



**LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

**SELECT COMMITTEE ON THE FISCAL SUSTAINABILITY
OF THE ACT**

(Reference: [Inquiry into the Fiscal Sustainability of the ACT](#))

Members:

**MS J CLAY (Chair)
MR E COCKS (Deputy Chair)
MS F CARRICK
MS C TOUGH**

PROOF TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 16 JUNE 2026

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**Committee Secretary:
Dr D Monk (Ph: 620 50129)**

By authority of the Legislative Assembly for the Australian Capital Territory

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

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Amended 20 May 2013

The committee met at 4 pm

BARR, MR ANDREW, Chief Minister, Minister for Economic Development and Minister for Tourism and Trade

CAMPBELL, MR RUSS, Under Treasurer, Chief Minister, Treasury and Economic Development Directorate

DOWDELL, MS MICHELLE, Deputy Under Treasurer, Chief Minister, Treasury and Economic Development Directorate

THE CHAIR: Good afternoon. Welcome to the fifth public hearing of the Select Committee on the Fiscal Sustainability of the ACT. Our witnesses today are the Chief Minister and his officials. The committee wishes to acknowledge the traditional custodians of the land we are meeting on, the Ngunnawal people. We wish to acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region. We would also like to acknowledge and welcome any other Aboriginal and Torres Strait Islander people who may be joining us today or streaming in from elsewhere. We are recording, transcribing, and publishing in the *Hansard*. Our proceedings are also being broadcast and web-streamed live. If you take a question on notice, if you can say, "I'll take that on notice," it helps our secretariat track down the answers.

We welcome Mr Andrew Barr, the Chief Minister. We also welcome officials. As witnesses, you are protected by parliamentary privilege and you are bound by its obligations. You must tell the truth. Giving false or misleading evidence will be treated as a serious matter and may be considered contempt of the Assembly. We are not taking opening statements, so we will proceed straight to questions.

Chief Minister, the Treasurer announced in the budget that you are cutting back \$700 million in infrastructure funding over the following four years. We know that one of those projects is the Kingston Arts Precinct. Can you set out which infrastructure projects are picked up in that announcement?

Mr Barr: This is a budget estimates hearing, is it?

THE CHAIR: This is a fiscal sustainability hearing.

Mr Barr: Your question to me relates to the budget, not to broader fiscal sustainability.

THE CHAIR: I can reshape it if you would like me to.

Mr Barr: I just need to understand whether this is an estimates hearing, because that is not what I was called for.

THE CHAIR: We put squarely that we wanted to talk about infrastructure spending, wellbeing indicators and federal funding, and you do not want to answer a question about the infrastructure funding announcement that was made last week?

Mr Barr: You specifically referenced decisions in the budget. I am just seeking to clarify whether this hearing is going to effectively be a budget estimates hearing or we are talking about the broader infrastructure program.

MR COCKS: I see no problem with the question.

MS CARRICK: The budget, fiscal sustainability—

THE CHAIR: This committee, for the last several months, has been asking the government questions about how you are choosing what goes into the capital works pipeline, how you are funding it and how you are making decisions about what goes ahead and what does not. Would you like to tell me what decisions were made recently that led to an announcement about \$700 million being removed?

Mr Barr: Yes. We examined the size of the infrastructure program and the previous years of deliverability. We looked at the level of rollover—that is, money that had been allocated in this current fiscal year that was not going to be spent because projects were not at the stage that the expenditure would be required—and looked at the forward program of planned infrastructure and then made a determination that projects that are currently in construction would be prioritised and that we would not commence new projects, in many instances until existing works in progress had been completed. That reflects an issue that we have discussed with this committee—what is the appropriate level of infrastructure spend in a particular fiscal year—and we have previously discussed the factors that impact on that, principally the industry's capacity to deliver, sources of available finance, the type of infrastructure project and the level of risk and its complexity. Within that Venn diagram, there are projects that are through their riskiest phase, in construction and continuing. The decisions that we took in the budget were to look at the totality of the program over the next four to five years and look at what would be deliverable, and then we recognised that there was no capacity to start certain new projects, because there would not be a workforce to deliver them, and determined to delay some of those projects.

If I understood, in part of your question you were also after a list of what those projects were.

THE CHAIR: I am interested because I think that, with the committee knowing what the projects are, it will assist us to understand how the criteria were applied.

Mr Barr: Sure, and that was what triggered my question back, which was: that is surely what we would consider in an estimates hearing, as opposed to the broader—

THE CHAIR: If it is information that you have, Chief Minister, it might be simpler to provide it.

Mr Barr: I can certainly take that on notice, but I do not have a laundry list in front of me of the thousand infrastructure projects.

THE CHAIR: I did not mean the thousand. We know the Kingston Arts Precinct is one of the larger ones. That was for \$146 million, I think. Are there any other—not the laundry list of the thousand—major—

Mr Barr: Yes. We indicated that we would not commence three projects in Casey until we had finished other projects. We have also indicated that we will be prioritising road

projects under construction before we commence new road projects.

THE CHAIR: Which of the new roads projects are not being commenced at the moment?

Mr Barr: Future stages of the Monaro Highway.

THE CHAIR: One of Saul Eslake's recommendations was to set an overall cap on the infrastructure pipeline. From your answer, it does not sound like you have agreed to set an overall cap.

Mr Barr: If you look at the fiscal strategy, you will see there is a cap indicated.

THE CHAIR: How did you come to that? Is that primarily based on what the industry can deliver?

Mr Barr: The combination of the three factors that I indicated earlier: the capacity to deliver, the fiscal position and, obviously, commonwealth and other funding sources.

THE CHAIR: Have we lost any federal funding as a result of the decision to delay projects?

Mr Barr: No; we have not.

THE CHAIR: Was federal funding on some of the projects that have been delayed redirected?

Mr Barr: I do not believe so—not within the forward estimates period—but we can check. Within a project, there is often flexibility within fiscal years around when allocations are made, but, since our budget, we have not been advised by the commonwealth that we have lost any funding.

THE CHAIR: If there is any, do you have the ability to redirect that federal funding to something else?

Mr Barr: No. We have the ability to negotiate with the commonwealth in relation to the timing of payments within an individual project. We probably have less flexibility to redirect to others, but it will depend on the type of infrastructure.

THE CHAIR: I am picking on this project just because it is the one that is known: the Kingston Arts Precinct. That project has been on foot since 2015, I think, and it was originally going to be delivered by 2023 and it has not been. It has now been delayed again. At least one arts organisation has pulled out of the project in that time—the Canberra Potters—because of the delays. I am interested in what the impacts are on the Kingston Arts Precinct, but also on any of our capital works if we delay them long outside the time we originally—

Mr Barr: We are staging the Kingston Arts Precinct. We recognise that the land on which the precinct will ultimately be built is currently a surface car park that services not just the existing arts facilities, like the Glass House, Megalo and the Former

Transport Depot that hosts the markets, but also a range of businesses on the Kingston Foreshore. The decision has been taken to make the first stage of the project structured car parking and housing, including for artists and residents, and, once that is built, that will then enable ongoing parking provision in the precinct and will allow development on the balance of the site.

THE CHAIR: There are six arts organisations involved in the project. Are they still interested in being involved in the project given the delay?

Mr Barr: I am not the lead minister in relation to arts engagement—the minister for the arts is—but I will take that question on notice for you.

THE CHAIR: Surely cabinet, though, before delaying a \$146 million project, would have considered whether there were impacts—

Mr Barr: I have no advice that those organisations changed, but I will take it on notice to confirm that for you.

THE CHAIR: On what date is it expected that the arts organisations themselves would have their premises built—that the precinct would actually—

Mr Barr: That would be subject to future decision-making, but we will not commence further work on the surface car park element of the site until the new car parking is built.

THE CHAIR: I am trying to get my head around how the project unfolded. In 2015, this was a project pitched for 2023. What has happened in the last 11 years that this project is now being delayed?

Mr Barr: It is a matter of public record that the initial tender process produced an outcome that the tenderer was then not able to deliver.

THE CHAIR: Yes. When the government picked Geocon, it did not work out. I think the people of Canberra understand that. Chief Minister, we understand that the government has made a decision to delay this particular capital works project. I am partly asking about this one and I am partly asking about any others that you have done. Did the government sit down and ask, “Do we delay it? Is it still useful if we delay it? How long do we delay it for?” At what point is an endless delay simply not delivering? Is it still a useful project?

Mr Barr: Yes, and that is why we are proceeding with the first stage of this element. In theory, the first stage of the project was delivered with Canberra Glassworks, Megalo and the Fitters Workshop components. We recognise that car parking is an issue. We would be having a different conversation, I imagine, with the Assembly if the decision was to remove all of the car parking as part of the development of the precinct. That is a practical way forward. In relation to future stages, they will be considered in each budget round.

THE CHAIR: I have just one more question. Why is there no federal funding for this one? Did you ask earlier in the project?

Mr Barr: There is a federal contribution towards the housing element and some of the enabling infrastructure. The commonwealth do not have an available program for this sort of precinct. It is normally something that would be provided by state and local governments rather than being a commonwealth funded project. They are co-funding with us other elements of the broader Kingston precinct, including the railway station urban renewal project and housing related matters, but community arts facilities tend not to be the subject of significant commonwealth funding.

THE CHAIR: Never or there is no—

Mr Barr: Rarely. There may be some examples in the history of the Federation, but it is not like they have an annual program: “Let’s fund local community arts projects.”

THE CHAIR: Was there ever a funding bid put in for it at any point in the last 11 years?

Mr Barr: There has to be a program to put a bid into.

THE CHAIR: There was not one available?

Mr Barr: I do not believe so—no.

THE CHAIR: Thank you.

MR COCKS: My line of questioning comes from a similar place. I am trying to understand the way the government and cabinet in particular make some infrastructure decisions. When you are looking at large infrastructure projects, because they are now effectively all being financed through debt, does cabinet receive advice on the debt servicing costs, recurrent operating costs, depreciation, maintenance and the whole-of-life fiscal impact? Do you look at the full spectrum of costs when you consider the value or are you just looking at construction costs?

Mr Barr: We would look at the full cost. I contest the first part of your question. Obviously there are other funding sources associated with infrastructure delivery, such as commonwealth contributions, and they are outlined in both the federal and the territory budget papers. We also apply the proceeds from asset sales towards infrastructure. In recent times, that is principally land sale revenue. So not every project is debt financed.

MR COCKS: That balancing point, though, would have to assume that all of the other costs written on the operating side of the equation would already be balanced, and, given we are in an HNOB deficit position—

Mr Barr: I think you are confusing HNOB with operating cash.

MR COCKS: The operating balance.

Mr Barr: Yes, but obviously the headline net operating balance includes depreciation, which is a non-cash component.

MR COCKS: True, but cash itself is running at about \$1½ billion in deficit.

Mr Barr: It has in one budget year but not in every budget year, and it is not in the coming budget year.

MR COCKS: I guess we will agree to disagree somewhat there. You consider all of those costs, then. That includes the ongoing interest costs for any borrowings?

Mr Barr: Yes. The cost of finance is a factor and is in each business case.

MR COCKS: Is there a formal affordability test or a level at which the government considers a project to be affordable?

Mr Barr: A single project probably would not undergo that unless it was of a very significant size. That assessment is not undertaken on playground improvement in your electorate or mine. I presume you are talking about larger—

MR COCKS: Yes. I am talking about the larger projects, which is where we are focused.

Mr Barr: We look at the provisions that we have made for future infrastructure. We look at the combination of financing sources, including commonwealth contributions, and whether there is an offsetting asset sale which can obviously be directly linked to a project as part of an approach to market or it is a consolidated revenue matter based on the expected land sale outcomes from the Suburban Land Agency and the City Renewal Authority.

MR COCKS: It sounds like there is no proportion of costs. What I am looking for is: is there a formal test around affordability—a way that you determine what is affordable?

Mr Barr: Of the total program, yes—the cumulative impact across all.

MR COCKS: But not necessarily at a project level?

Mr Barr: Certainly some projects will contribute more to the size of the total program. A tier 1 project, for example, would be a project type most likely to trigger the question around its affordability within the broader infrastructure program.

MR COCKS: There are two trends that I have noticed. A lot of projects seem to be staged. You were just talking about the Kingston Arts Precinct. There is a very long sequence of staging. Then there are projects which are aggregated, if I can say that—for example, the Woden bus interchange with the CIT. There were about four projects that were effectively aggregated into one in that case. For staged projects, does cabinet consider the full proposed scope of the project?

Mr Barr: Yes, and that will often then lead to the decision to stage a project, because it would not be either deliverable or affordable within one, two, three or four fiscal years across a full budget forward estimates period.

MR COCKS: So you do a cost estimate right across the entire scope of the project and then stage it, flowing out of that?

Mr Barr: Yes, because often projects will take many years to build.

MR COCKS: Absolutely. I am struggling to understand the rationale for the aggregation of projects, because quite often there are quite disparate purposes. For the CIT and the bus interchange, you have a transport project which is linked to light rail as well, plus you have the education and skills aspect through the CIT. How do you make a decision to combine those? And how do you assess the combined affordability and value of something like that?

Mr Barr: Regarding factors that would impact—you described it as an aggregation of projects—I can imagine principally two streams: one is precinct related and the other is project type related. An aggregated scheme, for example, includes the electrification of government owned gas assets. That is a bundle. It is not a single project; it is a series of projects across multiple buildings, but the outcome is that old gas appliances are replaced by new electric appliances. That is an aggregated program. That is one example. Another would be precinct related, where one project would enable another or that the desired outcome from the infrastructure investment is a precinct that integrates, for example, public transport with a major education facility. There is a similar—

MR COCKS: Sorry to interrupt. I am conscious of time. All that it takes to get that integrated perspective is co-location or does it need to be more than that?

Mr Barr: Co-location would be a factor as well as one project impacting on the other: deliverability, timing and sequencing of works. Regarding the Woden example, there was a similar project going back more than a decade associated with the new student accommodation at the ANU and the bus interchange element that was built accompanying that particular project development, which was part of precinct work and partnership with the ANU—over Childers Street and that whole interface between the campus and the CBD. The Woden project, with the public transport interchange and the CIT, in fact follows previous examples.

MR COCKS: I am not criticising; I am genuinely trying to understand. When you look at the value and the costs, does cabinet look at the costs or get a costing that is related to the bus interchange, for example, and the costs related to building the CIT campus, or do you only ever look at the entire package?

Mr Barr: We look at the separate projects and then look at whether there would, in fact, be efficiencies associated with delivering them together or if works sequencing matters are relevant for consideration as well. For example, you would not want the same area built multiple times. You would look at the duration of disruption, for example, and where temporary facilities might be. These are all factors that would impact a decision.

MR COCKS: Has that breakdown ever been reported publicly—any information on a breakdown?

Mr Barr: Obviously through cabinet records over time, but not—

MR COCKS: Not while it is still ongoing, clearly.

Mr Barr: Not while they are still in a procurement context—no.

MR COCKS: Thank you.

MS CARRICK: My first question is about the HNOB. For 18 months, I have been trying to understand why a market valuation is in the aggregates like it is. The *Budget review* says:

Exclusion of the net gains on financial assets as revenue in the NOB understates the Government's capacity to meet these liabilities as the capital gains on investments provide a source of funding for the long-term superannuation liabilities.

My question is: if a market valuation that will provide a source of funding for the long term is included in the aggregates instead of the other economic flows, why aren't all the other economic flows that would provide a source of funding over the long term included in the aggregates as well?

Mr Barr: That is one for the Treasurer. We have Treasury officials here. I can take that on notice. It might be better to give a written response.

Mr Campbell: That might help. We do not have the right people at the table to answer that question.

Mr Barr: We will take that on notice for the Treasurer and get a written response.

MS CARRICK: Thank you. I struggled with that. Similarly, appendix F of the budget papers has the HNOB as key aggregates history. When I talk to people about what they think is the history, they think of actuals as the history, but this is HNOB. There is no HNOB actual. When you look at the consolidated financial statements, the superannuation adjustment is not in revenue minus expenses. The main metric is different in the actuals to the budget. We talked about this last time.

Mr Campbell: Again, we can come back to you on the details of what is actually captured. It is relevant to the HNOB calculation in the financial statements at the end of the financial year.

MS CARRICK: Yes, but it is right at the very bottom. It is not in revenue minus expenses—the top bit.

Mr Campbell: This is probably one where it would help if we step it out so it is very clear.

MS CARRICK: Step it out for me because I do not understand. It sits in different parts of the—

Mr Barr: I will take that on notice for the Treasurer. The Treasurer might answer that.

I am not the Treasurer anymore and this hearing is not about that.

MS CARRICK: No, but this is about fiscal sustainability. This is how we read the budget documents as far as sustainability goes.

Mr Barr: I appreciate that, but I am not the Treasurer and your line of questioning relates to the presentation of the budget papers.

MS CARRICK: We have some Treasury officials here.

Mr Barr: But they were not called here for that purpose.

MS CARRICK: I will get to infrastructure in a sec, but I have one more question on this.

Mr Barr: Of course, you have the estimates hearings coming to talk about all of this.

MS CARRICK: Okay. Regarding appendix F, can you also take on notice why we have something that says “history” but it is a budget number, not an actual number? I think it is a bit misleading.

Mr Barr: I believe it is the budget number.

MS CARRICK: Yes, it is the budget number, but we are talking about history. We do not have the actuals.

Mr Barr: The history is, in fact, the actuals, but I will come back—

Mr Campbell: We will come back with the detailed mapping.

MS CARRICK: I am looking at the budget in the context that fiscal sustainability is based on the budget.

Mr Barr: I appreciate that. I do not want to have an endless argument during this hearing about this, but I was called on three topics related to my role as Chief Minister. The questions, with the honourable exception of Mr Cocks’s, have been a bit more like this is a budget estimates hearing with the Treasurer. The questions are perfectly legitimate in a hearing with the Treasurer on the budget.

MS CARRICK: Borrowings are borrowed for the infrastructure that is built. Can I ask one question about that? There is a particularly large borrowing to pay for infrastructure in the current budget year, 2026-27—\$3.6 billion in borrowings next year. Why is that so huge?

Mr Barr: Again, we will take that question on notice for the Treasurer.

MS CARRICK: Let’s go to infrastructure. In budget table 3.7.1, regarding early planning on new capital works—and I appreciate that you said that, in the context of the budget and fiscal sustainability, we are going to build the stuff that is already under construction, but why is there no planning? If you look at table 3.7.1 in the budget,

regarding early planning, there is half a million dollars for next year—sorry; this is in thousands—\$50,000 for next year, and \$500,000, half a million, for the following year. And then, when you go to the forward estimates, there is zero in planning. To be able to keep a pipeline going, you still have to do some planning.

Mr Barr: Yes. In this instance, I would reference that you look at previous budget papers that have also made allocations. These are new allocations in this budget, as opposed to ongoing ones made in previous budgets. But, yes, as I said very clearly, the infrastructure program is in its peak this year and next and will be dramatically smaller over the next decade. The infrastructure projects that we have outlined in the Infrastructure Plan of 2019, updated in 2024-25, form the basis of the infrastructure program for the next decade—those that have not been completed. There is no capacity for major new works beyond those that are outlined in the plan.

MS CARRICK: What do you call major?

Mr Barr: They would be tier 1 and tier 2 projects.

MS CARRICK: Over what sort of a dollar number: \$10 million, \$100 million? What is major? Can't we slip in an indoor sports stadium?

Mr Barr: Tens of millions of dollars would be the threshold.

MS CARRICK: Infrastructure Canberra does a lot of the big infrastructure stuff these days. Are the City Police Station and Molonglo Valley Police Station in the estimates or not?

Mr Barr: The government's approach to market is underway now in relation to the City Police Station. It is a project being led by Minister Paterson, as police minister. It is not yet determined whether we will simply be acquiring a lease at an existing building and fitting it out or commissioning a new build. A procurement process will determine that pathway. The quickest pathway to a new facility would be an existing building, rather than starting construction on a new one. That is how that will be managed, and, within the budget, there is an appropriation to manage that process. If we then enter into a lease in that scenario, the cost of that lease would be part of a future budget, as well as any fit-out costs. In relation to Molonglo, the preference is to do what we have done here in the city and look at an approach to market where we are a pre-committed tenant.

MS CARRICK: Does that mean there is money in the budget or not?

Mr Barr: Yes, there is money in the budget to undertake those approaches to market.

MS CARRICK: To undertake the approaches to market, but there is no actual money for a facility?

Mr Barr: Your assumption is that we are building and owning a facility. I am suggesting that you should not make that assumption and that we may well take out a lease and be a long-term tenant, as we are across the road here. That is how the government office block was built. That is also how the Dickson office block was built. We would undertake an approach to market that way—to be a tenant rather than a

building owner.

MS CARRICK: But a tenant is still going to have a substantial annual lease amount, would they not?

Mr Barr: Yes. Obviously, having not yet finalised the market approach, that lease and the cost of it, the duration, any fit-out et cetera is not yet known. It can only be provisioned for. It is not budgeted. Once it is budgeted, it will be published.

MS CARRICK: Does that mean it is in a bucket somewhere?

Mr Barr: It means that I would not put in the budget papers “This is how much we are prepared to pay for a lease” before we even approach the market.

MS CARRICK: So it is buried in a bucket. Fair enough. You have it. It is like—what do we call those things?

Mr Barr: We will make that approach to market, and, once we have a value-for-money proposition and we sign a contract, the amount is published.

MS CARRICK: I want to ask about a couple more infrastructure projects and will then move on—if they are in the budget or not. Is the ice rink in the budget?

Mr Barr: There is a provision for the Tuggeranong ice rink. If you look at the *Pre-election budget update*, it outlines that the provision has been made.

MS CARRICK: Assumably, it is still in that.

Mr Barr: That is correct.

MS CARRICK: Is the Southern Memorial in there?

Mr Barr: I believe there is a provision for further work on that project. I am not sure that it has been fully provisioned. It depends on what you build. I will take that on notice on behalf of the minister.

MS CARRICK: We are very keen for the Southern Memorial. That is very important.

MS TOUGH: Chief Minister, I have questions around the demand for infrastructure projects across Australia. Obviously, every state and territory government and the federal government want to build infrastructure projects of different sizes. How does that demand Australia-wide impact what the ACT can go ahead with?

Mr Barr: It is certainly a very considerable factor. In the current year, the Australian construction sector faces a major structural deficit in relation to labour. There is a 300,000-worker shortfall expected by 2027 across trades, engineers and project roles. The current immediate gap across Australia is 140,000 workers in the infrastructure workforce. At the moment, we are at record employment in the construction sector, at 1.37 million workers Australia-wide. There are still 21½ thousand vacancies nationwide. Shortages are affecting virtually all key roles in the trades: carpenters,

electricians and plumbers; engineers and technical professionals; project managers and supervisors. Nearly all construction trade occupations are in shortage in every state and territory. Thirteen of the 15 core residential trades are also in shortage nationally and skilled trades are the most persistently constrained category in Australia's labour market. In professional and technical roles, we have chronic shortages in project managers, quantity surveyors, building certifiers and planners.

The shortages are even more severe outside the major capital cities. At the moment, we have a record \$242 billion national infrastructure pipeline, plus, on top of that, there are housing and energy projects. There is simultaneous demand across the infrastructure sector for transport mega projects for the renewable energy transition, for the defence and AUKUS related projects, and for the 1.2 million national housing target. Twenty-five per cent of workers in the construction sector are aged 55-plus, so there is a large retirement wave coming. For replacement via training alone, the Australian population is not big enough, so migration is necessary. Even with investments from the national, state and territory governments, the apprenticeship and training system cannot scale quickly enough. Skilled migration has not returned to pre-COVID levels, and we are in the midst of a very challenging national debate about the size of our migration program.

Construction productivity has been flat for decades. We are very slow at adopting modern methods of construction in Australia. Regulation and approvals need further streamlining, and we are obviously doing some great work in the ACT in that regard. We are seeing project delivery delays in the housing sector and across many asset classes. We have not seen wage inflation above CPI. Construction costs are growing between four and seven per cent annually. Labour shortages are limiting our housing delivery capability.

Back to the earlier element of the discussion, to create some room to build more houses we need to look at the rest of our infrastructure program. This budget has certainly focused very strongly on the housing sector. In answer to the question "Where will our 19,000 construction workers in the ACT see future work opportunities?" the shift is going to be away from some elements of the current infrastructure program to housing—public, community and private. We are hopeful that, once we get through this two-year period where our infrastructure program peaks—and, coincidentally, so does it in a number of other states and territories—the situation can ease a little. But, as I have pointed out when asked in the Assembly, there is a need—a defining national priority—given we are hosting the Olympics in 2032 in Brisbane, for the projects necessary for that event to be staged to be built, and they have to be built well before 2032. Some will compete directly for workforce, not just with us—we are a relatively small player—but also for projects in Sydney and Melbourne. That is the scale of the challenge at the moment. It is economy-wide and it is structural. It is not a cyclical thing, but it is exacerbated by the current infrastructure peak and the expected demand for trades associated with the Olympics in Brisbane.

MS TOUGH: Thank you. Given all that quite bleak stuff, once projects are picked to be done, and noting the shift from some of the bigger infrastructure projects to free up space for the construction sector to go into housing, does it then also have pricing implications for the projects the government is pushing ahead with, given the limited pool?

Mr Barr: Yes, it does, so we have made provision in the budget for market conditions. The other factor that has obviously impacted, although that impact has fortunately ameliorated considerably thanks to the work of the federal government and some good decisions, has been fuel costs. Last night—I saw it on the news—it was reported that fuel costs are now lower in Australia than they were when the war started and the fuel reserves are higher. If you rewind three or four months, we were having crisis meetings with the construction sector in that tens of thousands of construction businesses across Australia were going to collapse because of diesel prices particularly, going over \$3 a litre. It is not the only thing that is impacting, but it is important that we factor that in.

On any given day, you can wake up and hear a different version of what is happening next from the US President, but I will take the last bit of news that there may be an official signing of some form of peace deal in Switzerland on the weekend—the 30th time such a thing has been suggested in the last 90 days, but it looks like it might actually happen now. Once we have further information with regard to that, the impact of that locally is hopefully some surety over fuel supply and fuel prices. National cabinet is meeting this week, and I am sure we will be briefed further after the weekend's events as to what the short- and medium-term outlook is, and then there will be an immediate decision before the commonwealth and the states and territories in relation to what happens to the fuel excise reduction that is currently programmed to end on 30 June.

MS TOUGH: Given that you mentioned the crisis meetings early in the war, regarding infrastructure projects that were getting to crucial points—either contract signing or the next stages—was it effectively delaying projects or increasing the price that had originally been determined?

Mr Barr: Certainly regarding some of the standard procurement arrangements around fixed price contracting, there was a degree of contestability from some industry players wanting what I think they called a rise-and-fall provision within those contracts, so that, if fuel prices went up, there would be some recognition of that. Generally speaking, we tend not to benefit from the fall end of that, but the rise element is generally one that has been a factor for consideration. The more certainty we can have over diesel supply and diesel price the less impacted each project could potentially be. That reduces risk and the risk of delays. The commencement of certain projects was delayed because of the unexpected fuel price surge. Some of those have obviously been discussed in the Assembly over the last few months.

MS TOUGH: Once infrastructure projects are picked to go ahead, how does the government then maximise contributions from the federal government, or even New South Wales if it is something that has cross-border benefit?

Mr Barr: It will obviously depend on the project type and the willingness of the commonwealth to be a funding partner. That can work in a variety of ways. There are established programs where you put projects forward for a share of commonwealth funding, there are national partnership arrangements where the commonwealth will make a contribution, and there are projects, particularly in the transport sector, where there is an established protocol through Infrastructure Australia for projects to be submitted. There are other types of infrastructure where there is no history of commonwealth funding, where either constitutionally or otherwise they are seen as the

principal responsibility of state and local government. We obviously receive a grant from the commonwealth for our local government responsibilities. There are some special interactions between the ACT and the commonwealth as it relates to our national capital status, and there is a need for the timing of certain projects to be coordinated. Sometimes commonwealth projects are subject to the same procurement and other delays as territory projects.

With regard to projects with New South Wales, there are not many of those. I can recall one where the New South Wales government made a contribution for a project physically inside the ACT. The Canberra Raiders win the prize for achieving that, in that the New South Wales government made a contribution, together with the territory government, towards their training headquarters in Braddon. The then New South Wales Deputy Premier John Barilaro proclaimed that the hardest thing he has ever had to get through New South Wales cabinet was to spend money on a project in the ACT. The more recent example of multi-government funding is the Canberra-Sydney rail corridor. I have worked on that for a decade with more New South Wales premiers and transport ministers than I care to remember. I do not think I could name all I have met with over the last decade. We finally have an outcome on the next stage of that work. That is sometimes what it takes to get three governments to co-fund a project.

MS TOUGH: Thank you.

THE CHAIR: Chief Minister, you mentioned three criteria that were applied recently to delay the capital works projects. The criteria were: industry capacity to build, government's fiscal capacity to carry the project, and federal funding. Do I have that right?

Mr Barr: Federal and other funding services.

THE CHAIR: Yes. At what point in the consideration to delay capital works projects did the wellbeing indicators come into it?

Mr Barr: They are certainly a factor in consideration for all government decisions, but I would say the primary factors were the three that I have mentioned. We needed to consider the deliverability of them. That is probably the most significant one. You can make a funding commitment, but, if there is no way it can be physically delivered—

THE CHAIR: It is fictional. We understand.

Mr Barr: Yes.

THE CHAIR: How are the wellbeing indicators a factor? Without having an academic conversation about what wellbeing indicators are, specifically at what point in the process are the wellbeing indicators a factor?

Mr Barr: Each business case undergoes a wellbeing assessment, looking at which domains it would impact and the development of the broader infrastructure pipeline. The 2019 version predated the commencement of the formal Wellbeing Framework, but certainly improvements to wellbeing were behind a number of projects that were included in that longer term Infrastructure Plan. The 2024 update—the 2019 plan was

essentially a 10-year-plus document—the five-year, halfway-point update, occurred in an environment where the Wellbeing Framework was well established. The next update to the Infrastructure Plan will also factor in those matters. We assess decisions against the criteria and obviously fiscal criteria as well, plus there is, particularly for tier 1 projects, a cost-benefit ratio assessment.

THE CHAIR: Who is “we”? Are “we” cabinet? Are “we” Infrastructure Canberra? Who is “we”?

Mr Barr: “We” includes cabinet and the agencies that provide advice to cabinet.

THE CHAIR: Can you give me an example of one capital works decision that was recently made that was influenced by a wellbeing indicator assessment?

Mr Barr: Yes—the construction and the progress of the North Canberra Hospital.

THE CHAIR: It was prioritised because of—

Mr Barr: Because of its benefit and the investments in housing.

THE CHAIR: That is great. That is better than I have had in the past: housing and the hospital.

Mr Barr: I will give you a more fulsome list. You have immediately put me on the spot and, within two seconds, I have given you the two biggest areas of budget expenditure.

THE CHAIR: If you would like to take that on notice, that would be most helpful.

Mr Barr: I will provide some further examples.

THE CHAIR: That is excellent. The Welsh government has a very similar system. They have wellbeing indicators in the Well-being for Future Generations Act. When they applied that, the practical impact on their capital works pipeline was that they dropped a whole bunch of road duplications and they prioritised road safety, road maintenance, public transport and active transport, and quite vigorously applied their wellbeing indicators. If you do not have it off the top of your head, you can come back on notice. Has the ACT government come up with different decisions? I do not doubt that the hospital is a good and worthy project, and it is great that it had a wellbeing assessment that said it was a good and worthy project. I suspect it would have gone ahead anyway. Has the ACT government applied wellbeing indicators that have resulted in a different decision than might otherwise have been made?

Mr Barr: That is an interesting hypothetical. In terms of projects that have been—

THE CHAIR: It is not really a hypothetical. I am asking if different decisions were made as a result of—

Mr Barr: If you define a decision as to go ahead with something, then I am confident that each decision to fund a project has appropriately reflected their wellbeing outcomes that will benefit. Some decisions around not proceeding with certain projects at this

time have also reflected a combination of their cost and their wellbeing improvement outcomes relative to other projects.

THE CHAIR: So the delayed projects might be delayed in part because of the lack of wellbeing—

Mr Barr: Not that they have a lack of wellbeing, but relative to others. Then there are a number of projects that might be considered on the greatest hits list of infrastructure wish lists from particular stakeholders that are not funded, and they are not funded in this budget for a variety of reasons: infrastructure capacity, financing, and their relative merit against other projects.

THE CHAIR: I am particularly interested, because you are coming back on notice anyway with that list, whether you can tell me if any recently delayed major projects—not your full list of a thousand; let’s stick with tier 1 and tier 2 projects, if you like—were delayed in part because of the wellbeing impact assessment. It was not in your original three criteria, so I am interested in how these—

Mr Barr: Specifically on roads, the further Monaro Highway work does not deliver a housing outcome. Other projects that have been funded are linked to housing and land release.

THE CHAIR: That is great. Is there just that one or do you want to—

Mr Barr: That is an immediate one, to give an example.

MR COCKS: I found the *ACT Auditor-General’s financial audit report*—overall results from last year; audit report No 7—a very useful guide to some of the challenges with fiscal sustainability. It raised some questions I want to go to. It raised attention to some problems with the way we look at capital works in the budget and what look like could be some problems with capital works generally. As a starting point, when was the last capital works program progress report released?

Mr Barr: It is quarterly, I believe.

Ms Dowdell: I think it was in March. The one in March would have been for the December quarter. I think that was the last one, but I will confirm that.

MR COCKS: The December quarter would have been published in March?

Ms Dowdell: Yes. I will confirm.

MR COCKS: That is alright. It means that the December quarter that I have here is the most recent one.

Ms Dowdell: Yes, because the March quarter would usually be published around now.

MR COCKS: That is helpful. The Auditor-General highlighted some concerns around the information that is contained in those reports. Essentially, he has suggested that what is in this report—and it looks like this to me—is not enough to really assess

whether the large projects, the over-\$10-million projects, are proceeding in line with their original budgets, because there are no details around initial project budgets or the own-source revenue contributions that you mentioned earlier. Have you made any changes or is there any intention by the government to provide that level of information?

Mr Barr: It is a matter I would need to discuss with the Treasurer as he tables these reports and they are prepared in his agency, but, if the Auditor-General has raised that, I am sure there will be a government response to that audit report. I will take that question on notice in that we will provide a response to the specific issue that the Auditor-General has raised.

MR COCKS: Thank you. Also in this report, the Auditor-General identifies \$16 million of capital works in progress in TCCS that had to be expensed because they did not meet the asset recognition criteria. I am wondering if someone can explain to me what that means. Are we talking about things that had planning but did not go anywhere? What sorts of conditions—

Mr Barr: The Australian Accounting Standards can mean that a project, or elements of a project, can change classification between capital and recurrent along the journey. I will not profess to be a technical expert to be able to give you an explanation in plain English. Michelle, are you looking at volunteering?

Ms Dowdell: I was going to say that there is a range of reasons the nature of an expense may change from capital to operating, but that is something I think would be best dealt with by TCCS, who could explain that difference.

Mr Barr: We will take it on notice on their behalf—

MR COCKS: Thank you very much.

Mr Barr: in relation to the explanation under Australian Accounting Standards, as to why a particular element of a program—

Mr Campbell: Also, presumably it would have been in their annual financial report as well. We can ask them to see if they can dig that up for you.

MR COCKS: Perhaps you can also point me to—and you will probably need to take these on notice—the projects that made up the \$16 million, and at what point the government realised that each of those could not be recognised as assets, and whether there was a risk identified earlier in the process that could have given a hint that these projects may not be recognised as assets. Are you able to take that on notice?

Mr Barr: Yes.

MR COCKS: Thank you very much. That saves me working through the system.

Mr Barr: We will take that on notice on behalf of that directorate and the relevant minister or ministers.

MR COCKS: Thank you. It is also noted in this report that TCCS exceeded its budget

net cost of services by \$133 million, including a one-off transfer of Woden bus depot assets of about \$55 million. Do we see, over time, where those shifts are? And does a change like that have any impact on cash or is that just an accrual shift?

Mr Campbell: I am not familiar with the item you are talking to, Mr Cocks. We can take it on notice.

Mr Barr: Unless it related to a machinery of government—

Mr Campbell: Possibly.

Mr Barr: We can certainly follow that one up for you.

MR COCKS: It was a significant enough amount of money to ask the question.

Mr Barr: Fair enough.

Mr Campbell: Did you say that was in the report?

MR COCKS: It is referenced in this report.

MS CARRICK: Infrastructure Canberra's total capital program drops from just over a billion dollars down to \$326 million. Assumably, you will need more than that to keep the construction industry going. Will you be getting that in addition—new money—or will that be from some reserve being allocated to you? How does that work? That is too low to keep the government expenditure in the construction industry—

Mr Barr: It is obviously not the only part of the government's infrastructure program, but the reduction in the size of major projects and Infrastructure Canberra's forward spend reflects the completion of some major projects. And it is not expected that the annual infrastructure program would return to the levels—

MS CARRICK: I know, but \$326 million is pretty low. Assumably, Infrastructure Canberra will be delivering more than that.

Mr Barr: Maybe. It may not. Those decisions are yet to be made. But I need to signal, as I did, that there is not going to be a huge number of further big infrastructure projects this decade—

MS CARRICK: But some?

Mr Barr: Yes—for quite some time. The one next big project is the North Canberra Hospital.

MS CARRICK: But there will be some added to the program as we go?

Mr Barr: Some, but not big ones.

MS CARRICK: With the dividends that you get from Housing ACT, you are basically talking about whether something is capitalised or not. To be a public trading enterprise,

you are supposed to be able to make money and pay a dividend back to the government. How can Housing ACT and the City Renewal Authority be public trading enterprises when they do not appear to ever give dividends back to the government?

Mr Barr: For the City Renewal Authority, its source of dividends back to the government would be sales. Housing ACT operates as a public trading enterprise in accordance with Australian Accounting Standards, but it is not expected to make a profit.

MS CARRICK: It is a public trading enterprise that is not expected to make a profit?

Mr Barr: Yes. It is similar to Transport Canberra. It obviously has revenue, but it is not a profit-making—

MS CARRICK: Okay. I have one more question. Regarding wellbeing indicators, how do you ensure that the wellbeing is spread geographically across Canberra? We have things like social connections. When you look at a project and say it ticks the social connection box or the identity and belonging box, how do you ensure that those wellbeing indicators are spread across Canberra?

Mr Barr: The data that is collected in many of the wellbeing indicators does have a regional element. Just in the interest of time, I will take the balance of the question on notice, to provide you with some further information in relation to—

MS CARRICK: I am particularly talking about the wellbeing indicators in the context of social infrastructure—that is, activity infrastructure—not in childcare or aged care but arts and sports and rec. It is about that sort of wellbeing.

Mr Barr: Those particular domains.

MS CARRICK: How do you spread it geographically?

Mr Barr: Noted.

THE CHAIR: Thank you, team. That brings us to the end of our hearing.

Ms Dowdell: Ms Clay, could I correct one item? I have just been advised that the March capital works quarterly report was tabled on 26 May, so there is an updated version.

THE CHAIR: Thank you. On behalf of our committee, thank you for your time and your expertise. We had quite a few questions taken on notice. If we can get those to our committee secretariat within five business days, that would be very helpful. I thank all witnesses and thank broadcasting and Hansard staff. If anybody wants to ask a question, you have five business days to upload it to the portal.

The committee adjourned at 5.04 pm.