LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Inquiry into Annual and Financial Reports 2022 - 2023)

Members:

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

PROOF TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 23 NOVEMBER 2023

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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.

APPEARANCES

Chief Minister, Treasury and Economic Development Directorate 18
Icon Water 18
Major Projects Canberra 18

Privilege statement

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Amended 20 May 2013

The committee met at 1.34 pm.

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
Miners, Stephen, Deputy Under Treasurer, ERI and Coordinator-General for Housing
McAuliffe, Mr Patrick, Executive Branch Manager, Investments and Borrowings
Salisbury, Mr Kim, Executive Group Manager, Office of the Commissioner, Revenue Management

Icon Water
Hezkial, Mr Ray, Managing Director, Icon Water
Yau, Ms Joy, Chief Financial Officer, Icon Water Limited
Pratt, Ms Alison, General Counsel, Icon Water Limited

Major Projects Canberra
Geraghty, Ms Gillian, Chief Projects Officer
Piani, Mr Adrian, Chief Engineer
Cahif, Mr Ashley, Project Director, Light Rail Stage 2 to Woden

THE CHAIR: Good afternoon. Welcome to this public hearing of the Standing Committee on Public Accounts for its inquiry into annual and financial reports for 2022-23. The committee will today hear from the Treasurer.

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 the 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.

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 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 Mr Barr MLA, Treasurer, and officials. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw attention to the privilege statement. Witnesses must tell the truth. Giving false or misleading evidence will be treated as a serious matter and may be considered contempt of the Assembly. Please confirm that you understand the implications of the statement and that you agree to comply with it.

Mr Barr: Yes.

THE CHAIR: Thank you very much. As we are not inviting opening statements, we will now proceed to questions. We have previously asked you, Treasurer, to provide estimates around how much additional tax the government expects to collect from businesses as a result of the new interpretation of the payroll tax. I am hoping officials will be able to tell me if the Treasury has completed any estimates or analysis on how much revenue the ACT government expects to collect as a result of the change in payroll tax interpretation.

Mr Barr: Firstly, there is no change in payroll tax interpretation, so the basis of the question is factually incorrect. There has been no change in the interpretation. There have been individual legal cases in other jurisdictions that have made determinations on individual tax matters in other—

THE CHAIR: But GPs, Treasurer, were not required to pay payroll tax before.

Mr Barr: Yes—they were.

THE CHAIR: They were supposed to?

Mr Barr: They were and they have been paying.

MS LEE: It is a matter of semantics. I think you understand, Mr Barr, where Mrs Kikkert is going with the question.

Mr Barr: No—the question implied that there was a change in the payroll tax law.

THE CHAIR: The interpretation.

Mr Barr: Or interpretation, which there has not been, and then suggested that GPs were not paying payroll tax previously when they were and they have been in the ACT.

THE CHAIR: But the interpretation has changed now for GPs.

Mr Barr: No.

THE CHAIR: Chief Minister, could you please just answer the question: how much revenue the ACT government expects to collect as a result of this payroll tax to GPs.

Mr Barr: There already is revenue collected from GPs' payroll tax. I am not in a position to disclose the amount each individual taxpayer pays. What I can do is take the question on notice and provide the information we can. We do not break down the data to the point that we may be able to answer the question and the detail, I suspect, that you are seeking, but we will endeavour to provide the answer that we can.

THE CHAIR: Was there no modelling by the Treasury in relation to how much revenue the government will collect from changes to the interpretation in payroll tax?

Mr Barr: Again, the premise of the question is wrong. No; there is no modelling to that effect because the premise of the question is wrong.

MS LEE: Could I ask a follow-up, Chair, if that is all right. There are the individual cases that are in the public arena about the way payroll tax applies to GP contractors who were previously not subject to payroll tax. Has the Treasury in the ACT done any modelling to come up with an estimate of how much more payroll tax the ACT will collect if the new interpretation, in the cases that have been determined, is applied?

Mr Barr: No, because the $2 million payroll tax threshold applies in the ACT, and that has applied consistently. We will have data in relation to GP practices that were paying payroll tax before—which again completely undermines the line of questioning that this is somehow a new tax arrangement. This is not.

MS LEE: I understand. But you are going to provide that on notice. That is what you have already undertaken to do.

Mr Barr: Yes. We make an estimate in relation to payroll tax collection in a totality in the budget papers. We do not make an assessment based on each individual taxpayer. It is a collective and total amount, and the estimates are in the budget paper for payroll tax.

MS LEE: I understand that you have not done any separate modelling to look into—

Mr Barr: No. We will get data in due course on extra payroll tax collections, because, of course, remember, there is no payroll tax obligation for 2023 for anyone who would have been or should have been payroll tax.

MS LEE: And that was my point: you do not have modelling to predict it. Is that right?

Mr Barr: We have modelling to predict the future of payroll tax and that is in the budget. Yes.

MS LEE: Generally, but not for the GPs.

Mr Barr: The totality of payroll tax collections—that is correct. But we have waived any liability prior to the commencement of this fiscal year and, of course, we have an offer of a continued waiver should particular practices wish to take it up.

MS LEE: Yes; I understand. Thanks for letting me interrupt, Chair.

THE CHAIR: Following up on the GP payroll tax: during question time, Chief Minister, you said that about four have advised that their GP clinic will be unable to meet the 65 per cent bulk-billing target you have set. Could you confirm this number and whether these four practices are a part of the 10 that you have said are already paying payroll tax?

Mr Barr: I am aware of a couple that made a public statement to the effect that they would be increasing fees, one by $2 and another by $5. I will have to check as to whether there is any further information in relation to any others. There are obviously some who were paying payroll tax before. Whether there is an overlap, I am not sure because I do not pry into the individual tax arrangements of individual businesses. That is not part of my job. I do not have any legal authority to do so. All I based my statement on was public statements made by particular GP practices that they sent to customers or potential customers or that they made in the media.

THE CHAIR: Did you consult with practices about the 65 per cent bulk-billing rate target before announcing that as government policy?

Mr Barr: We looked at the bulk-billing rates that were achieved pre the pandemic and looked at what had been achieved previously and set a level that was consistent with that.

THE CHAIR: You did not consult with practices, Chief Minister?

Mr Barr: There was engagement with the sector in relation to what we were intending to do. I sat in a meeting with them all and said that we would be tying any payroll tax exemptions to bulk-billing outcomes. We had that discussion.

THE CHAIR: What was their feedback? I note that the RACGP and AMA (ACT) both said that this was an unrealistic target. I am just trying to understand why you would push ahead with this policy when the peak bodies and actual practices have told you that 65 per cent is not a viable target.

Mr Barr: Well, 65 per cent was achieved in the ACT pre-COVID and it is a quantum significantly below every other jurisdiction. Every other jurisdiction in Australia is able to achieve that, Mrs Kikkert, so it is unreasonable to suggest that it is not possible in the ACT, particularly when we have done it before, only a few years before.

THE CHAIR: But times have changed and we are hearing from the experts here now that it is not viable.

Mr Barr: Beginning this month, the bulk-billing incentive was tripled. That was another factor in our consideration.

THE CHAIR: Thank you.

MS LEE: Treasurer, when you discussed the new interpretation—not by you; I am not saying that, so please do not take any semantics on this—of the payroll tax being applied to GPs in a way that it has not been previously, what did the RACGP and the AMA (ACT) talk to you about in terms of what it might do to GP practices and the risk that it may have on attracting new GPs to Canberra?

Mr Barr: They did not raise those points in any substantive way. They were particularly focused on the implications on patient fees and a suggestion that any additional tax burden would be on-passed. Those were the main points. The main point of the discussion also, as it became clear, was based on a misunderstanding of the application of the payroll tax-free threshold. There was a misunderstanding by the national body that, if you went $1 over the threshold, you paid payroll tax on the totality of your payroll. The concept of $2 million being tax free was not properly understood, and that was what they had based their public claim on that patient fees would go up by $15 or $20. It was an assumption that, if you went over the $2 million threshold, you would pay payroll tax on the totality.

Once it was pointed out that it was not the case and that you only pay payroll tax on the amount above the threshold, and once they understood the amount of tax that would actually be applied, it was clear that their mathematics was incorrect. They have adjusted that and we have seen a number of practices indicate that the actual figure is $2, which is reasonably consistent with the modelling that the Treasury provided in terms of what their tax liabilities would be. Some have increased by more than $2—by, I think, $5.

MS LEE: Some by $6.

Mr Barr: Yes. But on the modelling, based on the data that was available around the size of the payroll—and you can do the maths as well—the tax rate is 6.85 per cent on the amount above $2 million. So, if the payroll is $3 million, the taxable amount is $1 million. The total tax is $68,500.

MS LEE: Is the modelling that you have referred to, which Treasury has done, publicly available? And, if not, can you table it for me?

Mr Barr: I have just given it to you verbally. I can give you the tax rate, which is 6.85 per cent.

MS LEE: It is fine. We know what that is. I asked whether you had a written version of it. No?

Mr Barr: I can write it down for you—yes.

MS LEE: But you do not have anything written from the Treasury to you?

Mr Barr: The Treasury have written down that the payroll tax at below $2 million is zero. So I can give you a piece of paper that says—

MS LEE: That is fine. Thank you. In relation to the—

Mr Barr: And then it is 6.85 per cent of half that.

MS LEE: threshold you talked about, you have previously said, in public comments and in answers to questions, that about 10 GP practices are already paying.

Mr Barr: That were paying—yes.

MS LEE: Just on that, can you please clarify: are they 10 individual practices or are they 10 practice groups? There are some practice groups that have many—

Mr Barr: That is obviously confidential taxpayer information. I will see what I can provide, but I cannot list the taxpayers for you.

MS LEE: I am not asking for that. I am just wondering whether there actually are groups. Obviously you understand that there are some who have multiple practices.

Mr Barr: Yes. If you are grouped, you are much more likely to be over the $2 million threshold.

MS LEE: Absolutely. That is what I am getting at. Whatever information you can provide for the committee would be helpful. Thank you. In relation to that, did the Treasury do any modelling on the 10 that are already paying the payroll tax and then the cohort that are not? If you add in GP salaries, for the purpose of this question, how many would then push above the threshold? Has that modelling been done?

Mr Barr: That would depend, obviously, on the individual—because it is declared by the business and they have to assess their own liabilities. Guidance was provided to them, but, again, the question on how they structure their affairs is a matter for them. They could ungroup and sit below the $2 million threshold and not have any tax liability.

MS LEE: But that was not something that the Treasury looked at from data that was available and then saying, "Actually, it would mean—

Mr Barr: The answer is no. There is no information as to the nature of the commercial relationships or grouping arrangements of individual businesses. They have to declare—

MS LEE: Yes; I understand that. So the answer is no, you have not done that modelling.

Mr Barr: Yes.

MS LEE: Thank you.

Mr Barr: There is no basis on which we could do it, because it is voluntary; the people have to voluntarily provide their information.

MS LEE: Yes. It was not something that the Treasury tried to—

Mr Barr: No.

MS LEE: Thank you.

MR PETTERSSON: Chief Minister, for many years we have been discussing what full employment in the ACT looks like. Could you please update the committee on the current state of the labour market?

Mr Barr: Yes. We have seen continued strong growth in the labour market. Most recent data shows the labour force, in terms of the total number of people employed, has now grown to 267,600, I believe. The data indicates also that, with that growth—and, to put some perspective on it, a year ago, in October 2022, the labour force was at 258,500; it is now at 267,600—the number of people in employment has increased by 9,100. At the same time, the participation rate in the economy has also increased, from 71.9 per cent to 73.2 per cent, which means we now have the highest participation rate in the country, of all the states and territories. Our unemployment rate remains amongst the lowest in the country. In some months it is the lowest and in other months it is the equal lowest or second lowest in the country. Employment growth has been very strong.

Pleasingly, and in the context of a discussion on full employment, we still have more job vacancies in the territory economy than we have unemployed people, but, with the lift in the participation rate, that gap is starting to close. What that is showing is that the available jobs are now starting to be taken up, so there is some easing of the skills shortages that some sectors of the economy have been experiencing, and our very rapid population growth and our skilled migration programs, and our interstate migration attraction programs, are making a difference in addressing some of the skills shortages across the economy.

We are still in a position where, as I said, there are more job vacancies than there are unemployed people. This is not a particularly common experience that any economy has, but we have been sustaining full employment for some time. I have also been pleased to see that the youth unemployment rate has been reducing over the year and that the underemployment rate—that is, people who are in work but want more—has been pretty stable as well. That is demonstrating that people are able to access extra hours. And, when you look at hours worked in the economy, they are also increasing.

Perhaps it is not surprising in a circumstances where there are more job vacancies than there are unemployed people that people who are in the workforce and have skills—so they are in demand—are working extra hours. There is a bit of overtime, clearly, in the economy at the moment. This is feeding into a significant increase in wages and salaries across the economy, particularly in the private sector. I note the WPI for the ACT for the private sector in the September quarter was 5.8 per cent growth through the year. That gives a pretty clear sense that there is competition for skills in the private sector, and wages are finally moving again in the Australian economy and particularly in the territory economy.

MR PETTERSSON: What industries or sectors are seeing this job growth?

Mr Barr: We are seeing it across a number of areas of the economy. Some of the larger contributors to employment growth are areas that are our mainstays. I will pull up the data. The ABS weekly payroll data gives a sense across different industry sectors. For example, since the start of the pandemic—if we do a comparison to see what the recovery has effectively been and what the growth has been beyond the pandemic period—we have seen health care and social assistance; electricity, gas, water and waste services; agriculture, forestry and fishing; construction; financing; insurance services; wholesale trade; professional, scientific and technical services; art and recreation services; information, media and telecommunications; education and training; rental, hiring and real estate services; and retail trade all increase, often in double digits. The range is from an about 10 per cent increase in the number of people in jobs to a 27 per cent increase in health care and social assistance.

Interestingly, public administration and safety has had an increase of about 7.7 per cent, so it has not been the major driver of the change in payroll jobs since the

COVID period. We have also seen increases in administrative and support services and other services, and accommodation and food services, and a tiny increase in manufacturing. The only area of the economy that has seen a reduction in the number of payroll jobs through the ATO system is transport, postal and warehousing.

At the top of the list, but off a tiny base, is mining, which has 53 per cent more people working in it than before, but I imagine that is one of those statistical quirks as the territory does not have a big mining sector, but it does have people who work in allied service areas that support the mining economy and that reflects, obviously, boom times in other parts of the country.

MR BRADDOCK: Would that include lobbyists?

Mr Barr: Interesting. I suspect they might be accounted for in some of the other services or in the professional, scientific and technical services area rather than specifically lobbying on the industry's behalf, Mr Braddock.

MR PETTERSSON: Thank you.

THE CHAIR: Mr Braddock.

MR BRADDOCK: I have a question about the responsible investment policy, particularly when it comes to, firstly, fossil fuels. I am wondering why it is limited to companies who own proven fossil fuel reserves and why we do not exclude, for example, gas companies, oil refineries or fossil fuel power stations.

Mr Barr: In the first instance, we are a joint shareholder in a company that has activities in that space, but it is also obviously driving our transition from gas to electric. It has a lot of activity in electric vehicles and other circumstances. When you look at the energy sector, for example, and the transition that is occurring, it would be odd for us to have a responsible investment policy that refused to invest in our own joint venture activities. Obviously, in the case of the retail partnership with AGL, there has been a significant internal change within that organisation as to its policy approach around transition and in a number of other areas of the energy economy. Energy companies are going to continue that path of transition, and so I do not think that divesting from them at this point is either rational or indeed necessary in order to drive emissions reduction outcomes and improvements and steps towards Australia's climate targets.

MR BRADDOCK: Even if those energy companies are not making that transition?

Mr Barr: I am not sure that there would be many that are not screened out already.

MR BRADDOCK: For example, Viva Energy Group owns an oil refinery, or the Esseco gas company?

Mr Barr: I am not entirely sure of the full range of activities of Viva Energy Group, but I do believe they are also involved in activities that support electric vehicle charging, for example. Energy companies, at this point in the energy transition, are likely to have interests across a range of energy types. I understand it has been a longstanding position of your political party to select particular businesses you do not like and then try and divest from them. Government has to take a broader view and apply a set of reasonable criteria from which to screen investments. I believe we do and that our policy is very effective. In fact, I imagine it is one of the better ones in the nation in this regard.

MR BRADDOCK: Given the government's investments in Airbnb and potentially profiting off that company, is there a conflict of interest?

Mr Barr: No; I do not believe so. Our investment portfolio is undertaken at arm's length against a set of criteria that ensures that certain activities are screened out of our investment portfolio. If politicians were to decide what we invest in and what we do not invest in, then that would obviously change as politicians come and go, and I do not think it would serve the long-term interests of the territory particularly well.

At various points in time, Mr Braddock, we all may or may not have particular views about the actions or attitudes of particular companies, boards or CEOs. There has been quite a lot of concern about the actions of some companies or others, but, if we are going to apply our own personal political filter on who we do or do not like, I do not think that is a rational way to conduct the investment of billions of dollars of superannuation funds on behalf of the entirety of the ACT, or the entirety of the ACT public service. We have to reflect the fact that there will be a variety of personal views of individuals about what they may or may not personally invest in or otherwise. Your view will differ from mine, and it will differ from Ms Lee's, and it will differ from Mrs Kikkert's, and I do not think we, as politicians, should seek to direct individual investments across our superannuation investments. We have a policy framework. It is robust, it is nation-leading and it is effective.

MR BRADDOCK: Thank you.

MS LEE: On page 216 of *Budget outlook*, you have estimated an additional $57.7 million in interest expenses as the result of rising interest rates, and that was prior to the downgrade of the territory's credit rating from AAA to AA+. Do you have a revised figure?

Mr Barr: Not today, but we will update that as part of future budgets and budget reviews. That is impacted by the amount that we borrow and the timing of those borrowings, and, of course, the prevailing interest rate at the time of a new borrowing would impact on that.

MS LEE: Yes. So the next update would be—

Mr Barr: There will be the budget review and then next year's budget.

MS LEE: So nothing until then. That is done at that time?

Mr Barr: That is right, because the totality of government decisions up to that point is then tallied and our borrowing requirements are updated. Obviously, there are a lot of things that move—revenue, for example. The more revenue and the more cash at the bank the more interest is earned, and greater investment returns mean less borrowing.

MS LEE: In terms of the loss of the AAA credit rating, how will that affect the refinancing of debt maturities this year and in the forward estimates?

Mr Barr: It will have no effect at all in terms of access to capital. It will possibly, depending on the timing of the approach to market, have some impact on the rate of borrowing. I think the estimation of that, compared with the only other AAA jurisdiction, and the spread is different, is a handful of basis points. The bigger impact, obviously, has been the 13 increases in the official cash rate from the Reserve Bank since May last year—

MS LEE: Obviously. Yes.

Mr Barr: You have asked me this question in a different form a dozen times. The difference between AAA and AA+, in terms of borrowing costs, is marginal—almost non-existent—and the gap is closing because there are not many AAA rated borrowers anymore because the pandemic knocked them all out, with a couple of exceptions. There is only one in Australia and only a handful in the Southern Hemisphere. In terms of subnational governments, the number is only in the teens and then there are a few municipalities and cities in the Northern Hemisphere. I think across the entire world there are only about 27 subnational, city and regional borrowers who remain at AAA. AA+ is now the standard for every other Australian state and territory, except Victoria, and most other subnational jurisdictions. The market effectively adjusts—

MS LEE: And WA.

Mr Barr: because there are no AAA borrowers, so AA+ is the best that the bond market can get most of the time.

MS LEE: Have you either sought or received advice from the Treasury about any changes to financing infrastructure or policy decisions on own-source revenue?

Mr Barr: I am not entirely sure what you mean by that question.

MS LEE: Because it is obviously going to impact on borrowings, have you talked about whether more, in the future, and especially bigger infrastructure financing might need to come from own-source revenue? Has that been discussed?

Mr Barr: You could look at a range of different sources for infrastructure finance. It would depend on the asset class as to whether that was justifiable. Obviously, another source of funding for infrastructure is the commonwealth government, but there are only certainly asset classes that it will invest in. Whether the infrastructure program can be adjusted to reflect likely funding partners is certainly a factor, but it cannot drive every infrastructure decision. We cannot just let the commonwealth government—

MS LEE: I understand that. Since the downgrade, has that been discussed?

Mr Barr: The downgrade is not a factor because the implications for borrowing costs are so minimal.

MS LEE: Okay.

Mr Barr: A greater factor is the state of the current infrastructure market in particular asset classes. There are some areas where the market is overheated, and there is no capacity to build that sort of infrastructure on the east coast of Australia because they are maxed out on projects in bigger jurisdictions. There are other asset classes where there is market capacity and we are not competing against larger jurisdictions for some of our projects. Then, of course, there is our local industry capacity which is finite but essentially needs a steady diet of projects each year, but they tend to be smaller in scale than the very large ones.

MS LEE: Sure. You answered one of my earlier questions about the rises in interest rates being a huge factor. Has there been any directive or advice from the Treasury to try to reduce borrowings as a result of the higher interest rates?

Mr Barr: No. There is a directive and advice from me to do that.

MS LEE: Yes. Are you confirming that is your directive and advice, then?

Mr Barr: The position is that the government is looking at our infrastructure program in light of the federal infrastructure review and looking at our forward program to make decisions based on the current cost of capital.

MS LEE: So it is your position that we should be reducing borrowings because of the interest rate increases?

Mr Barr: It is my position to seek to maximise alternative funding sources for infrastructure—yes.

MS LEE: Thank you.

THE CHAIR: Following up on that, Chief Minister, can you clarify for me: does borrowing funds at AAA rating have a lower interest rate than borrowing funds at AA+?

Mr Barr: It depends on the time you approach the market.

THE CHAIR: But there will be a difference. Is that correct?

Mr Barr: Yes. It is—

THE CHAIR: So it does have an impact—

Mr Barr: A couple of basis points.

THE CHAIR: When you are a jurisdiction with a AAA rating, your borrowing would be at a higher interest rate than you would have when you are at the AA+ rating. Is that correct?

Mr Barr: No. You might have that the wrong way round. I think what you mean is that your cost of borrowing would be lowest if you are AAA rated.

THE CHAIR: That is correct. So, now that we are at AA+, our interest rate would be higher to pay it back. Is that right?

Mr Barr: Not necessarily, because it depends on the time and higher compared to what?

THE CHAIR: Higher than AAA.

Mr Barr: Again, not necessarily.

THE CHAIR: Depending on when we borrow.

Mr Barr: Depending on what time you approach the market, what else is available at that time—

THE CHAIR: But, in general, it would have an impact?

Mr Barr: In general terms, it has a very small impact of two to three basis points. That is the advice—

THE CHAIR: Two to three basis points, so it still does have an impact.

Mr Barr: Yes.

THE CHAIR: That is what I wanted to know.

Mr Barr: But the scale of that impact is contingent on a variety of things.

THE CHAIR: We are still talking about millions of dollars, though.

Mr Barr: No, we are not; we are possibly only talking about hundreds of thousands in difference, depending on the scale of borrowing. Let me give you an example. When we had a AAA credit rating, we often paid a higher rate of interest than larger jurisdictions who had a AA+. Having AAA does not mean that you get to borrow at a lower cost than jurisdictions that have—

THE CHAIR: Could you please take that example on notice—when that happened and exactly what we borrowed, compared to the other jurisdiction and what they borrowed at the time?

Mr Barr: Yes. But it has to be at the same time.

THE CHAIR: Of course; take it on notice, please.

Mr Barr: Yes.

THE CHAIR: Thank you, Treasurer. Just following up on that question, in your 2013-14 budget, there was a clear objective and measure to maintain a AAA credit rating. In the 2014-15 budget, this objective was still stated in the budget, although it was not included in the government's fiscal objectives. Instead your budget said:

> The territory will strive to maintain a AAA credit rating in the long term, and while recognising the level of investment currently in the pipeline will lead to an expansion of the territory's balance sheet in the short to medium term.

In this term of government there is no commitment or stated objective to maintain a AAA credit rating. Why was maintaining a AAA credit rating slowly removed as a key objective in the ACT budget since 2014-15?

Mr Barr: Obviously, at the time, in 2014-15, we were undertaking a $1 billion loan for the Mr Fluffy clean-up. Subsequent to that, the pandemic hit and, like pretty much every other government in the world, we lost a significant amount of revenue and we had to incur significantly more expenditure, so we incurred more debt. When weighing up all of the priorities within a budget, the credit rating is not the highest priority.

That can well be a choice for governments. I remember having the discussion in the national cabinet with the then Governor of the Reserve Bank and every other first minister. The very clear advice at that time was that we had to set aside our desires to maintain credit ratings in order to, as the governor put it, build a bridge to the other side of this massive economic shock. That was a decision that every state and territory and the commonwealth government took at that time. It is open to others to make other choices, but—

THE CHAIR: Chief Minister, I am not really concerned about other jurisdictions; I am concerned about the ACT. What implications does this shift in focus have for fiscal policies and government priorities, now that you have shifted that focus of—

Mr Barr: It means that we will not put the credit rating ahead of everything else.

THE CHAIR: What about the potential impact on economic strategies?

Mr Barr: We have just completed the strongest decade of economic growth in the territory's history, and our economy has grown faster than any other state or territory over the last 10 years. Our economy is 40 per cent bigger now than it was a decade ago. That is well ahead of every other state and territory, and well ahead of the national performance over that time. In looking at all of the elements of economic strategy, as you have described it, achieving record levels of economic growth is a pretty important outcome as well.

MS LEE: You mentioned Mr Fluffy being one of the reasons why you had to let go of the objective of a AAA credit rating. I think you mentioned $1 billion that you had to get. What was the net position after, obviously, the buyback and the selling of the blocks?

Mr Barr: Minus $300 million or thereabouts.

MS LEE: Minus $300 million? That was the net—

Mr Barr: Yes. Plus, of course, the interest costs that were borne along the way.

MS LEE: That is plus the interest costs, not including?

Mr Miners: We can get that detail on notice.

MS LEE: You will take that on notice?

Mr Miners: We will have to take the detail of that on notice, but it is a significant cost to the territory from that program.

MS LEE: Yes, I understand. Take on notice the net position, plus or minus the interest; thank you. The other factor that you talked about, of course, was COVID; but S&P, in doing the assessment of the credit rating this year, did say that one of the reasons for the downgrade was, and I will quote directly, "that it reflects the territory's slower fiscal recovery from the pandemic than we expected". Obviously, that has been taken into consideration. What is your response to that observation from S&P?

Mr Barr: Yes, the economic recovery and fiscal recovery were not as strong as they were expecting. It was stronger than we had budgeted for, and at each budget update we demonstrated a continued improvement in the territory's position, but it was not, obviously, as strong as they had forecast in their own internal assessment.

MS LEE: Do you agree with S&P that your $6.4 billion figure, in terms of investment in infrastructure, has downgraded the territory's long-term economic outlook?

Mr Barr: Not the long-term economic outlook. I think they were referring to the fiscal rather than the economic outlook.

MS LEE: Is that your position? That was your understanding of what they said?

Mr Barr: Whatever you just quoted to me—are you quoting or is that just your shorthand of what you thought they said?

MS LEE: Yes, that was what they said.

Mr Barr: It is your shorthand—

MS LEE: You can correct me if I misunderstood that.

Mr Barr: I think you might have. I will double-check exactly what they said.

MS LEE: Yes, if you can clarify that.

Mr Barr: But I do not think they are talking about the economic outlook; I think they are talking about the fiscal position. Undoubtedly, we have borrowed to pay for infrastructure. That is not in question. That is what every jurisdiction in Australia is doing.

MS LEE: In terms of project values for the Canberra Hospital expansion project, I do not know whether you have that figure in front of you.

Mr Barr: Sorry, what are you talking about?

MS LEE: The blowout of the Canberra Hospital expansion project.

Mr Barr: There is no blowout of the Canberra Hospital expansion project.

MS LEE: Okay. What was the original—

Mr Barr: There is increased scope.

MS LEE: I understand you do not want to call it a "blowout", but what was the original budget and what is the budget now? I am assuming that we are getting that figure.

Mr Barr: Do you have that at hand, Gillian?

Ms Geraghty: I have the numbers related to the scope increases.

Mr Barr: Yes.

Ms Geraghty: I have read and acknowledge the privilege statement. The Canberra Hospital expansion had an original project value of $624 million and it is now at just over $660 million. That is related to some additional scope approvals. It relates to a hybrid theatre, the inpatient unit shell fit-out space, a central sterilising department and a pandemic overlay for some areas of the hospital.

MS LEE: Thank you for those figures. I will not go into any more of the Canberra Hospital expansion project. I will go back to Mr Barr's quotes. Treasurer, in 2017—this was in the last term—during a debate in the Assembly—and these are direct quotes from you—you said:

> I am absolutely certain that, had the opposition won the election last year and ripped up the contract with the light rail consortium, that would have triggered a credit rating downgrade.

You also said:

> … ripping up contracts is not something that is consistent with a AAA-rated jurisdiction.

Mr Barr: Yes.

MS LEE: Can you rule out that the ripping up of the contract with Calvary had no effect on S&P's credit rating downgrade?

Mr Barr: I think I can confidently do that, yes.

MS LEE: On what basis?

Mr Barr: There is a difference, obviously, between a construction contract and an operations contract, and the credit rating agency made no reference whatsoever in any discussion with me or with treasury officials that the Calvary arrangements had any bearing on their credit rating determination.

MS LEE: Can you rule out that the waste of $76 million on the HR IT project which was abandoned, which we have already discussed in sitting periods, had an impact on the rating downgrade?

Mr Barr: Most of that was non-cash; yes, that was not referenced by S&P.

MS LEE: Maybe not that specific one, but what about some of the other wasted money on failed and unnecessary projects, including, for example, one that the Auditor-General has pointed out, in relation to the Acton waterfront? That is just an example. Have they had an impact in relation to the AAA credit rating?

Mr Barr: No, because obviously that infrastructure investment leads to an increase in the territory's asset base on the other side of the balance sheet, Ms Lee.

MS LEE: S&P have put in their report and pointed out that their reason for downgrading the credit rating is because of rising expenses. Wouldn't you agree—and you have talked about the deep regret that you have about that project—that those types of projects are an expense?

Mr Barr: They have a number of different components. Some are, in the instance of the HRIMS system, significant; in fact, more than half was a non-cash component—simply a depreciation. That, seen in an accounting sense, say, is non-cash, so it is a different assessment for the credit rating agency.

MS LEE: Sure, but there is still a significant proportion that is cash, even if you do take that into consideration.

Mr Barr: But not material across a four-year $40 billion recurrent and infrastructure program. That is the total territory sector.

MS LEE: Yes. In relation to the Calvary contract termination, I know that it has not been finalised yet, but the ACT will be hit no doubt with a huge compensation bill in relation to it.

Mr Barr: No. Why would you make that assumption? On what basis?

MS LEE: Are you saying that there are no negotiations on foot to compensate Calvary?

Mr Barr: I have not made any comment on commercial negotiations, but one should not assume anything in this regard.

MS LEE: Okay, so there is a chance. I am not asking you to confirm or clarify that there are obviously some negotiations going on. Are you saying that Calvary will not be asking for a payout or have not asked for a payout?

Mr Barr: Calvary have received some funding that was part of the just terms and the transition arrangement.

MS LEE: How much was that?

Mr Hocking: There are amounts that we have paid them which I roughly know, but I am a little bit unsure about whether I am allowed to reveal them. I might need to take that on notice—

Mr Barr: We will take that on notice.

Mr Hocking: and check with the Government Solicitor about that.

MS LEE: Whilst you are doing that, Under Treasurer, can you please provide on notice whether that is the totality or entirety of what the ACT will be required to pay?

Mr Hocking: I can answer that now. The amounts we have paid them so far are not final compensation.

MS LEE: Are not final compensation?

Mr Hocking: No. There are provisions in the enabling legislation that allow us to pay them early compensation, which is really cashflow assistance. They still have to justify those amounts as a final compensation claim. Where we are at the moment is that they have recently lodged some compensation claims and we are still considering those.

MS LEE: Are you able to tell the committee what they have asked for or is that not information you are able to share?

Mr Hocking: They are still subject to commercial negotiation, so I cannot.

MS LEE: I guess that goes back to the original point to Mr Barr that, with those types of rising expenses that are still yet to be finalised, surely, that has had an impact in relation to S&P's reason for the downgrade?

Mr Barr: Not that they have stated, no.

MS LEE: Maybe not specifically, but—

Mr Barr: You are drawing a very long bow in that regard. You will do what you will do, but there is no factual basis for any of those statements.

MS LEE: The factual basis being that there are negotiations on foot for compensation that will be large, and that is considered an expense, is it not?

Mr Barr: No, you are making a series of assumptions there that do not have a basis in fact at this point in time.

MS LEE: Is it not fact that, if there is a termination of a contract that has over 70 years left, there is going to be a fairly significant compensation sum?

Mr Barr: Not necessarily, no.

MS LEE: You are saying that there is a chance that Calvary says, "Thank you," and will just walk away?

Mr Barr: No, there is a chance that a court settlement would be that there is not a significant payment to Calvary.

MS LEE: What would you say is not a significant payment?

Mr Barr: I am not speculating on that because I am not wishing to prejudge or to precondition any legal discussion.

MS LEE: The two examples that I have raised are expenses, are they not?

Mr Barr: No. It will depend, of course, on the quantum and whether that is in any way material. I think there are a couple of important points to observe; that is, whilst Calvary are not receiving the revenue that they would otherwise under the contract, they are not incurring the expenses under the contract, either. As a not-for-profit organisation, they should not be making a profit on that contract.

MS LEE: No-one has raised profit except you right now. But there are ongoing negotiations—

Mr Barr: But that is the only thing that would be lost in a contract.

MS LEE: Yes, but my point is that there are ongoing negotiations about compensation. I cannot understand why you would try and deny that, of course, that is an expense. I just do not understand that. I am finished, Chair; that is fine.

Mr Barr: I am not suggesting it is not an expense—

MS LEE: I think we are just going into—

Mr Barr: No—

THE CHAIR: Treasurer, where—

Mr Barr: If I can—

MS LEE: It makes no sense.

Mr Barr: respond to that point, I am not suggesting that there is no expense, but you have prefaced every statement that you have made in this line of questioning that this is some large, credit-rating-reducing expense. I am contesting that; that is not a fact.

MS LEE: That is fine, and after that we—

THE CHAIR: I have a question. Treasurer, where would that money for the compensation for Calvary hospital come from? Would you be borrowing that money?

Mr Barr: That is a hypothetical question, because there is—

THE CHAIR: Where would you get the money from, Treasurer? You are anticipating paying them.

Mr Barr: There is no expense at this point.

THE CHAIR: At this point; however, you are anticipating paying them compensation, so where would you get the money from?

Mr Barr: Revenue.

THE CHAIR: From revenue; you will not be borrowing any further money?

Mr Barr: We would get the money from revenue.

MS LEE: Debt.

THE CHAIR: So taxpayers would pay for it; thank you. Mr Pettersson?

MR PETTERSSON: Chief Minister, the national accounts data released this week confirmed the ACT's 33rd consecutive year of economic growth. What factors do you put this down to?

Mr Barr: There are a number of contributing factors to the territory's nation-leading performance. I will go through those in some detail now. Our gross state product increased by 4.3 per cent in fiscal year 2022-23 and our GSP per capita increased by 2.4 per cent in that period. This was the highest growth rate of all jurisdictions. It was driven by a number of factors, including increases in economic activity, public administration and safety, and professional, scientific and technical services, driven particularly by demand for specialised skills in IT, cloud, computing and the defence sector.

Other industries that contributed to our nation-leading growth included construction, accommodation and food services, transport, postal and warehousing, and information, media and telecommunications. We saw very strong growth in accommodation and food services, driven by the continued recovery in the tourism and hospitality sector. We saw growth in storage and hosting services driving growth in information, media and telecommunications. The growth in construction reflected a rise in public investment. The recovery of air passenger travel drove growth in transport, postal and warehousing.

State final demand increased by 3½ per cent in that fiscal year, driven by an increase in public investment, household consumption and public consumption. The growth in GSP per capita in the ACT, at 2.4 per cent, was the highest growth rate of all Australian jurisdictions.

To put some perspective on this, over the decade our growth rate has been nation-leading, and I will get that data for you now. The territory economy has grown by 40.8 per cent over the last decade. The next highest growing economy is Victoria, and it has grown by 30.7 per cent over that period. The Australian average is 26.8 per cent.

Perhaps a useful comparison is that, 20 years ago, the ACT economy was the same size as the Tasmanian economy. Twenty years on, the ACT economy, as measured through GSP, is now approaching $50 billion and Tasmania sits at $38.6 billion, so we are essentially 25 per cent larger than Tasmania. We have achieved that stretch gap over the last 20 years and in the last 10 that gap has accelerated through our nation-leading economic growth.

MR PETTERSSON: I was hoping you could expand on what factors or economic settings are in place that have led to that growth.

Mr Barr: There is obviously a proportion that is driven by population increase, but the fact that we are having GSP per capita growth as well indicates that it is not just population that is driving the territory's nation-leading economic growth performance, and we are seeing it across a diverse range of industry sectors. The public sector plays a role, but it has not been the main reason. In particular, given that the most recent decade saw some quite significant cuts to the public sector at a federal level by the previous government, it does indicate that the ACT economy continues to diversify and has a broader range of industry sectors that are contributing to growth. It also showed that, with some of the perhaps artificial caps on the size of the public sector that were pursued by the previous federal Liberal government, the work still needed to be done and it was being undertaken in an outsourced context, particularly in professional, scientific and technical areas.

It has been pleasing to see that those sectors continue to grow, but perhaps not at the same rate that they were when there was an artificial cap on the number of public servants. Overall, taxpayers get better value for money from the approach of the current federal government. But the ACT economy continues to grow, we continue to have per capital GSP growth and we are seeing, for the first time in a while, some pretty significant wage growth across our economy.

MR BRADDOCK: The Australian Taxation Office publishes information about the tax affairs of large corporations. They do this to inform public debate, improve awareness and improve community confidence that those corporations are paying enough tax. Can I ask why the ACT government does not adopt a similar transparency measure to the large corporations paying payroll tax here in the ACT?

Mr Barr: We have certain requirements around privacy in relation to individual taxpayers, but there is no doubt that the payroll tax is harder to avoid than some of the commonwealth taxes for companies.

MR BRADDOCK: What about in terms of rates and land tax?

Mr Barr: Again they are very difficult to avoid. They are certainly taxes that large businesses pay.

MR BRADDOCK: Surely, increased transparency would give the community greater confidence in the ACT tax risk settings.

Mr Barr: I think that the community already has a very high level of confidence in the ACT's tax settings.

MR BRADDOCK: For example, where we are unable to see the unimproved land values for the Canberra airport, despite the deal from 2015, does that give us confidence in those settings?

Mr Barr: Yes, it does.

MR BRADDOCK: How so, if we have a—

Mr Barr: Obviously, there are provisions in place that necessarily protect privacy for taxpayers. That land is, of course, commonwealth managed, so we have them as a taxpayer, and they are a significant taxpayer.

MR BRADDOCK: How is it that the federal government was able to get around privacy and be able to release this information about corporate tax affairs but the ACT government cannot?

Mr Barr: I do not know that they necessarily release it on an individual taxpayer basis.

MR BRADDOCK: They release it at individual company level.

Mr Barr: Not to the level that you are suggesting we would need to apply in relation to their individual tax lines.

Mr Miners: They might have some special dispensation to do that.

Mr Barr: Yes.

MR BRADDOCK: I would be interested to know how they are able to do so but we feel compelled to maintain the privacy of an entity.

Mr Barr: We will consider that matter.

Mr Miners: We are legally compelled to protect the privacy of those individuals under the Tax Act, so it is not something—

MR BRADDOCK: That is interesting, because the ATO is legally compelled to release that information.

Mr Miners: They work under a different act. That is all I can say.

MR BRADDOCK: Thank you.

MS LEE: Treasurer, page 285 of the budget outlook, table 3.8.13, talks about the territory debt funding program.

Mr Barr: Page 285?

MS LEE: Yes, and I am looking at table 3.8.13.

Mr Barr: Yes.

MS LEE: The second column across, which is the 2023-24 budget, has new borrowings at $2.245 billion. What are those new borrowings being spent on?

Mr Barr: The infrastructure program.

MS LEE: Can you give us a breakdown of that?

Mr Barr: Sure. I will take that on notice.

MS LEE: While you are taking that on notice, can you please provide a time line in terms of commencement and completion as well?

Mr Barr: Of the borrowings?

MS LEE: You say it is the infrastructure program. Yes: the projects.

Mr Barr: Yes; sure.

MS LEE: Yes; the $2.2 billion.

Mr Barr: They are all in the budget papers.

MS LEE: Can I confirm that you are saying that the new borrowing—$2.245 billion, which is a significant sum—is the totality for the infrastructure program?

Mr Barr: That would be correct, yes.

Mr Hocking: In terms of our needs in that year.

MS LEE: Sorry?

Mr Barr: In terms of our needs.

Mr Hocking: In terms of our needs for funding for infrastructure in that year, given the maturities that we have got that are expiring and the need to go out and seek new borrowings to fund the infrastructure in that year.

MS LEE: Yes, because that is all new borrowings, obviously. That is exactly what that is for.

Mr Hocking: Correct. Yes.

MS LEE: Could I confirm that you are going to be able to provide a breakdown of the infrastructure projects part of that program.

Mr Barr: Yes. The full list of the infrastructure projects is in the budget.

MS LEE: Can you provide the commencement and completion dates for those?

Mr Barr: Some are already commenced.

MS LEE: I understand. So you can provide them.

Mr Barr: They are in the budget papers.

MS LEE: The commencement and completion dates are in the budget papers?

Mr Barr: I believe so.

MS LEE: Can you please tell me what page?

Mr Barr: In the capital works section. We will take that on notice to give you the page number.

MS LEE: That would be great. Thank you very much. The forecasts for the territory debt funding program over the next three financial years indicate that around $4.3 billion is projected to be borrowed. Can you confirm what that is for? Is it the same: the infrastructure program?

Mr Barr: That is for the forward infrastructure program; yes.

MS LEE: Yes, so just confirming again that that—

Mr Barr: I think it would be perhaps most useful to give you a reconciliation of what the borrowings are for.

MS LEE: Yes. All right, and you will take that on notice. Thank you.

THE CHAIR: Can you clarify, Treasurer, that you will provide the committee with the forward estimates new borrowings and what they are for?

Mr Barr: Yes.

THE CHAIR: Okay, and how much they are—a breakdown of that for 2024-25 to 2025-26 and 2026-27. Is that correct?

Mr Barr: Yes.

THE CHAIR: Thank you. Following up on that, how are you planning on paying it all back, this $2.245 billion?

Mr Barr: Repayments are made through a combination of asset sales and revenue, and, in some instances, revenue generated from the assets themselves.

THE CHAIR: And the expected interest rates on this new borrowing?

Mr Barr: Will be determined at the time of borrowing.

THE CHAIR: You have already borrowed $2.245 billion.

Mr Barr: No, not necessarily.

Mr Hocking: No.

THE CHAIR: Not necessarily?

MS LEE: How much of it have you borrowed so far?

Mr Hocking: Mr McAuliffe might be able to answer that one. We have been out once for this year, but not—

Mr Barr: We have been out once this year, but not for all of it.

MS LEE: Sure; no worries. That should be easy: once.

Mr McAuliffe: We have done one borrowing this year of that estimated target of $1.25 billion.

MS LEE: $1.25 million, okay.

Mr McAuliffe: Billion.

MS LEE: And what was the interest rate?

Mr McAuliffe: The issue yield was 5.3 per cent.

MS LEE: What is the term?

Mr McAuliffe: Ten years It matures in October 2033.

MS LEE: Thank you. Sorry, Chair; I did not mean to jump in on your question.

THE CHAIR: Thank you. That is perfectly fine. That was the follow-up question that I had.

MS LEE: Chair, you might need to ask Mr McAuliffe to acknowledge the privilege statement.

Mr McAuliffe: Sorry. I have read and understood the privilege statement.

THE CHAIR: Thank you very much, Patrick; appreciate that. The Productivity Commission's *Report on Government Services* shows that the number of full-time equivalent GPs per 100,000 people is the second lowest in the country, second only to the Northern Territory, and that between 2015 and 2019 we had the lowest availability of GPs in the country. The RACGP's *General Practice: Health of the Nation 2023* report shows that the ACT had the second lowest number of GPs per 100,000 for 2021-22. The ACT has 25.5 fewer GPs than the national average. In the ACT it is 95.4 GPs per 100,000 patients, compared to 120.9 nationally. Are you aware of this analysis, Treasurer?

Mr Barr: Yes. There has been historical difficulty in attracting and retaining GPs in a number of jurisdictions, and we have been one of them.

THE CHAIR: Can you outline some initiatives that the government are implementing to attract GPs?

Mr Barr: That is a matter for the health minister, and GPs are principally federal government policy responsibility.

THE CHAIR: Your decision to not scrap the new interpretation on payroll tax—and I reserve the right to call it that; otherwise, we will not be discussing it—essentially means that it is now more expensive for a business to have multiple GPs in their practice. Not only will payroll tax obligations create a barrier for practices who want to increase the number of GPs but they could also have the effect of more GPs leaving the ACT. Why would you enforce the new interpretation of payroll tax obligations when you are aware that this will impact the supply of the GP workforce, which is already one of the lowest in the country?

Mr Barr: In the first instance, Mrs Kikkert, we have the highest payroll tax free threshold and other jurisdictions also levy this tax. Moving to another jurisdiction in fact would mean you would be more likely to be subject to payroll tax than in the ACT.

THE CHAIR: Do you not think that having more GPs would not only help to reduce the price of consultations but also mean that more Canberrans could access primary care, rather than your overcrowded emergency departments?

Mr Barr: I think having more GPs would be a useful thing. Nevertheless, the payroll tax is not a factor that is going to determine that, because it applies across the country and at much lower thresholds in other jurisdictions, so you will be more likely to be subject to payroll tax as a GP in another jurisdiction than you would be in the ACT. Primary health care is more than just GPs. I do believe it is important to increase the scope of practice of nurse practitioners and pharmacists and other contributors to primary health care. That is why we are, in partnership with the commonwealth government, expanding our nurse-led walk-in centres and providing more services there.

MR PETTERSSON: Chief Minister, could you please inform the committee about what you are seeing in terms of dwelling commencements and building approvals in the ACT?

Mr Barr: Yes. We are seeing periodic increases. We have a very strong pipeline of activity, particularly dwelling approvals and building commencements from 12 to 18 months ago that are now in the construction phase. We are seeing significant supply increases. I have seen data that, when comparing the ACT with other states and territories, is showing a very strong supply response, together with opportunities for increased dwellings through future land releases, the planning zoning changes and future urban renewal precincts.

MR PETTERSSON: What is the ultimate goal of these increased commencements?

Mr Barr: What we are looking to see is the number of dwellings in the territory go from the around 200,000 that we have now to over 250,000 over the next decade.

MR PETTERSSON: How does that compare to population growth?

Mr Barr: On an assumption that the current number of people per dwelling stays the same, which is approximately 2.4, around 5,000 new dwellings a year would accommodate a population growth of over 12,000 per annum. The current rate of population increase is a little under 10,000 per annum, so it would be leading to a position of greater supply than the anticipated population growth, noting that population growth data from the ABS has been notoriously undercounting, particularly of interstate migration. We think it is appropriate to have the policy settings to err on the side of oversupply, rather than undersupply, for the coming period.

MR PETTERSSON: Wonderful. Thank you.

MR BRADDOCK: Coming back to responsible investment policy, which we discussed earlier, my office also ran a check and found that four banks listed on the ACT investment list financed the development of Israeli settlements in occupied territories. I wanted to check whether those were consistent with our responsible investment policy.

Mr Barr: This is going into an area of foreign policy that is highly contested. I appreciate that there will be a range of views on Israeli settlement, but the four banks you are talking about are likely to be the big four Australian banks. I think the range of choice, Mr Braddock, in relation to seeking to divest from them, is a very—

MR BRADDOCK: It is not the big four. Forgive my pronunciation of the Israeli names. It is Bank Hapoalim BM, Bank Leumi Le-Israel BM, Israel Discount Bank Ltd and Mizrahi Tefahot Bank Ltd.

Mr Barr: Right, so Israeli banks are financing housing, presumably mortgages, in Israel.

MR BRADDOCK: In occupied territories.

Mr Barr: Right, and you want us to take a political position on that?

MR BRADDOCK: I am just asking: is it consistent?

Mr Barr: Yes, I believe it is consistent.

MR BRADDOCK: Thank you.

MS LEE: Can I get Mr McAuliffe back up. I have a few follow-up questions about the $1.5 billion that has been borrowed. Maybe the gentlemen here can answer the question. Can I clarify: you mentioned it was at 5.3 per cent?

Mr McAuliffe: 5.3.

MS LEE: And it was for a 10-year term. Has that been factored into the interest repayments in the forward estimates?

Mr Barr: It will be, in the budget review.

MS LEE: So it has not been in the current budget; is that right?

Mr Barr: No, because the borrowing estimates are for the totality, which is a much larger figure. We borrowed 1.25, not the 2.4 at this point.

MS LEE: Yes, I understand. That is for the 1.25 or 1.5?

Mr Barr: 1.25.

MS LEE: Yes; 1.25. So the interest repayments for that—

Mr Barr: Are factored into the forwards, yes, but not at the 5.3 per cent interest rate.

MS LEE: That is what I am getting at. So that has not been—

Mr Barr: It is at a slightly lower interest rate, which was the prevailing rate at the time of the budget.

MS LEE: Got you, and what was that rate?

Mr McAuliffe: For the budget and forward years the average rate assumed over our new debt is 4.45 per cent.

MS LEE: Yes; so 4.45 and not factored in.

Mr McAuliffe: Yes.

MS LEE: So that will be updated in the review?

Mr Barr: Yes.

MS LEE: Okay. Am I right in saying that, because it is a 10-year term, that 5.3 is now locked in for 10 years?

Mr Barr: It is fixed for 10 years, yes. That is correct.

MS LEE: It is fixed for 10 years. All right. Has there been any modelling done on what is predicted to happen to interest rates over the next 10 years?

Mr Barr: That is the long-term discount rate, which is based on the 10-year commonwealth bond rate. We are pretty well in a neutral position in relation to that. That is what the superannuation liability is valued at over the 30-year period. The discount rate is five percent. The RBA at the moment is at 4.35. Most people view that there may be one more rate tightening before it is top of the cycle, but there may not. The banks are forecasting that there may be one more increase and then there will start being decreases in calendar year 2024 and potentially onto calendar year 2025. So around four per cent to five per cent is considered a pretty well neutral monetary policy setting, and that is what the long-term basis and averages are largely based on.

MS LEE: You have just said around four per cent to five per cent, but we are now locking in 10 years of 1.25 at 5.3 per cent.

Mr Barr: I am talking about the Reserve Bank cash rate.

MS LEE: Yes, I understand that. Leaving that to one side, when we are looking at the 5.3 per cent that we have locked in for 10 years, was it factored in, as you have just discussed, that there seems to be talk that there may be one more and then it may be coming down? Has that been factored in?

Mr Barr: Yes. You only borrow at the time—it is what the market is.

MS LEE: Sure. Yes, but you have got—

Mr Barr: We have other loans that are locked in at 1.75 per cent for 10 years.

MS LEE: I understand that, but like we are looking at 10 years. It is a huge sum for 10 years, so I am just asking you some questions about it.

Mr Barr: Well, 5.3 per cent is pretty well the standard. Thinking back over time, we have had 5.5, 6.0 and 6.5. We have had much higher interest rates than that to—

MS LEE: Sure, and it is all variable. I understand that, it is just that we are locking it in, and, as you said, we are factoring in—

Mr Barr: We are locking in something that would be described over a 30-year period as middle of the market. This is not above average in the long term.

MS LEE: So that is the one borrowing this year out of the 2.245. With the others, are you looking at similar in terms of 10 years—like long term?

Mr Barr: Generally speaking, yes, but we do a market sounding before we borrow. We need to time our borrowing, looking at when other jurisdictions are borrowing and when it might be a good time. You asked for modelling. One could look at the futures markets at the bond perspective. They are the people who do this for a living every single day, and they will make some predictions—invariably wrong or right—

MS LEE: As we all know.

Mr Barr: . And some people will make a lot of money or lose a lot of money based on their predictions.

MS LEE: As we all know. I am probably going to be cheeky but I am going to try and get away with it. It is similar; it is based on this. In terms of borrowings, as a contrast to the 10-year ones, there are also very short notes that the territory engages in. I have a question about the one that is on page 284 of the Budget Outlook. There is a short-term one that is expected to mature in November, so this month. That is what it looks like. I think Mr McAuliffe knows what I am talking about, yes.

Mr McAuliffe: Last year, our original budget estimates for borrowings for 2022-23 was around $2 billion. We went to market after the budget review, and that was a revised estimate of around about $1.8 billion and we only end up borrowing long-term borrowings of $1.25 billion. We then waited towards the end of the financial year to assess where our cash was at and we borrowed some short-term borrowings by issuing electronic promissory notes of $190 million at face value. They were to mature in November. The idea of issuing those was that we could then refinance those by our next upcoming major borrowing transaction, which we completed in October.

MS LEE: Thank you for clarifying that it was $190 million—because it is a bit hard to tell from the graph. What rate was that note issued at?

Mr McAuliffe: The average at the time was around 3.05 per cent.

MS LEE: When that has to be refinanced will it be at this current rate?

Mr McAuliffe: Yes, that is right. They matured, so we just repaid them. We paid them out of the cash available in our bank account plus proceeds of the new borrowings.

MS LEE: Okay; and how is it being refinanced?

Mr McAuliffe: We repaid them on maturity and then we issued the new bond in October, the $1.25 billion.

MS LEE: Okay; I see.

Mr McAuliffe: All the cash is sort of fungible. That does not mean we sort of line up and allocate one bit to the other. The timing of our new borrowing is also subject to what is happening with the broader budget and cash flows as well—the timing of revenues coming through, the appropriation payments going out and the time of expenditure.

MS LEE: I do not know if you got this, but I did not quite catch it if you did: what was the $190 million note for?

Mr McAuliffe: The $190 million was an electronic promissory note. They are a variable rate short-term note.

MS LEE: And what was it to fund?

Mr McAuliffe: Just to fund our broader cash needs. That is how the borrowing program works. We look at what the total cash requirement is—basically to fund the budget. So we borrow the money to effectively keep our cash—to have the liquidity there to fund all the appropriations and things that need to come out of the territory banking account. So your borrowings do not get lined up with one specific project; they form—

MS LEE: Unless they are infrastructure projects, obviously, but—

Mr McAuliffe: There are infrastructure projects that are being funded by capital appropriations that get drawn down and paid to agencies. They need the cash to pay for those projects, so we need to fund that cash. That is how our borrowing program works.

MS LEE: So that was not for a specific thing?

Mr Barr: The broader infrastructure program.

Mr McAuliffe: None of the borrowings will align with a specific project. They align with the broader infrastructure or capital program that the budget recognises, and part of those projects could be funded part by borrowings or part by available cash. You cannot separate.

MS LEE: Thank you for that.

THE CHAIR: Treasurer, you said that the Calvary compensation is to come from the revenue. What are you planning on cutting to make sure that the compensation for Calvary is paid from the revenue?

Mr Barr: Nothing.

THE CHAIR: Nothing? How much revenue funding is used for infrastructure?

Mr Barr: It would vary from fiscal year to fiscal year and project to project. Any commonwealth contribution towards an infrastructure project comes into the territory as revenue and is paid out as capital towards an infrastructure project. So anything that is commonwealth funded or has a commonwealth funding contribution would be considered revenue and then paid towards an infrastructure project.

THE CHAIR: So you are confident that the compensation for Calvary will come from revenue and that absolutely nothing will be cut to pay for that compensation?

Mr Barr: Yes, I am.

THE CHAIR: Thank you.

MR PETTERSSON: Chief Minister, the cost of living has obviously been rising quickly and affecting Canberrans as well as people around the country and around the world. I was wondering if you could update the committee on the September quarter CPI figures here in the ACT.

Mr Barr: Thank you. The September quarter CPI in the territory was lower than nationally. So, in the quarter, it was .8 of a per cent compared to 1.2 nationally. The CPI in Canberra through the year to the end of the September quarter was 4.5 per cent compared to 5.4 per cent nationally. The increase in prices in the ACT had components principally around automotive fuel and gas and furniture. The biggest reduction in prices was an 11.9 per cent fall in child care in the September quarter related to the commonwealth government program to increase childcare subsidies—effectively to reduce fees for Canberra parents.

These are similar to trends in Australia, with the exception that electricity price increases contributed more to inflation elsewhere in Australia than they did in the ACT, because our electricity prices did not go up by anywhere near the same quantum. In fact, they fell in real terms once you take into account their overall level of inflation. What you see across the states and territories and in major cities in particular is that Canberra's rate of inflation compares very well, for example, with Sydney, Adelaide, Brisbane, Melbourne, or Perth. So, whilst prices are increasing by a rate greater than the Reserve Bank target of two per cent to three per cent, 4.5 per cent is certainly better than 5.4 per cent

MR PETTERSSON: While Canberrans may not be experiencing cost-of-living pressures in the same way as people in other jurisdictions, there is still real concern out there in the working community. How is the government responding?

Mr Barr: We have put in place a range of measures to support households, particularly as it relates to energy costs. For many households, the combination of ACT and commonwealth government energy support assistance saw their electricity bills fall, and often by hundreds of dollars, as a result of those rebates. For certain households who were brought into the utilities concession arrangements, about 12,000 households saw those electricity costs fall by about $1,000 a year—so a very significant reduction.

The community has indicated that, of all the areas of assistance that they think the government can provide, assistance on electricity costs are the ones that are consistently the area of fees and charges that the community ask for relief from. We have been able to deliver that here in the ACT, and that is borne out by the number of households who have received payments of hundreds, if not thousands, of dollars. That is reflected in the inflation figures.

Another area of concern, particularly for families with young children, were childcare costs. Again, that very significant fall in the September quarter is a reflection of commonwealth government policy. To build on that, our free three-year-old preschool for the equivalent of one day a week will save households $1,000 a year and possibly even up to $1,300 in 2024.

MR PETTERSSON: Wonderful. Thank you.

MS LEE: When will the budget review be publicly available?

Mr Barr: It is required under legislation by 15 February.

MS LEE: Can you take us through the main revisions? You must have already done much of the preparational work.

Mr Barr: No, I cannot take you through those. They are not finalised.

MS LEE: I understand they are not finalised, but are you in any position to share any information about where that is up to?

Mr Barr: We have commenced Expenditure Review Committee meetings. I had one this morning. I had another one earlier in the week, and there will be subsequent ones after the sitting week. But, given the finalisation of the public release is not until the middle of February and the commonwealth are yet to release their midyear update—which will be coming, we understand, sometime in December, but we have not heard what the date is—we will not be a position to update anything until after that.

MS LEE: So you cannot really say if there is much movement in terms of expenses and revenue?

Mr Barr: No, I am not in a position to comment on that publicly at this point. You will see it by February next year, as is required every year and as I have done every year.

MS LEE: Yes, I understand that. I was just asking whether you can provide an update.

Hearing suspended from 3.02 pm to 3.18 pm.

THE CHAIR: Welcome back to the public hearings for the committee's inquiry into annual and financial reports 2022-23. We will resume our session with Mr Andrew Barr MLA, Treasurer, and officials. Before we begin, Mr Hocking, you would like to correct the record?

Mr Hocking: Yes. Ms Lee asked a question about the interest rate on the short-term promissory notes that we issued late last financial year. I think Mr McAuliffe mentioned a figure of three per cent. We have checked during the break, and the figure was actually 4.5 per cent. So I just wanted to correct that for the record. Thank you.

THE CHAIR: Thank you for correcting that.

MR BRADDOCK: I have a series of questions about Build-to-Rent projects. The first one is the one that is co-located with Gungahlin. Can I please have an update on that project?

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

Mr Miners: Sorry; can you just confirm which project that one is?

MR BRADDOCK: The Build-to-Rent co-located with Common Ground at Gungahlin.

Mr Miners: Sorry; I do not actually have an update on where progress is at on that particular project at the moment. There are a couple of things going on in Gungahlin, so I am just trying to check exactly which ones. There is also looking for a second site for a second Build-to-Rent to be developed in Gungahlin following the Turner one.

MR BRADDOCK: I am talking about the first one next to Common Ground.

Mr Miners: Apologies; I will have to take that one on notice.

MR BRADDOCK: Okay. Coming to the Turner project, which was taken to the market about 13 months ago, is it possible to get an update on that one?

Mr Miners: Yes. We are in the process of negotiations on that project. So, unfortunately, at this stage, it is all still of a commercial-in-confidence nature and we do not have anything we can publicly announce on that project. But negotiations are underway.

MR BRADDOCK: That is a long time for negotiations. It was released to the market 13 months ago. Is there any cause for the delay?

Mr Miners: This is the first time that we have had to go through this process with a Build-to-Rent of this nature. So, obviously, there were a lot of things we had to do for the first time. It has probably taken longer than we would normally expect, but it is simply a matter of dealing with those issues for the first time.

MR BRADDOCK: Was there a lot of interest from the market?

Mr Miners: I am not at liberty to say at this point, but there was definitely interest. I cannot say at this time how many bids we got, but there certainly was interest in the project.

MR BRADDOCK: If the owner of the Turner Build-to-Rent, whoever is announced, is not a community housing provider, how is the territory going to ensure that the affordable units are going to be guaranteed beyond the 15-year time limit?

Mr Miners: That is part of the negotiations with the successful bidder—to make sure there is a legally binding contract that requires that to be delivered. Our preference on all of these matters is for them to be delivered through a community housing provider. That is the most appropriate way for that to take place. But it will be a requirement that they are locked into that period of time as affordable, as defined in the contract agreement.

MR BRADDOCK: So will that owner, whoever they may be, also be the owner of those affordable units?

Mr Miners: Yes, they will own the building. Because it is a Build-to-Rent, it will be a single lease for the entire project, but they can be managed by a CHP.

MR BRADDOCK: Will they be responsible for the letting and the maintenance of those units?

Mr Miners: Yes, that is correct.

MR BRADDOCK: Are there any plans to introduce specific planning controls for that initiative in Turner?

Mr Miners: There is nothing specific. That is all being sorted out in that particular project. In terms of other bits, that is really a matter for planning issues that I do not have a direct responsibility for.

MR BRADDOCK: Okay. Thank you.

MR CAIN: Chief Minister, I refer to the data-matching scheme that the ACT Revenue Office is using to recoup unpaid land taxes. I have a few questions on the procedure of that scheme. When did the data-matching scheme begin?

Mr Barr: I will invite the Revenue Commissioner to come and join us.

Mr Salisbury: I have read and understood the privilege statement. Could I have the question again, please?

MR CAIN: When did the data-matching scheme to recoup unpaid land tax begin? When were those first email queries sent out?

Mr Salisbury: We have been data matching in the Revenue Office for a very, very long time.

MR CAIN: Commissioner, I am referring to particular emails that are subject titled “Re property”. I have several emails here. There is a property reference and some other reference, and they are clearly automated robodebt-type emails that are asking people to answer some questions with respect to a potential land tax liability. I am just talking about that approach. When did that approach begin?

Mr Salisbury: That is a program that commenced around 12 months ago.

THE CHAIR: Can you please take on notice the exact month, if you do not know?

Mr Salisbury: Certainly. Yes.

MR CAIN: Does the scheme rely on a standing operating procedure?

Mr Salisbury: Yes.

MR CAIN: Could a copy of that be provided to this committee?

Mr Salisbury: If it is available, yes, that could be provided to the committee.

MR CAIN: How are notices for outstanding potential liabilities issued?

Mr Salisbury: How are the notices?

MR CAIN: Yes.

Mr Salisbury: The assessments are issued if there is proven to be a land tax liability.

MR CAIN: Yes, but the exploratory emails, for example, all start off with something like: "The ACT Revenue Office has identified you may have a land tax liability in relation to the above property for the period of"—and obviously there are different periods for different people. How are those notices issued? It appears that they are emails. Is that exclusively how they are done?

Mr Salisbury: That is how the correspondence to the potential taxpayer is distributed. That is right.

MR CAIN: How many staff are employed under this scheme to operate this scheme?

Mr Salisbury: I would have to take that question on notice.

MR CAIN: Obviously, in the kind of environment we are in, with electronic hacking and scamming, how confident can individuals really be that this is actually not a scam which they should ignore? It looks like an automated generated message, just like many of the scam-type messages are.

Mr Salisbury: People receive this and it invites them to engage with the Revenue Office. At that point, they would realise that it is not a scam.

MR CAIN: Does the ACT Revenue Office have a statute of limitations in place for debt or possible debt that is able to be recouped under this scheme?

Mr Salisbury: I do not believe there is a statute of limitation that applies to land tax compliance.

MR CAIN: So it could go back as far as, one would say, self-government in 1989; is that correct?

Mr Salisbury: I think legislatively we have the ability to do that.

MR CAIN: Has the ACT government received any complaints in relation to the data-matching scheme?

Mr Salisbury: We have received a number of objections when assessments have been issued.

MR CAIN: I am talking about complaints about the receipt of this letter—and I will be talking about this exploratory email. Have you received any complaints about that correspondence?

Mr Salisbury: I believe there have been a number of ministerials where assessments have been issued and similarly when people have received that email.

MR CAIN: Approximately how many ministerials have there been?

Mr Salisbury: I do not know; I would have to check the record.

MR CAIN: Could you take that on notice?

Mr Salisbury: Sure.

MR CAIN: Can you explain in general terms the nature of these ministerial complaints?

Mr Salisbury: I think there are just questions about, "How have I been identified through this scheme?"

MR CAIN: How does the Treasurer answer such a question?

Mr Salisbury: I think the Treasurer answers it in terms of, "This is an issue of tax administration," and he is not involved in that.

MR CAIN: Thank you. Chair, there will be some further questions on this topic.

MR BRADDOCK: What data is being matched as part of this scheme? Can you please explain that for me?

Mr Salisbury: Yes. We match a range of data, including rental bonds information, ATO information that we collect for the purposes of tax administration and a range of other types of data.

THE CHAIR: Just following up on that: Treasurer, we have received a number of complaints in relation to emails that have been sent out by the ACT Revenue Office as part of the data-matching scheme. These emails indicated that the recipients may have had outstanding land tax liabilities. Why did this correspondence not provide any specific detail about the outstanding liabilities that the ACT Revenue Office was attempting to recoup and, in particular, why was no reason provided to indicate why there were suggestions that a liability may exist in the first place?

Mr Salisbury: I am happy to answer that. The information that we have suggested that there may be a liability. The purpose of that letter is to ask the potential taxpayer to engage with us to provide some information to determine whether there is a liability or not.

THE CHAIR: How do you expect vulnerable Canberrans to react in response to receiving notice that they could be charged a higher level of interest or a higher level of penalty tax of up to 90 per cent?

Mr Salisbury: The letters invite taxpayers to engage with us and they indicate, in terms of the transparency, what penalties may apply if there is an assessment and if there is a liability.

THE CHAIR: What about the residents who have inactive email accounts? As I understand, you just send people emails and you do not send them hard-copy letters. Or do you send hard-copy letters as well as emails?

Mr Salisbury: I think it is primarily an email service that we use for these.

THE CHAIR: So what about the residents who have inactive email accounts and therefore are not able to be invited to do the survey to see if they are eligible or not? Do they receive any penalty? What happens?

Mr Salisbury: No; we would find another way to try to engage with them.

THE CHAIR: How long do you wait until you find another way of reaching out to them?

Mr Salisbury: I do not think we have a specific time. It would really depend on the workload of the individual case officer.

THE CHAIR: If, for example, a person is liable to pay after doing the survey, are there any interest rates attached to it if they do not pay by a particular date?

Mr Salisbury: If an assessment is issued, there is the potential for interest to apply once the assessment has been issued, if there is sufficient evidence to issue an assessment.

THE CHAIR: What happens if you are unable to reach a person for them to be invited to participate in this survey?

Mr Salisbury: The individual compliance officer will make a decision about whether there is sufficient information to raise an assessment or they are required to do more searches to clarify whether there is a tax liability.

THE CHAIR: How many individual compliance officers are there?

Mr Salisbury: I think I have taken that question on notice. I will come back to the committee on that.

THE CHAIR: How many of these robot emails were sent out?

Mr Salisbury: Sorry; can I just question the “robot” description of these?

THE CHAIR: Automatic emails sent out to residents of the ACT.

Mr Salisbury: They are not automatic emails. They are dispatched from the Revenue Office where we have some information that we are looking to clarify.

THE CHAIR: So you will take on notice how many?

Mr Salisbury: How many have gone out under the program that Mr Cain described, yes.

THE CHAIR: How many responses have you received?

Mr Salisbury: I will have to take that question on notice as well.

THE CHAIR: Could you also take on notice how many of those individuals who have not responded, what the other pathways are of trying to reach out to them and also the time line?

Mr Salisbury: Certainly.

THE CHAIR: Thank you.

MR CAIN: Treasurer, as I mentioned, the first line of this broadcast email is: "The ACT Revenue Office has identified you may have a land tax liability in relation to the above property for the period,"—and then the periods vary. That does seem to smack of a robodebt-type approach to individuals. It does not give them any information as to why they have got this email and what information has led to the Revenue Office sending this email saying someone may have a land tax liability. Why don't you include in this correspondence reasons that the Revenue Office has sent such an email?

Mr Barr: As I think has been made clear—and you should know, given your past employment—the Treasurer does not write the letters and undertake tax administration. So I will refer to the commissioner.

MR CAIN: But are you comfortable with this type of correspondence, Treasurer?

Mr Barr: The only reason an individual would be receiving such correspondence is that either the rental bonds or some other piece of information comes forward that indicates the property may have been rented and may not have been the principal place of residence of an individual and may therefore be subject to land tax. In that instance, it will either be the case that the property is not the principal place of residence of an individual and therefore they would be liable, or it is the principal place of residence and they would not be liable for an assessment. All this is is a first initial indication that there is uncertainty on the matter.

I think the earlier line of questioning from Mrs Kikkert seemed to imply that simply asking the question commenced a process of interest accumulation, which is obviously not the case. As the commissioner made very clear, an assessment and an actual liability has to be drawn, and that is drawn by a person, not by a robot. Your very feeble attempts in this hearing to try to draw some parallel between your federal colleagues' illegal scheme and compliance activities of the ACT Revenue Office undertaken by humans is about as weak and pathetic as I have seen in an estimates or annual report hearing—

THE CHAIR: Treasurer, it is about—excuse me, Treasurer.

Mr Barr: And your responses indicate—

THE CHAIR: Excuse me, Treasurer; it is about—

MR CAIN: Treasurer, you should show some respect to this committee.

Mr Barr: that I have hit on a sensitive point here, haven't I?

THE CHAIR: Treasurer, it is about an email that is sent out to ACT residents—

Mr Barr: Yes, and you are implying—

THE CHAIR: and how are they supposed to know if it is a scam or not?

Mr Barr: Because it has come from the ACT Revenue Office.

THE CHAIR: They do not know that, because there is no other information in there that suggests that this is a legit email. That is the basis of our conversations and our questions.

Mr Barr: Other than a Revenue Office email address and verifiable information?

THE CHAIR: Anyone could do that. Plus, the ATO also send out a hard-copy letter to make sure that any email sent out to recipients is legit. I have not heard from the commissioner himself saying that a hard-copy letter is also sent out to recipients. So how are they supposed to know if it is a scam or not? They could easily very well delete it. That is the whole point.

Mr Barr: Have you finished the sermon here?

THE CHAIR: Commissioner, if you could answer the question, please, that would be great.

Mr Barr: Well, the question was directed to me.

THE CHAIR: And then you referred it to the commissioner, Treasurer.

Mr Barr: Yes, and I had not completed my answer before both of you interjected.

THE CHAIR: You assumed wrong; so I was correcting you, Treasurer.

Mr Barr: So, when you assume wrong, I am allowed to correct you as well?

THE CHAIR: Are you assuming that I am wrong?

Mr Barr: I have already done that on more than occasion.

THE CHAIR: On the basis of my questions, it is based on residents thinking that this is a scam.

Mr Barr: I have already on more than one occasion in this—

THE CHAIR: I am just asking him to correct it.

Mr Barr: On more than one occasion in this hearing you have made incorrect assertions that I have corrected. I am doing the same here, because your assertion—both of your assertions—is that this is somehow a robodebt-like arrangement, which the commissioner and I—

THE CHAIR: That is your interpretation, Treasurer.

Mr Barr: It is the language that you have used deliberately. The fact that you are constantly interjecting and reacting in this way is because I have hit on a raw nerve here.

THE CHAIR: Oh, that is nice for you to say!

Mr Barr: This is exactly what you are trying to do.

THE CHAIR: Treasurer, thank you! Commissioner, please, if you could answer the question.

MR CAIN: And I have a question for the Treasurer as well—but yes.

Mr Salisbury: Sorry, I have lost the thread of that.

THE CHAIR: Mr Cain, the question, please, to the commissioner.

MR CAIN: I had a further question for the Treasurer. The question was, I think, partly answered by the Treasurer, with slights on the questioners, I might say, which is inappropriate for a witness before this Assembly committee.

Mr Barr: Slights on witnesses are also inappropriate, Mr Cain!

MR CAIN: Are you comfortable with the following lines—that would be sent, for example, to a vulnerable Canberran out of the blue—which say to every recipient of this email, “If you do not respond through this process and are later found to have an undischarged liability, it is likely a higher level of penalty tax, of between 25 and 90 per cent, and a higher level of interest will be imposed.”

Are you comfortable, Treasurer, with such a threatening communication to be issued to residents of Canberra out of the blue, with the threat of significant penalty rates and interest?

Mr Barr: That is a statement of fact about the law as it currently applies. Then—

MR CAIN: And yet no assessment has been done yet.

Mr Barr: It is a statement of fact in relation to the current law. Again, I do not have a role in tax administration, as you know. You used to have a role in tax administration!

MR CAIN: Treasurer, the shadow-treasurer receives emails of concern from recipients of this communication who are puzzled, as we have pointed out already—"Why was this sent to me?" They may have a land tax liability but with no information in that correspondence to say why they may have a land tax liability. Then we have this threatened interest and penalty rate. You can understand, Treasurer, that people, perhaps vulnerable Canberrans, receiving such a communication—how much distress that could cause them.

Mr Barr: It would depend on the individual's circumstances—

MR CAIN: Which you have no consideration of because it is—

Mr Barr: Well, I mean—because the likelihood is that the only—

MR CAIN: a robo-type email—

Mr Barr: The only reason you would be receiving such correspondence is if there was a question in relation to a property that was not your principal place of residence, and you may have a land tax liability that you have not come forward with. People are aware of the law and their obligations under the law, so this is simply seeking further information on the basis of another source of information that, presumably, gave reason for the Revenue Office to send the correspondence in the first place. If the implication of your question is that the Revenue Office can undertake no compliance activity, then—

MR CAIN: No, we are talking about this particular instance, Treasurer, so do not create a hypothetical that you think I am thinking of. This is a real thing that is happening today, and Canberrans, in correspondence to the Canberra Liberals, are finding themselves distressed and distraught about receiving such an email out of the blue.

Mr Barr: It may be helpful if the Revenue Office is able, as part of that correspondence, to provide the address of the property. I am not aware of whether you do that or not, Commissioner? If the Revenue Office is able to provide the address of the property in question to the individual, that will either spark a response from that individual of, "Oh yes, that's the rental property I have that I haven't been paying land tax on," or "That's my principal place of residence, therefore it is not subject to land tax." It is a binary—it is one or the other—and that would then lead to a resolution on the matter.

Again, I do not write the letters. I have no role in the administration of taxation matters, as you should know, Mr Cain. So, do not come in here and pull this stunt that I am somehow—

MR CAIN: You are the Treasurer—

Mr Barr: Yes, but I am—

MR CAIN: You are responsible for the ACT Revenue Office—

Mr Barr: But I do not write this correspondence.

MR CAIN: If you thought this correspondence was insulting to Canberrans, for example, you would have a say in what it looked like going forward.

Mr Barr: Well no; I do not—

MR CAIN: Given it is just correspondence. It is just a correspondence.

Mr Barr: It is a piece of—

MR CAIN: You surely, as Treasurer, would have to be satisfied with the quality of the correspondence—

Mr Barr: No, I do not write every piece of correspondence that is sent by the ACT government—

MR CAIN: I am not saying that, but, surely, if it were drawn to your attention—"Is this an appropriate communication?"—you would have a say, as Treasurer, as to the content of an inquiry correspondence.

Mr Barr: Well, with—

MR CAIN: Particularly an automated robo-type correspondence—

Mr Barr: Here we go again! Here we go again!

MR CAIN: So, you would have a say, wouldn't you, Treasurer, if it caused you concern?

Mr Barr: Mr Cain, if you are going to continue this offensive line of questioning that you know is—

MR CAIN: They are just questions for you to answer, Treasurer—

THE CHAIR: Mr Barr, it is not offensive at all—

Mr Barr: No, no—

MR CAIN: They are questions for you to answer—

Mr Barr: Again—

THE CHAIR: You hold the responsibility of the Revenue Office—

Mr Barr: I think we have a visiting member of the committee who is behaving in an inappropriate way—

THE CHAIR: Treasurer, that is your misinterpretation. His line of questioning was perfectly in line to you as the rightful minister overlooking the Revenue Office. A letter went out to ACT residents; you are in charge of the Revenue Office and how they manage their dealings with the community! His line of questioning is perfectly in line with this committee, so you can either answer yes or no to his question.

Mr Barr: No, you do not get to dictate how I answer questions—

THE CHAIR: You may refuse to—

Mr Barr: And you also—

THE CHAIR: You may refuse to answer a question—

Mr Barr: Can you—

THE CHAIR: That is your right. But, as Chair of this committee: his line of questioning is perfectly in line with your role as Treasurer. Whether you want to answer that question or not is up to you, but you can put it on the record if you do not want to answer it—or not.

Are you happy with the correspondence from the ACT Revenue Office to ACT residents: yes, or no? And what are you going to do with it?

Mr Barr: Have you finished?

THE CHAIR: That is my question to you. Are you going to answer my question?

Mr Barr: Are you going to let me answer a question?

THE CHAIR: You are asking me if I am finished.

Mr Barr: Are you?

THE CHAIR: I am. Are you going to answer the question?

Mr Barr: I will endeavour to answer the question.

THE CHAIR: Thank you very much!

Mr Barr: Under territory law, passed by the Legislative Assembly, responsibility for tax administration matters sits with the Commissioner for ACT Revenue. The Treasurer of the day does not write the correspondence and does not determine the correspondence that is sent by the revenue commissioner in undertaking his or her duties under territory law.

The issue that has been raised here is: why are people receiving correspondence? The revenue commissioner has answered that question. Your question to me, and Mr Cain's question to me, implies that I would come in and redraft the letter. No, I will not be redrafting the letter; however, I take on board the point that if the taxpayer receiving the letter were not given context in relation to the property which it referred to, that could lead to confusion.

MR CAIN: So you would have a say—

MR PETTERSSON: Mr Cain, can you please let the witness answer the question!

Mr Barr: So, on that basis, given the issues that have been raised in the hearing, in spite of the malicious attempts to link it to an illegal commonwealth government scheme—

THE CHAIR: Your interpretation of it; it is not.

MR PETTERSSON: Please!

THE CHAIR: No, he is assuming the worst. That is not what we were implying before, and I corrected it. That is his misinterpretation of it. You may continue—

MR PETTERSSON: Mrs Kikkert, interrupting—

THE CHAIR: I am correcting—

MR PETTERSSON: Interrupting the witness, when they are trying to answer questions, frustrates the whole process—

THE CHAIR: You have done that many times.

MR PETTERSSON: I do not think I have—

THE CHAIR: Do not be a hypocrite! You have done it many times—

MR PETTERSSON: I completely disagree!

THE CHAIR: That is fine.

Mr Barr: Are you finished?

THE CHAIR: I have.

Mr Barr: Good; I will complete my answer then. I will take on board the issues that you two have raised, in spite of the nature in which you have raised them. In front of the revenue commissioner here, and in front of everyone, I will ask the commissioner to consider whether any further information may be able to be applied and provided to the recipient of such an email from the Revenue Office. But the clear evidence that the commissioner has provided as to why someone would receive such information is obvious: they have a land tax liability if a property is not their principal place of residence.

I hope that concludes the matter.

MR CAIN: Well, what I will say, Treasurer, given what you have just said—you said you will consider this correspondence, and yet earlier you were saying, "It is nothing to do with me—

Mr Barr: No—

MR CAIN: So I am not quite sure—

Mr Barr: No.

MR CAIN: what your position is.

THE CHAIR: It is okay—that is a remark. Do you have any further questions, Mr Cain—

Mr Barr: I have just said in front of the commissioner, and every witness in this room—

THE CHAIR: That you will consider it.

Mr Barr: No. I will not consider it; I will ask the commissioner to consider it. I have just done so. I will not be redrafting the letter. That is not my legal responsibility. But I will ask the commissioner, in light of this line of questioning, and I do so now: Commissioner, would you please consider the correspondence that you sent?

Mr Salisbury: Yes.

Mr Barr: Thank you; matter resolved.

THE CHAIR: Thank you. In the email that was sent out to a resident it identified a property from 13 years ago. What happens when the resident does not have any tax records from 13 years ago because they are only required to keep them for five years?

Mr Salisbury: Before I answer that question, could I just correct the record on a couple of things? These letters are not sent to the residents of the place; they are sent to the owners of the place—

THE CHAIR: Yes.

Mr Salisbury: It very clearly identifies the property and the time of the potential liability.

Mr Barr: So I have been misled in the questions; I apologise, Commissioner.

MR CAIN: No. I have read from the letter. How is that misleading you?

Mr Barr: The commissioner has just clarified what is in the correspondence.

MR CAIN: For your sake, yes.

Mr Barr: Your line of questioning was misleading—

THE CHAIR: So I am referring—

MR CAIN: No it was not—

THE CHAIR: Thank you, Mr Cain, and Treasurer. Was there another issue you needed to correct? You said "two" or you just said "one"?

Mr Salisbury: No, sorry, I think I have covered three issues in my response. I think your question to me—sorry, I do not mean to be offensive, but—

THE CHAIR: Do you want me to ask you the question again?

Mr Salisbury: I think I know what the question is: what do people do if they do not have records going back 13 years? Assuming that is the case, and I take your word for it that we have asked a question about something from 13 years ago, then the people would tell us that they do not have the records, and we would take that into consideration.

THE CHAIR: Into consideration—and what would be your steps? Do you anticipate that that would be the case, and what would be those steps?

Mr Salisbury: Again, this is hypothetical, but it would be on the balance of the evidence in front of us that suggests to us that there is a liability. If that evidence is very, very strong, then there may be a case to issue an assessment.

THE CHAIR: And would you share those records that you do have with the person that you are corresponding with to identify that they have to pay the cost—what they are asked to pay back?

Mr Salisbury: The basis of the assessment, yes, is explained.

THE CHAIR: It is explained to them?

Mr Salisbury: Yes, in the interactions with the customer.

THE CHAIR: Okay, and if they are willing to disagree with your assessment, what is their pathway?

Mr Salisbury: They have objection rights. If the assessment goes ahead, then it will be reviewed by an independent area of the Revenue Office that is independent of the area that raised the assessment, and it will be considered, again, on the basis of the evidence available and the understanding of that area of how the law operates. They will then form a decision about whether that objection is successful or not. If the objection is not successful, then the taxpayer has a right to take that issue to the ACAT.

Mr Salisbury: That is a standard pathway available—

THE CHAIR: That is the procedure.

Mr Salisbury: to taxpayers.

THE CHAIR: When the assessment is finalised and you have the evidence to show the ACT resident, obviously, you would have the final figure of what they need to pay back; is that correct?

Mr Salisbury: That will be—

THE CHAIR: That would be part of the assessment?

Mr Salisbury: part of the assessment, yes.

THE CHAIR: Will there be an interest rate attached to it if they do not pay while they are going through the process of appealing the decision by ACT Revenue in the process?

Mr Salisbury: Yes, the legislation allows for interest and penalties to apply. Again, that is a judgement that is exercised by the Revenue Office.

THE CHAIR: While the assessment is undergoing an appeal process, the ACT resident is still obligated to pay any interest that is accumulated during that time; is that correct?

Mr Salisbury: Yes.

THE CHAIR: Do you think that is fair or unfair? Can there be a pause with the rate?

Mr Salisbury: The assessment is being—

THE CHAIR: Because the appeal can be quite lengthy.

Mr Salisbury: Yes. No jurisdiction allows that. It is legislated. The assessment is due and payable at the time that it is issued.

THE CHAIR: With the interest rate, it is legislated, so you cannot pause that while you are looking at the appeal of the resident?

Mr Salisbury: It is not our practice to pause that.

THE CHAIR: Did you just say it is in the legislation or not?

Mr Salisbury: It is a requirement for the interest to apply, and it is not our practice to pause that interest.

THE CHAIR: So it is a policy; it is not legislation?

Mr Salisbury: It is legislation, but the Revenue Office has a range of administrative—

THE CHAIR: If it is legislation, Commissioner, could you please supply it?

Mr Salisbury: Yes.

THE CHAIR: Where it says that a resident needs to pay the interest rates while their assessment is being appealed?

Mr Salisbury: Yes.

THE CHAIR: Thank you. Are there any follow-up questions?

MR PETTERSSON: Chief Minister, the government recently increased the stamp duty concession to off-the-plan purchases. Why has the government done that?

Mr Barr: This is a further step in the removal of stamp duty. We have particularly focused in recent times on stamp duty reduction on new housing supply, so the off-the-plan initiative has been built on over four consecutive budget rounds now, or four consecutive years. It commenced at a threshold of $500,000; it was then increased to $600,000, $700,000 and now $800,000, and it will continue to increase in the future as we transition away from stamp duty.

The desired outcome at this point in the tax reform process, to provide the greatest stamp duty reductions, often to zero, is at the lower end of the property market, to encourage new housing supply and with an emphasis on owner-occupier rather than investor. With the priority areas of the stamp duty reform, whilst stamp duty has been cut on every property every year, it has been cut faster on lower value properties for owner-occupiers, and particularly those that are new construction.

MR BRADDOCK: How do we ensure that we have the economic incentives or disincentives right to prevent land banking? Have we reviewed those incentives to ensure that we are maximising the utilisation of our land?

Mr Barr: For commercial, residential or industrial purposes?

MR BRADDOCK: Let us go with commercial.

Mr Barr: With commercial, yes, there are obviously holding costs associated with commercial rates, and there would be other costs for non-development. Many development applications have commence-and-complete requirements, so there are a range of financial and non-financial penalties associated with what you would describe as the practice of land banking.

There is limited evidence of large-scale, long-term land banking. There can be examples, and for a variety of reasons, where development does not occur in the time frame in which an initial development application might suggest it would. More often than not the reason is that the land owner or the lessee lacks access to capital or has a potential tenant fall through, which means a building project will not proceed on the original time line. I think there are a few fairly high-profile examples of that, including one in your own electorate.

MR BRADDOCK: More than one. Has there been any review or regular check to make sure we do have those incentives balanced right?

Mr Barr: I can certainly recall a number of them over the last 10 years. Mr Miners, do any come to mind that you want to touch on?

Mr Miners: The whole process and the issues around making sure land is coming to market are reviewed in an informal way constantly, so it is something that is a regular topic. I cannot put my finger on exactly what—

Mr Barr: There is a formal process of review around commence-and-complete provisions within development applications and leases. New land sales often have certain requirements associated with them. There is an example today of where a particular block was put to the market with certain caveats on it. The successful bidder was unable to meet those caveats and was not able to pursue the land sale. The government then went back to some of the other pre-qualified tenderers for the land sale and a different owner has now emerged. That was announced today, so there have been systemic changes to endeavour to reduce the likelihood of land banking.

The general observation is that it is not a deliberate practice to seek to sit on land in order to then resell it later at a higher value, which might be what people would traditionally view as land banking. More often, it is the case that they secure capital to buy the land but do not secure capital or tenants for the construction that follows.

MR BRADDOCK: I am not just thinking about new to the market; I am also thinking about the existing market, where someone might sit on a location, for example, like Giralang shops, for an extended period of time, which have their own legal complexities. I am wondering, in terms of the incentive—

Mr Barr: That was not land banking. There was a High Court case that sought to stop particular development. The reasons for a construction not occurring can be many and varied, from legal action to, occasionally, community protest, withdrawal of capital or a range of other factors.

This is the turn - Public Accounts-23Nov23-17.docx

MR CAIN: I have some questions about Major Projects Canberra, Treasurer. With the staff survey regarding witnessing corruption, where the question was, "How many MPC staff have witnessed corruption?" my understanding is that the figure, as at 29 August last year, was four per cent. Are you able to provide an updated figure for that?

Ms Geraghty: Could you repeat the question?

MR CAIN: There was an MPC employee survey about how many MPC staff have witnessed corruption. The figure, as at 29 August last year, was four per cent. Do you have an update on that figure?

Ms Geraghty: No, I do not. I would have to take that question on notice.

MR CAIN: Thank you. I note that, on page 46 of your annual report, one assessment was undertaken by the senior executive responsible for business integrity risk. That was referred to the Integrity Commissioner. Can you outline the situation and why it was referred?

Ms Geraghty: I have the reference. I do not have that answer. I know that it is still with the Integrity Commission.

MR CAIN: Will you take on notice my actual question?

Ms Geraghty: I can, yes.

MR CAIN: How many reports did the senior executive responsible for business integrity risk receive from MPC staff?

Ms Geraghty: Just the one.

MR CAIN: Just the one; okay.

THE CHAIR: Were any bullying complaints made by staff in 2022-23?

Ms Geraghty: I would have to take the question on notice. I understand the staff survey did indicate that there had been some bullying experienced. I will have to come back to you on the exact number of complaints.

THE CHAIR: Okay. What actions were taken after that survey was conducted that showed that some staff were experiencing bullying?

Ms Geraghty: A number of initiatives have been implemented around the bullying; in particular, ensuring that there is a safe and wellbeing policy being adopted. We have also had a champion put forward in terms of mental health and wellbeing for the agency. In particular to those complaints; is that what you are asking about?

THE CHAIR: Yes.

Ms Geraghty: I will have to take that question on notice.

THE CHAIR: Thank you. Were there any complaints made about the former head of Major Projects Canberra, Duncan Edghill?

Ms Geraghty: I do not know. I have been in projects for eight weeks. I will take that question on notice.

THE CHAIR: Thank you.

MR BRADDOCK: I want to ask about motor vehicle taxes. There is a push across the country in terms of what sort of taxes can be best utilised to reflect the fact that the fuel excise tax is going away. There have been suggestions in terms of the best type of tax being one based on motor vehicle weight. Has any consideration been given in terms of the weight of a vehicle and whether that should be the basis for a motor vehicle tax?

Mr Barr: It is a relevant factor in motor vehicle registration and has been for some time. We have recently also added the emissions profile of a vehicle as perhaps a more relevant factor, noting that most zero emission vehicles are heavy because of the batteries contained within them.

MR BRADDOCK: I know we have standardised sizes, but they are not reflected in the full range, going up to the heavy Ram trucks, for example, which do the most damage to the road. Is there any consideration being given to those heavier vehicles being penalised for that?

Mr Barr: They would be in the highest fee-charging category.

MR BRADDOCK: Okay; thank you.

MR CAIN: With Major Projects Canberra and fraud prevention, I have some questions about fraud and integrity initiatives that the directorate began implementing in 2022-23. On page 65 of the annual report, it says that, in September 2022, Clayton Utz was engaged to provide due diligence training to MPC employees, with 185 employees attending. Could someone please provide me with a percentage of how many executives and managers were in that grouping?

Ms Geraghty: We will take that question on notice.

MR CAIN: Okay; thank you. Could you also tell me what the completion rate is for the mandatory fraud and ethics training?

Ms Geraghty: I will take that question on notice.

MR CAIN: In addition, could you tell me how many executives and managers have not completed this training?

Ms Geraghty: I will take that question on notice.

MR CAIN: Okay; thank you.

THE CHAIR: On page 120 of the MPC annual report, it lists current work in progress, and the three projects with figures attributed are cumulatively $54.4 million over the budget. Are you able to provide an explanation, Treasurer?

Mr Barr: No, but I will take that on notice for you.

THE CHAIR: You are unable to provide an explanation as to it being over budget?

Mr Barr: Sorry, what was the question?

THE CHAIR: On page 120 of the MPC annual report, it lists current work in progress. The three projects with figures attributed are cumulatively $54.4 million over budget. Are you or one of your officials able to provide an explanation?

Mr Barr: There would be a variety of explanations. The increase in construction and labour costs would be a part of that. If you are wanting a detailed breakdown by project, I will have to take that on notice.

THE CHAIR: Okay. What measures are you taking to keep projects on budget?

Ms Geraghty: Can I clarify? On page 120, there is a revised project value, in contrast to the original project value. The difference on the revised project value is approved increases in budget to reflect scope increases. I took a question earlier about the Canberra Hospital expansion. There was an extension of budget related to a number of scope changes. For the Canberra Institute of Technology in Woden, there is a $10 million increase related to the commonwealth funding of the youth foyer. They are not necessarily over budget; they relate to additional scope that has been attributed to approved funding.

THE CHAIR: Okay; thank you. Can you clarify the raising of London Circuit and the associated works? Can you explain the increased revised project value there?

Ms Geraghty: Yes. That relates to unexpected finds in the execution of those works, in relation to asbestos and other issues.

THE CHAIR: Unexpected finds. Can you explain to us a little bit more about that?

Ms Geraghty: Yes. As part of the project, we undertook due diligence and a number of testings in relation to finding asbestos. That is the primary cause. I will concentrate on asbestos. We did end up finding asbestos in areas that did not relate to where we had tested. The cost associated with removing asbestos is higher than doing the normal work, so that is what is referred to as an unexpected find.

THE CHAIR: Okay. So asbestos is one. What were the others?

Ms Geraghty: I might ask the project director for the light rail project to answer that question. There are a number of items.

Mr Cahif: I have read and understand the privilege statement. In addition to asbestos, there have been some non-contestable utility works that have also been in excess of the provisional sum that was contained within the project. The difference with Raising London Circuit compared to most other contracts is that this is a construct-only contract where we take the design risk. Particularly with non-contestable utilities or even contestable utilities, when there are design changes to reflect utilities encountered in the ground, that will often trigger a variation.

THE CHAIR: Okay. That covers all of the increase for Raising London Circuit?

Ms Geraghty: As noted here.

THE CHAIR: Okay. Could you please take this on notice if you have not mentioned it: the increased revised project value for CIT. I think you mentioned Canberra Hospital, but, if you missed anything, could you please add that to the question on notice?

Ms Geraghty: I have covered—

THE CHAIR: I think you said the CIT was the corridor?

Ms Geraghty: It was the youth foyer.

THE CHAIR: And that cost $10 million?

Ms Geraghty: Yes.

Mr Cahif: I might add that, on Raising London Circuit, all the variations that have been done to the contract are on the contracts register.

Ms Geraghty: Yes. That is a good point. All projects are on the contracts register.

THE CHAIR: Thank you. Michael—

MR PETTERSSON: As we have Icon Water here—you thought you were getting out of this scot-free! You might acknowledge the privilege statement.

Mr Hezkial: I have read the privilege statement.

Mr Yau: I have read the privilege statement.

Ms Pratt: I have read the privilege statement.

MR PETTERSSON: Wonderful. Thank you. Could the committee get an update on the Uriarra pipeline project?

Mr Hezkial: The short answer is that the project has been completed. That is a 4.1-kilometre pipeline that services Uriarra Village. Water delivery started in October, so we are now in a position where we have been able to provide, through the funding of the ACT government, a bit more resilience, particularly during the fire season. That water is obviously used for other purposes such as toilet flushing, garden use, laundry et cetera. We are pleased that one has been completed.

MR PETTERSSON: What was the state of affairs before the project?

Mr Hezkial: Uriarra Village, historically, has been supplied by two pipelines that run submerged under the Cotter Reservoir. Over time, one has been taken out of service and the other one is in continuance. The need to provide infrastructure that was more resilient was identified, hence the project to shore up that position for the village of Uriarra.

MR PETTERSSON: Wonderful. Thank you.

THE CHAIR: I have an Icon Water question but it is not on that pipeline. The Ginninderra one is all completed. How much was the total cost at the end for the pipeline, the sewerage—

Mr Hezkial: The Belconnen trunk sewer—

THE CHAIR: Yes—Belconnen. I am thinking of Ginninderra Drive.

Mr Hezkial: That is okay. It runs through a number of suburbs. It runs through Evatt and Latham, so it is understandable. The reason for that project is for growth to the northern parts of Canberra. That is currently also in service and is going through a commissioning and approval period. We are pleased that has come online. Obviously, it includes a number of other ancillary infrastructure associated with it, including four odour control units along that pipeline. That was a really key infrastructure project in enabling growth in that part of the city.

THE CHAIR: The total cost of that project?

Mr Hezkial: It was $34.4 million.

THE CHAIR: What was the initial funding for that or the initial expectation of that project's cost?

Mr Hezkial: That would be contained in our annual report. Bear with me.

THE CHAIR: While she is looking that up, there are the odour control units that are along Ginninderra Drive. They are beautifully painted, thank you. Would there be any trees planted along it to make it even prettier?

Mr Hezkial: Thank you for the question. We are actually quite proud of the murals and the fact that we managed to get the passion from the community on what it should be. Schools did the actual work. We approached the project to try to improve the amenity of the area with the project. One of the things that we had committed to as part of the project was replacing trees at a ratio of two to one. What you will find is that we have actually planted more trees than were there previously. We have also done some extensive planting of native grasses. We have also upgraded the local playground there. We have tried to leave it in a better condition than we found it. I am proud to say that I think that is the case. Hopefully, as that regeneration grows, those trees will become a bit more prominent than they perhaps are now.

THE CHAIR: Great. Which local playground are you referring to?

Mr Hezkial: I am going to get the street wrong. It is at the end of a cul-de-sac. I could come back to you on that.

Ms Geraghty: Was it Delany Court?

Mr Hezkial: Delany Court. Thank you.

THE CHAIR: Was there any consultation with the nearby community and residents about upgrading that local part?

Mr Hezkial: It came as a consequence of the consultation that Icon Water undertook. The consultation for the Belconnen trunk sewer project, given its size and impact, started many years before the actual construction project commenced. That included the usual things you would expect—letterbox drops and attendance at community council meetings. That is a really good example of something that is a product of community consultation.

THE CHAIR: Nice going.

Mr Hezkial: I might have to come back to you on your previous question on the original estimate.

THE CHAIR: That is right. Also, how much those odour control units cost. There are four of them. Are they are all the same price?

Mr Hezkial: I am going to have to take that on notice, but if I were to offer an opinion I would suggest they probably were not all the same cost. As we released the tender to market, we would have encompassed the construction of the odour control units as well as the Belconnen trunk sewer. They are in one contract. I would have to go back and check what the itemisation was on that contract.

THE CHAIR: Did different companies build those four odour control units or was it the same one?

Mr Hezkial: I believe it was the same company. I just want to be correct with what I am providing.

THE CHAIR: Also, if there is a difference, the reason why there is a cost difference.

Mr Hezkial: Typically, it would be based on topography. But I will definitely take that question on notice.

MR CAIN: I have a supp, Chair. The odour control unit at Umbagong is pretty close to the back fences of some residents in Latham. I have spoken to some of them. They are disappointed that they have an object there now, a big box, when they used to have trees and vegetation. What plans do you have to screen the odour control units and maybe talk to those residents who are directly affected visually by this unit?

Mr Hezkial: It is a good point. I completely understand when something was not there before and now it is. It is a bit of an eyesore. We were consulting with the local community quite early, even way before construction started, during concept design and design development phases, including with the residents who are closest to the infrastructure. One of the things we did in response to that early consultation was change the siting of the odour control unit itself. It is as concealed as we could make it. It is very hard to hide something that is that big, I will acknowledge. The vegetation is aimed at trying to soften that facade, but I am not going to declare victory on it, given it is so large. That is the approach we have taken in trying to accommodate that landscaping aspect, where we can put in a mural. We tried to do everything we could to accommodate that.

MR CAIN: Are you still in conversation with some of those effected residents?

Mr Hezkial: Definitely. From time to time things occur with those facilities, whether it be operationally or when they are not quite working to plan. For example, there is one odour control unit on which we are still working on the noise that is emitting, particularly in the evening. We are looking at soundproofing options for that particular facility. Par for the course for us, we will continue working with residents, whether it be on an odour control unit or a sewer pump station, if those matters arise, and we will try to proactively resolve what those things are.

MR CAIN: Thank you.

THE CHAIR: Mr Braddock.

MR BRADDOCK: Whilst we have Icon Water here, I would like an update in terms of the access roads that Icon Water is responsible for, in terms of their state and your works to remediate that?

Mr Hezkial: Just to clarify, are you referring to the access roads within catchments or elsewhere?

MR BRADDOCK: Yes.

Mr Hezkial: I cannot speak to the status off the top of my head, but I am happy to take that question on notice. In terms of arrangements, that is definitely a partnering arrangement with ACT Parks. Icon Water does not own the catchments, so to speak. We own the dam wall, which sounds a little bit perverse, and we work in partnership with Parks around routine and regular maintenance of access roads. That is something that we would be in constant conversation with Parks on. I will have to take your specific question on status on notice.

MR BRADDOCK: Your annual report talks about the 62 hazard reduction works to be completed and, amongst other things, access roads. How is that falling underneath your responsibility?

Mr Hezkial: I will refer the question to Alison, if you do not mind.

Ms Pratt: Those works are under our bushfire operations plan, in relation to clearing some vegetation along pipelines and those sorts of things. Some of the access roads are specifically for access to our assets, such as the Bendora Gravity Main. That is what it is referring to.

MR BRADDOCK: Thank you.

THE CHAIR: Mr Cain.

MR CAIN: I have no further questions.

THE CHAIR: Okay. Are the Canberra Hospital Expansion, CIT and Raising London Circuit projects on track to be completed at the estimated time of delivery?

Mr Barr: Yes. That is certainly the advice that we have in relation to those projects. There are a number of elements that involve intersection with other projects, particularly Raising London Circuit, as there is obviously overlapping construction activity associated with Light Rail Stage 2A and there is activity associated with the National Capital Authority projects in the precinct, as well as the City Renewal Authority land release. On the actual projects themselves, I might invite Gillian and Ash to provide an update.

THE CHAIR: First, what is the estimated time of completion for London Circuit? Then talk to us about it.

Mr Cahif: Raising London Circuit's current completion date is estimated to be in January 2025. We are in discussions with our contractor, Abergeldie, as to how we bring those in quickly. There are a number of issues that we have to deal with which the territory wears the risk on. Wet weather is one of those. We have seen, even during this week, that we will lose days in relation to wet weather. This is under active management. As the Treasurer has mentioned, there is an interaction with stage 2A and we are planning through our negotiations with Canberra Metro.

THE CHAIR: Can you elaborate a little bit more on that negotiation?

Mr Cahif: Not at the moment. It is part of the commercial negotiations to get to contract by the end of this year. It is an active commercial-in-confidence—

THE CHAIR: Sorry—to get the contract by what?

Mr Cahif: To signing for stage 2A—the proposal and the time line. We are working on signing contracts at the end of this year.

THE CHAIR: Thank you.

Ms Geraghty: On the Canberra Hospital Expansion, we are working to have the building completed mid next year to enable the hospital to open in late August next year. On CIT Woden, it will be in early 2025. That is what we have been working towards. It is on track.

THE CHAIR: There is the youth foyer that was recently funded, after the design and everything—

Ms Geraghty: Yes.

THE CHAIR: How did that come about? Was it through consultation? It was not in the original design. What happened that made you aware that this was necessary, and did you receive federal government funding for it?

Ms Geraghty: I will have to provide that on notice.

THE CHAIR: Yes, because you have been here for eight weeks.

Ms Geraghty: Yes, for eight weeks. But, yes, it is the $10 million difference and it did receive commonwealth funding. I will come back to you about the process we undertook.

THE CHAIR: Okay. Great. Thank you.

MR PETTERSSON: I was wondering if the committee could get an update on how the ACT compares to other jurisdictions when it comes to business growth?

Mr Barr: Yes. Thank you. The Australian Bureau of Statistics released its update on counts of Australian businesses in August of this year. It showed that the ACT has had the highest rate of business growth of any Australian state or territory over that period.

At the start of financial year 2019-20 there were 28,968 businesses operating in the territory. At the end of financial year 2022-23, only a few months ago, that had increased to 35,098. That is an increase of 21.2 per cent or 6,130 additional businesses. By way of comparison, the national growth rate for business was 14.1 per cent and 21.2 in the ACT, the only jurisdiction with growth in the 20 per cent plus range. Growth in New South Wales was 12.7 per cent. The next highest jurisdiction, behind the ACT's 21.2, was Victoria, with 17.6 per cent. I will exclude other territories because they are very small, but, beyond them, the jurisdiction with the lowest, at 11.2 per cent, was Western Australia.

MR PETTERSSON: Do you have a view as to why the ACT is seeing such strong business growth?

Mr Barr: I think it ties back to the very strong nation-leading economic growth and population growth, and labour force participation and average disposable income. The economic conditions have been conducive to nation-leading economic performance in the territory. The policy settings in the ACT are obviously supporting nation-leading growth in the economy and nation-leading business growth. The data speaks for itself. This is a very clear indication that the policy settings and the trajectory the territory is on are leading to nation-leading economic growth, nation-leading employment outcomes, nation-leading population growth and nation-leading business growth.

MR PETTERSSON: Thank you.

MR BRADDOCK: I have question on the passage of the Professional Engineers Act and the implications it has had on the Major Projects Canberra workforce. Could you please explain that to me?

Mr Piani: I welcome the question. I have read and acknowledge the privilege statement. It is a fantastic thing that legislation was passed earlier this year to require the registration of engineers. That applies to individuals across the public and private sectors. It is run through EPSDD, as the owners of building reform and regulatory options. I do not deliver that regulatory reform but certainly, as ACT Chief Engineer, I have very much been supporting its implementation.

With regard to how we ensure that MPC is ready for engineer registration, we are just about to embark on an activity to support our understanding of exactly what engineering activity we take. Engineering is defined by law, in the legislation that was passed. We have to consider that legislation and the definition and really pick apart and understand which individuals within the organisation could be undertaking an engineering activity. Once that is defined, we will ensure that we are following the requirements of the legislation. Fundamentally, if you are providing an engineering service, either you are a registered engineer or you are working under the direct supervision of a registered engineer. There are options in terms of how we might manage that, moving forward.

MR BRADDOCK: So you have not identified yet who will be your identified positions or persons to meet the requirements of that act?

Mr Piani: That is right. We are going through that process right now, to get prepared. The requirements of registration have not commenced yet. I note that there are five engineering disciplines that are covered by the legislation. It is not the totality of engineering, but civil, structural, electrical, fire and mechanical. The question is not only are you undertaking an engineering service but are you undertaking an engineering service in one of those defined disciplines? We have time to prepare for that.

MR BRADDOCK: Okay.

Ms Geraghty: I would also point out that we are providing a similar support service to the other directorates, to understand what roles they have that would be providing engineering services, as defined by Mr Piani.

MR BRADDOCK: Thank you.

MR CAIN: I have a point of order issue. Reflecting on the earlier energetic debate with the Treasurer, I noted that when you were asking the question, Chair, Mr Barr repeatedly said, “Are you finished? Are you finished?” At the very least, that is patronising and disrespectful and, some would say, misogynistic. I leave that for your consideration, Chair, and for your committee.

Mr Barr: I think that is—

MR CAIN: I was not addressing you, Treasurer.

Mr Barr: quite an extraordinary intervention, when I was endeavouring to answer a question and was being constantly interrupted by a person who is not a member of this committee.

MR CAIN: You were addressing the chair—

Mr Barr: And—

THE CHAIR: You were addressing me at that time—

MR CAIN: You were addressing the chair—

Mr Barr: I was seeking some guidance from you, Chair, as to whether I would be allowed to answer the question. I was constantly interrupted, as other committee members pointed out in that exchange.

THE CHAIR: There was a long pause and then you said, "Are you finished? Are you finished?" It is very condescending, when I think about it.

Mr Barr: You have been constantly interrupting my answers. Every time I began a sentence in that section of question and answer, you would then interrupt me again. So I paused to let you finish—

THE CHAIR: And then I finished and then you said, "Are you done?"

Mr Barr: And then—

THE CHAIR: You know—

Mr Barr: And here we go again.

THE CHAIR: Are you going to ask me if I am finished talking?

Mr Barr: No. I am simply seeking to answer questions. I believe it is my right, as a witness and as a minister, to contest some of the allegations or assertions made in questions. I think that is my right. It is any witness's right to contest that. It is also the right of a witness to be able to give their answers uninterrupted. That is very clear. I have been doing this for 17 years and I have not experienced the sort of interjection and abuse that I have received today.

THE CHAIR: It is not abuse. We were simply asking you a question—

Mr Barr: Or outrageous accusations like that which has just been made by Mr Cain.

MR CAIN: It is a question for the chair and the committee to consider: the general behaviour of witnesses before it.

MR PETTERSSON: And visiting members. Definitely visiting members.

MR CAIN: That is another discussion, isn't it?

THE CHAIR: Thank you very much, Mr Cain, for bringing that to my attention.

MR CAIN: Thank you, Chair. So happy to hear that.

MR PETTERSSON: Chief Minister, you have previously raised concerns about ABS population forecasts. Do you still hold any concerns? What work is underway to address them?

Mr Barr: Yes, we do. The trend that we have been observing of the level of interstate migration being incorrectly ascribed remains a concern. There is a pretty consistent pattern of this problem multiplying over census periods, where the undercount of our population continues to grow in size. It has real implications for the territory's share of the goods and services tax and for the territory's share of national partnership payments.

We undoubtedly experienced the demand side of this—demand for services, housing, health, education, police, emergency services and community services—but the territory has not been receiving its share of the national revenue pool under various federal financial relations components that are determined by the ABS estimated residential population.

Mr Miners represents us on a national committee that is looking at this. I have written to the responsible minister, Andrew Leigh. We have had really positive engagement from the ABS. I want to acknowledge that Mr Gruen and others have sought to engage with us. We still have outstanding concerns, which we have provided in some detail to the ABS, that we believe could help resolve the recurring statistical error as it relates to internal movement within Australia.

Because of the nature of the ACT and of Canberra, we have a heightened level of transitory residency, for reasons of politics, study, bureaucracy, lobbying et cetera. So there is more movement through our jurisdiction, it would appear, than others. That is not being particularly well captured by people updating their Medicare address, which has been one of the data sources the ABS have relied very heavily on for interstate migration. Their data sources are excellent for births and deaths, and they are very, very good for international migration. They are not so good for internal movement within Australia. Mr Miners, is there anything you would like to add?

Mr Miners: I think that is a very good summary, Treasurer. We are in constant engagement with the ABS on this issue. The committee that the Treasurer mentioned, the Australian Statistics Advisory Council, had a meeting yesterday where one of the key items on the agenda was to talk about population and the work that is going on there. It is a very positive engagement.

The ABS have done a very good job of getting the national numbers right, but our situation has actually deteriorated over the last three censuses. The adjustments after each census have got larger and larger and larger, leaving us in the situation that the Treasurer has outlined. The ABS are very aware. They are looking at ways to do that in a nationally consistent way. We are continuing to make the case for a need for an ACT-based adjustment to get it right for the ACT. It does not look right at the moment. Those net interstate migration numbers just do not look right and are not consistent with what we are seeing.

We are also working with them on all the data sources they can use to improve that, particularly things such as motor vehicle registration data, to see whether we can find a better way for them to do it, rather than the Medicare data, to get better numbers. They are putting some things in place, some more reviews, and looking at it. We are continuing to push the issue quite strongly.

MR PETTERSSON: Are we the only jurisdiction raising issues with population forecasts?

Mr Miners: No. The ACT had the worst relative outcomes from the census, in terms of the adjustment that needed to happen after the last census. The small jurisdictions are having the same issues and are raising the issues with the ABS. It was quite a good discussion yesterday, with a lot of those other jurisdictions represented as well.

MR PETTERSSON: Thank you.

MR BRADDOCK: This issue has been going on for quite some time. Despite the excellent engagement from the ABS, it is still ongoing. Why are they not making the change?

Mr Miners: I do not want to put words in the ABS's mouth, but one of the major issues we have in negotiations is that they are looking for a national solution to this. Their perspective is that you cannot just take numbers out of another state and put them here. You need a methodology behind it.

The ABS is an institution that prides itself on the quality of its data, so things necessarily are slow moving. We need to be convincing them, in finding different methodologies, and working with them around that. It is a slow-moving process. I would like it to move faster. I have made that point several times, and the Treasurer has made that point many times to them. We will continue to work with them to do that. We are trying to do that in a very collaborative way with them, because the solution we come up with needs to be a lasting solution and be fairly based et cetera.

MR BRADDOCK: So we just have to bear the economic hurt in the meantime, whilst they figure themselves out.

Mr Miners: I do not know if "bear" is right. We will continue to try to resolve it as quickly as we can. But until it is resolved, yes, there will be an impost.

MR BRADDOCK: Thank you.

Mr Barr: The implications are hundreds of millions of dollars a year. It is materially significant: hundreds of millions. Over a five-year census cycle that is potentially a billion dollars. That is a lot to not be receiving because of incorrect data.

MR BRADDOCK: I suppose that, whilst the statistics are being adjusted, the process may take some while. Is there a political fix in place or something we can arrange with the federal government on this matter?

Mr Barr: Certainly, as soon as the census data was released that showed the five per cent undercount in our population, we immediately sought to have everything that was contemporary adjusted to reflect our increased population. That did result, under this current federal government, in our GST being adjusted and a number of national partnership agreements being adjusted.

MR BRADDOCK: Was there any backdating to recognise the fact that the population had been—

Mr Barr: You can only go back to the commencement of the financial year you are in. There was a little bit of backdating, but not five years of backdating.

MR BRADDOCK: Yes.

THE CHAIR: Before we finish, is there anything you would like to add?

Mr Barr: No. I think we have said enough this afternoon. It has been robust enough, Mrs Kikkert. We will leave it at that.

THE CHAIR: On behalf of the committee, I thank our witnesses for your attendance today. If you have taken any questions on notice, please provide your answers to the committee secretary within five business days of receiving the uncorrected proof *Hansard*. On behalf of the committee, I would like to thank our witnesses, who have assisted the committee through their appearance and knowledge. 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. This hearing is adjourned.

The committee adjourned at 4.42 pm.