the last borrowing, I will take that on notice. Actually, Mr McAuliffe may be able to tell you right now.

Mr McAuliffe: Yes.

MR CAIN: That was the point of my question.

Mr McAuliffe: I have read the privilege statement and I understand it. The 2022-23 original budget estimated that the borrowing rate for those assumptions was 4.2 per cent in 2022-23, and increasing to about 4.5 per cent by the last outyear. The budget review assumptions were 4.5 per cent for 2022-23 and then increasing across the forward years.

MR CAIN: Do you have an expectation of those rates going forward?

Mr Barr: That is what we just outlined.

Mr McAuliffe: The rates are changing. They are different today from what they were last week. That was our best estimate at the time that we set the budget review parameters.

MR CAIN: Is it part of your procedure to anticipate the rates for any future planning? Are you saying that it just happens each moment; you make the—

Mr McAuliffe: No. Certainly, when we formally update the budget estimates, we will update rates based on prevailing rates at that point in time.

MR CAIN: So the next update would be—

Mr McAuliffe: The 2023-24 budget.

THE CHAIR: Why is the government spending an additional $56 million on continuing the COVID-19 public health support package when it is winding down its COVID response?

Mr Barr: The extra appropriation covers the full fiscal year. The wind-down has commenced but it is not complete. There are still COVID-related services that were provided over the summer and will continue to be provided until the end of the fiscal year.

THE CHAIR: Do you know, Treasurer, how much of the $56 million is going towards the hospital?

Mr Barr: I would need to take that on notice.

THE CHAIR: Okay Thank you very much. On that note, on behalf of the committee, I would like to thank our witnesses who have appeared today. We also thank broadcasting and Hansard for their support. If a member wishes to ask questions on notice, please upload them to the parliament portal as soon as practicable, and no later than five business days after the hearing. The meeting is now adjourned.

The committee adjourned at 10.29 am.