

**LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

SELECT COMMITTEE ON ESTIMATES

(Reference: Appropriation Bill 2001-2002 (No 3))

Members:

**MR G HUMPHRIES (The Chair)
MR J HARGREAVES
MS R DUNDAS**

TRANSCRIPT OF EVIDENCE

CANBERRA

WEDNESDAY, 20 MARCH 2002

**Secretary to the committee:
Mr P McCormack (Ph: 620 50142)**

By authority of the Legislative Assembly for the Australian Capital Territory

The committee met at 10.02 am.

TED QUINLAN,

TU THI THANH PHAM,

MEGAN SMITHIES and

HOWARD RONALDSON

were called.

THE CHAIR: I call these hearings of the Estimates Committee to order and start by thanking the minister and his officials for appearing today before the committee. I have a statement to read. Today the committee is conducting its first public hearing into Appropriation Bill 2001-2002 (No 3). This inquiry was referred to the committee by the Assembly on 19 February for report by 9 April. The committee will examine the evidence before it to make recommendations. It does not, of course, make decisions about budget matters.

Before we commence taking evidence, I state for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to the evidence they give. Parliamentary privilege refers to the rights and immunities attached to the Legislative Assembly, its members and others necessary for the discharge of its functions without obstruction and fear of prosecution. Any acts by any person which operate to the disadvantage of a witness on account of evidence given by him or her before the Assembly or any of its committees are treated as a breach of privilege. I also state that unless the committee has determined otherwise, which it has not, this is a public hearing and all members of the public are welcome to attend.

Resolved:

That, pursuant to standing order 243, the evidence taken and the papers presented this day be authorised for publication.

THE CHAIR: I remind witnesses to state their name and the capacity in which they appear before the committee today when they first speak. I would also ask that if any questions are taken on notice, they be responded to by Thursday the 28th, because we have got a fairly tight reporting time frame for this committee. Minister, do you want to make an opening statement?

Mr Quinlan: Very briefly, Mr Chairman. Let me say that, in the main, this bill picks up on quite self-evident cost pressures. There is only one election commitment by the incoming government, and that is with respect to the Office of Sustainability, which is incorporated in the bill. Otherwise, they are, if you like, part of catching up on the vagaries of financial movement in the current financial year.

THE CHAIR: Could I ask why these issues were not dealt with in the second appropriation bill—why we needed to come back to a third appropriation bill?

Mr Quinlan: Mainly because we wanted the second appropriation bill to go through promptly. It did involve some commitments that, to be honoured, needed to be put on foot very promptly. This bill is, as I said, in the main the bill that puts the budget back into its original groove, that makes the adjustments that have been caused by one event or another that are in fact necessary. I don't think that there is much in this bill that is avoidable.

There are couple of items in there. Off the top of my head, one is for CTEC in the current year, the bill having picked up on unbudgeted over-expenditure for the last completed financial year for CTEC. We have allowed an amount of \$1 million, whereas the cost pressures are higher than that. So there is some element in items within it of still trying to ensure that departments and agencies show some financial discipline. Of course, there are a lot of items not in this bill that might have otherwise been in it if we had not set out to impose some financial discipline.

At the same time, these are the items that we consider are unavoidable and inevitable for one reason or another. Some of them are a result of quite outside influences, such as the first home owners grant. Some are a function of the doings of the year: for example, the low alcohol subsidy, which is a matter of volume; the child minding—I forget the term—the substitute care increase; the non-government schools enrolment adjustment. They are virtually extensions of formulae which are mechanically incorporated into the budget anyway. So in large part it is a mechanical bill.

THE CHAIR: Can I ask a question at the other end of the scale then. You brought this bill forward in February for passage, presumably in the April sittings, since we report in the April sittings to the Assembly. Are you confident that you won't require a fourth appropriation bill because this bill has been brought forward at this time?

Mr Quinlan: Thank you for asking me that, Mr Chairman. The answer is “not absolutely”, because, as I have settled into the job, I have found matters and items that cause me concern and that will inevitably cost the territory money in one form or another, whether they actually fall under the heading of appropriation or of appropriated expenditure—a different question. I could happily put some of them on record, if you like: the TotalCare quarry failure; the CTEC losses are in there; the fact that there was virtually no appropriation for corrections—and we have a real problem with the remand centre, as you are probably aware, and any progressing on the jail; the fallout, if there is any in the medium term, relating to disability services; and any adjustments that might arise out of the sport bookmakers imbroglio that I will be addressing this afternoon in Sydney.

So a number of items have emerged as I have been getting into the job that do imply that maybe budgetary measures are inevitable. The lack of confidence that I am now showing is one of the reasons why this bill is here. There was not an attempt to say, “All right, we will stick all that under the Treasurer's Advance.” Had I done so, there would be no room to move as we sit here. I am not sure that you still don't need room to move either

under the Treasurer's Advance or a further bill. But at this point in time I don't think there is any item emerging that would give rise to a fourth appropriation bill today.

THE CHAIR: But if you have left open the possibility of that happening, would it not have been better to have deferred this bill until you are aware of what those other potential pressures might have meant, so as to avoid simply the cost and the process associated with running another appropriation bill? In other words, is there anything in this bill which is so urgent that it has to be done by April and that could not have waited until May or June?

Mr Quinlan: Well, subject to your findings, of course, Mr Chairman, this bill still needs to be passed through the Assembly and that won't happen until April. If we were starting this process at a later date we could well be in a position where we did not know with certainty the position we were in, in terms of the Assembly passing the appropriation bill, virtually up until the end of the financial year—at a time when we would have been, to perish the thought, possibly expending money that was not appropriated, and we don't want to go there.

THE CHAIR: Yes, but given that you have got access to the Treasurer's Advance and so on, is there anything in this bill which was so urgent that it still at this stage needs to be passed in April?

Mr Quinlan: No. But as I said, my major concern in relation to the Treasurer's Advance was, "What will I find next week that is of concern to me?" So it seemed to me quite commonsense to have brought forward to the Assembly, in the interests of open government, those expenditure pressures that have arisen, and there they are in black and white. I would have thought that the Assembly would have appreciated early and advanced knowledge of those things.

THE CHAIR: My point is you could have done that still in April or May. There is still openness about that. We can all see what is happening in April or May, but we don't need to pass a bill which might need to be replicated in another month or two with a fourth appropriation bill.

Mr Quinlan: And this is a problem?

MR HARGREAVES: Mr Chairman, can I go down a track just a little bit. Treasurer, with things like the first home owners grant, basically we are just performing a post office function for the Commonwealth. Do they put a time limit on when we get the cash and that sort of thing in respect of payment to the first home owners? We are talking about nearly five million bucks worth here. Is there a time imperative on that which would actually drive the need to pass this through the Assembly earlier than we may have been able to?

Mr Quinlan: Well, there are two things. I would like to be advising the Assembly of what is happening at the first opportunity and not the last. And, secondly, I would not want to get to a stage, if there were delays in this process that we are now involved in, where we were actually paying out money that was not appropriated. I will ask the officers to explain exactly what the mechanics are of payment and recovery, if you like.

THE CHAIR: Could I be more specific about that question, then. If we are now making payments out under, say, the first home owners scheme, on behalf of the Commonwealth, in effect, and the payments are of a higher order than we were expecting when the budget was framed, what danger is there that the extent the payments we are making foreseeably for the rest of the financial year could exceed the appropriation, and therefore be illegal?

Mr Quinlan: Well, the only danger that I could see is that that function would go beyond the flexibility offered by the Treasurer's Advance, and then really we would have to stop paying it.

THE CHAIR: Is that likely to happen, is the question.

Mrs Pham: My name is Tu Pham, from the Department of Treasury. Certainly, the demand for the first home owners scheme has been much higher than expected. Based on current payments to date, we certainly would exceed the appropriation allowed for for this year's budget. The Commonwealth repayment of the first home owners scheme is made only after we have paid, and then we claim back from the Commonwealth. Hence, if the demand for the payment is higher than the appropriation then, as the Treasurer said, we will risk making payment without appropriation.

THE CHAIR: Isn't there a provision in the Financial Management Act that allows the appropriation to be adjusted where there are payments being made on behalf of the Commonwealth?

Ms Smithies: Megan Smithies, Treasury. There is, and we actually received about \$2 million outside this process and appropriated that through that particular mechanism— section 17 or 19. The issue with this particular revenue, though, is that it does not come under a specific purpose payment categorisation. It actually comes as part of our general revenue assistance from the Commonwealth. So it is a slight classification issue for us.

THE CHAIR: We could fix that, presumably, with an amendment to the FMA, to make it clear that we will be passing money on from the Commonwealth, and appropriate it as such.

Ms Smithies: We could, but we would need to amend the FMA to clear up that particular issue.

MR HARGREAVES: Mr Chairman, that would require, I assume, a bill before the Assembly, in the same way as this is a bill before the Assembly. Can I just ask a question, Mr Chairman, regarding the GST assistance to small clubs. Is that the same sort of thing? We are getting money but we need to do it rather quickly because the small clubs actually scratch for every razor they can get. I would assume that the sooner an extra requirement is catered for in a bill like this, the better.

Mr Ronaldson: Howard Ronaldson, Treasury. Mr Hargreaves, you are right. This is, as I understand it, a payment to clubs that have paid GST, in effect, in arrears. They have already paid. They pay gaming tax and they pay GST tax as one bundle to us on a monthly basis. At the end of the quarter they face a GST bill to the Commonwealth. So they pay the Commonwealth and effectively we rebate the clubs the amount of GST that they are due to pay to the Commonwealth, if that makes sense.

MR HARGREAVES: So if we didn't actually appropriate this money in a timely fashion, those small clubs would be carrying the ACT government to the extent of this tax?

Mr Ronaldson: Well, that's right. If we didn't have the authority to spend, and could not reimburse them—

THE CHAIR: Or didn't use Treasurer's Advance?

Mr Ronaldson: Or didn't use Treasurer's Advance.

MS DUNDAS: Is this one things that could be cleared up by amendments to the FMA as well? Such as, does it fall under the same miscatergorisation problem?

Ms Smithies: I guess that would be a matter for the Assembly as to how much flexibility it would want to give the government in terms of being able to on pass issues that relate to either GST or funding mechanisms from the Commonwealth. By all means it could be cleared up, but I guess probably the right answer to this is that it is a very small amount and could also be dealt with annually through the budget process.

THE CHAIR: Do you want to ask any further questions about this?

MS DUNDAS: I do. I want to go back to the time line question that Mr Humphries raised earlier. In I think November you launched your Commission of Audit. Are there any issues arising from that that are not covered by this appropriation, that appear to be pressing and that we may have to address?

Mr Ronaldson: Not off the top of my head.

Mr Quinlan: Certainly it is a document that adds a degree of perspective to our current situation. But if we are talking about expenditures, not that I—

Ms Smithies: No—the answer is no. Most of the things that were identified as part of the commission of audit have already been picked up in supplementary appropriation or issues for which you actually would not adjust the bottom line via an appropriation.

MS DUNDAS: You have explained why it is necessary to put forward the appropriation bill now, but is there any reason why you felt it necessary to put forward an appropriation bill before the report of the Commission of Audit? There may have been something in the Commission of Audit that might have needed appropriation—the time frame or the rush on this appropriation bill—before your own review had been completed.

Mr Quinlan: Can I just challenge a couple of premises. First of all, I don't see this as a rush. It hasn't been done in a rush, otherwise it would have part of appropriation bill No 2 or a lot of it might have been in appropriation bill No 2.

Secondly, the commission of audit was conducted under independent chairmanship, but a lot of the ground work was done by Treasury anyway. The intelligence was available progressively. As I have said, the finer detail of what goes on flows through to me. I am getting an evolving, if you like, picture of where we are at; an evolving picture of the starting point for the budget that is now under preparation. But there is a premise there that says something about this was being done in a rush or something. It didn't feel like that from this side, let me say.

THE CHAIR: Didn't you recently suggest that this bill should be passed in the March sitting?

Mr Quinlan: Well, I did.

THE CHAIR: When you put it forward originally you suggested it should be passed in the March sitting.

Mr Quinlan: I certainly did, because, as I said in my preamble, there is not much in this of what I would have thought to be a contentious nature. If only one member wants the process that we are going through now, then it should happen. But at the same time, I did voice the opinion that I didn't think there was a lot to be gained by going through the full-blown process for a bill which is fundamentally catch up stuff. That is my opinion.

THE CHAIR: Could I come back to this question about needing to appropriate the money now in order to avoid exceeding the appropriation and not being able to use Treasurer's Advance. Can you—and you might just take this question on notice—show us how, with the expected increases in spending in these areas, TA would not have been sufficient to have dealt appropriately with these additional requirements—comparing, for example, if we pass this bill in April with a bill we pass, say, in May or June?

Mr Quinlan: I think we can take that on notice and, you know, your wish is our command. But at the same time, let qualify what I said before. I said that I was concerned not to be hard up against. It doesn't change the position I was in back then whether I know TA would have covered this or not. That doesn't change the situation.

The situation was that I felt that I did not want to be committing in very large part Treasurer's Advance while there were emerging issues like the TotalCare quarry. That may then have been much more difficult to handle, because all the flexibility had been burnt. If you want to have a statement, we are prepared to deliver that statement but let me qualify on the record that that is what I was trying to communicate.

THE CHAIR: What is the case if you use Treasurer's Advance for a particular over expenditure? Supposing you use Treasurer's Advance, say, for additional payments in the first home owners scheme and subsequently a bill is presented and passed in the Assembly to appropriate the extra money needed to fund the first home owners scheme.

Doesn't that again free up that TA money? Does that money return back to TA? Doesn't it solve your problem with TA if you subsequently pass that bill?

Mr Quinlan: Firstly, if you have an absolute guarantee that the bill will pass and, secondly, if you make that presumption on the Assembly. Even though you can say that the government will get its appropriation bills, at the same time I think it would be presumptuous of me to rely on that totally.

MR HARGREAVES: Mr Chairman, can I go down this track just a little bit. I want to clarify something.

Mr Quinlan: We would be demeaning the Assembly.

MR HARGREAVES: Isn't the provision of Treasurer's Advance for unforeseen items of expenditure? In fact, some of the items on this list are not unforeseen items of expenditure—some of them are, some of them are not. But also is it not true that the Assembly finds out about expenditure from the Treasurer's Advance through a statement after it has happened and not before it has happened? Quite the reverse is the case with appropriation bills. So, in fact, we are getting the information before the expenditure is taken instead of afterwards. Is my understanding correct?

Mr Quinlan: I think I tried to make that point earlier, Mr Hargreaves, in terms of advising the Assembly. Members will recall that we have recently amended the Financial Management Act because of the very rigid interpretation that was being placed upon the application of Treasurer's Advance by the Auditor-General. I am still acutely aware that the Auditor-General takes a keen interest in how the Treasurer's Advance is used, and rightly so.

I think that once you know that you have got expenditures at this point in the financial year, or the point that this was authored in the financial year, it is incumbent upon the Treasurer and the government to advise the Assembly, and that is a good point—to do that ex-ante, rather than after the event. As I said, if I were to not do so then I would be being presumptuous about decision making of the Assembly, which I should not do if I can avoid it.

MS DUNDAS: Chair, can I move to a different topic?

THE CHAIR: Yes.

MS DUNDAS: Earlier this morning you mentioned the need for greater financial control in the departments. I know you were not the minister at the time, but can you please explain how CTEC has managed to run up such major losses?

Mr Quinlan: Expenditure greater than income is the glib answer. Let me give the reason why those expenditures flow into this financial year, and it is like accounting lapping. The major event where they lost money, the V8 car race, actually takes place in June, so it takes place hard up against the end of the financial year. So in terms of cash management, they were able to manage their way through the 2000/2001 financial year. But then coming into the 2001/2002 financial year, they find themselves having to meet

a considerable amount of bills relating to the V8 car race, which I think facetiously we were advised a couple of years ago was run inside budget—that is part of *Hansard* somewhere; one of the higher moments. In fact, it was run inside its estimated costs but the projected revenue generation was never achieved. That appears to be, without me off the top of my head being able to give you the chapter and verse, the revenue generation for particularly the race. The rally before it, the FAI/HH or whatever rally, also did not generate the in the main sponsorship revenues that had been incorporated into the budget. So net deficits, and in particular for CTEC, cash difficulty.

MS DUNDAS: For the next financial year, have you in your budget process looked at ways that you could address this? Even in your governance processes, have you looked at ways that such a blow-out cannot occur in the future?

Mr Quinlan: Yes. There is a contractual commitment to the V8 car race, which is the main point of contention, which may be capable of review after this year's event, because I think the get-out clauses change as time goes by. So in my opinion this year will be the real test of the V8 car race, because the first year it had novelty value, and it had a fair attendance—I think the attendance exceeded expectations. The next year it had a lesser attendance, and did not attract the same degree of sponsorship.

This current year CTEC is still battling to fill that quota or estimated quota of sponsorship receipts for the race as we speak. Obviously there is a ground zero limit as to the cost of the thing. The real problem has been that there was not that expectation last year in terms of crowds and in terms of sponsorship.

This is the third year out. Last year it didn't rain but it wasn't all that pleasant a weekend. If we get reasonable weather for the race this time around, and it doesn't achieve the crowds of the first year, then quite obviously we will have to take a look at it.

THE CHAIR: Can I ask about reports in the media in the last few days about what is reported to be a 2 per cent cut across the board to agencies to rein in expenditure, and a request by agencies to identify capital works programs which they might defer or scrap. Can I ask whether these mooted savings are intended for this financial year or next financial year?

Mr Quinlan: This is a process, I would have thought, that would have been a fairly standard part of budgetary discipline before each round of budgets—and if it wasn't, it should have been—where there is a discipline imposed upon departments and agencies to look at and review their expenditure levels, and to actually get that to bite in reality one has to be somewhat arbitrary about it.

There are so many areas in government where you can't make percentage savings. For example—and this is one I was looking at yesterday—our prisoner population in New South Wales. We can't ask New South Wales for a 2 per cent discount, and to a large extent the number of prisoners that we have to accommodate is beyond our direct control. So quite obviously there will be a comeback from that point. But there will be in the budgetary process a discipline imposed.

In terms of capital works, you will also be aware, I am sure, that the budget you brought down in May of last year shows a decline in the cash holdings of the territory and at the same time only a sort of balance between investment level and growing liability level. So when one looks at the level of capital works we have to be quite clear that one of the defining parameters in what government can do in the next few years in the territory is the availability of cash as much as it is the accounting bottom line, if not more so. So it would then behove I think the incoming government to look at rational cash management over time, and the capacity to have ongoing capital programs instead of this sudden bow wave which coincidentally precedes an election. Quite clearly from reports capital works for the first half of the financial year will never be achieved. So I figure this is the injection of commonsense into the process.

THE CHAIR: But what is commonsense about asking agencies, which on your own admission can't sustain a 2 per cent reduction in their outlays, to identify such savings? You say that agencies are all different. Why ask them to meet an arbitrary across-the-board 2 per cent target?

Mr Quinlan: Well, put it another way. What we were effectively saying—and make it 2 per cent; make it what you like—was, “We want to see you make a 2 per cent efficiency gain where it is possible.” But Treasury, these people, are not going to sit around and look at every activity of every agency of every department. That in large part is their responsibility. They are involved in the budget process, they will be involved in the discipline that goes with a well-run budget process.

THE CHAIR: So the cabinet is asking for savings to be made but it doesn't intend either through Treasury or directly itself to actually supervise what savings the departments make, that it is up to them to make those 2 per cent savings?

Mr Quinlan: Yes we are supervising, we are not labouring. There is a difference, Gary, between—

THE CHAIR: Can you explain what that is?

Mr Quinlan: There is a difference between supervising the budget process and the agencies going through their various activities line by line looking for savings.

THE CHAIR: Okay, but who makes a decision about what savings are actually made?

Mr Quinlan: Well, at the end of the day the cabinet will make that decision, or the Treasurer, whichever way you like to view the budget.

THE CHAIR: So you are saying that in fact, although agencies are asked to identify possible savings, the savings identified aren't the ones that might be made. It is actually cabinet's decision about what savings get made?

Mr Quinlan: Look, what we are saying is we want 2 per cent saving on everything—this is the discipline being applied—except where you can't, and where you can't you had better explain it. Is that fair enough? There will be out of that a whole lot of logical explanations that say, “We can't here,” and if that explanation is satisfactory, tick.

MR SMYTH: Does it not seem odd, though, that you have just given health an extra \$8.7 million and now you are asking for a 2 per cent saving, which probably in the health budget equates to about \$8.7 million? We have heard that there should be more money for extra police because policing has not met the national standard which you aspire to. But I would have thought that a 2per cent cut in the police budget would be about 20 cops. So the Lord giveth and the Lord taketh away.

It seems incongruous, for instance, in education, where you have put that extra \$27 million for spending inside the school gate, either in one, two or four years, depending on the story running around at the time. Two per cent of the education budget would be a fair whack of the \$27 million. So the Labor government have giveth and now it is taking away even before the money has hit the deck. I fail to see how a 2 per cent efficiency dividend achieves what it is you are saying you want to do.

Mr Quinlan: I am sure you do fail, Mr Smyth, to see that. I brought down into this Assembly the results of the Commission of Audit which says that, as at 30 October with the intelligence that was available then, this year is in deficit to the tune of about \$23 million.

THE CHAIR: I think \$5 million was the figure given.

Mr Quinlan: There is an \$18 million account. Can we spend a couple of minutes and just take you up on that remark, Mr Humphries. The bottom line for that commission of audit—

THE CHAIR: I would rather you answer Mr Smyth's question first.

Mr Quinlan: Well, I can get that. I have got time for both. That commission of audit says there is a net \$5 million deficit with the available intelligence but only after an abnormal item, which relates to previous years, of \$18 million in land sales brought to account, which means that the trajectory of expenditure versus revenue that you left behind is a deficit of \$23 million per year.

THE CHAIR: Based on certain assumptions.

Mr Quinlan: Based on certain assumptions; based on the assumptions that are in there.

THE CHAIR: Can I ask you about one of those assumptions?

MR HARGREAVES: Mr Chairman, you have asked the Treasurer a question. He has received one from Mr Smyth. He is trying to answer the question and I think he should be allowed to finish it.

THE CHAIR: Have you finished answering that?

Mr Quinlan: Yes.

THE CHAIR: I raised the issue of the Commission of Audit.

Mr Quinlan: I was just pointing out that you have been consistent at least—I will give you credit for this—in using abnormal items and incorporating that into normal operating results, and using that figure. A very poor use of accounting, Mr Humphries.

THE CHAIR: Abnormal items are pretty normal, aren't they, in effect? They happen most years, don't they?

MR SMYTH: Did the Auditor-General accept that accounting practice?

THE CHAIR: Could I come back to the Commission of Audit and ask you a question about that?

Mr Quinlan: There is a lot explained in that statement, Mr Humphries, let me tell you.

THE CHAIR: Can I pursue the Commission of Audit issue you raised. Since you raised it, I want to come back to it. The result of the commission was predicated on losses on overseas investments of \$63 million. Have I got that right? That was projected to be the case as of 31 October last year. That was an assumption made about what was going to happen with investments throughout the rest of this financial year. What do we now know about the position of our investments, of our superannuation account?

Mr Ronaldson: The way I have put it is that as of October last year the thinking was that there wouldn't be a loss on investments but there would be a zero rate of return; that the investment fund under superannuation would return \$63 million less than was in the budget.

I will have a stab at the second one because I haven't got this week's figures and it does move around a lot. But a week or two ago when I looked at it the actual amount of return was actually negative. It was at about minus 10 million, I think. Mr Humphries, I would have to update that but I am fairly certain it is not positive.

THE CHAIR: Sorry, it's not what?

Mr Ronaldson: I am fairly certain that it hasn't turned positive yet.

THE CHAIR: But if it does turn positive before the end of the year then that loss figure moves around, doesn't it? If it turns positive, the loss figure potentially becomes a surplus, doesn't it?

Mr Ronaldson: If it turns positive then the actual result would be better than what was expected in October last year.

MR HARGREAVES: Can I ask a question about that?

Mr Quinlan: There is champagne on ice waiting for the break square point.

MR HARGREAVES: Mr Ronaldson, didn't you just say that at October the return was expected to be nil?

Mr Ronaldson: Yes.

MR HARGREAVES: And at the moment, on your most recent figures anyway, it is minus 10 million?

Mr Ronaldson: Yes.

MR HARGREAVES: Doesn't that make the situation considerably worse than it was in October? So, in fact, for it to turn positive we are going to have to get considerably greater than the minus 10 before it becomes a meaningful figure.

Mr Ronaldson: That is essentially correct but there are two dimensions to this always—what it is now and the way it is moving. It is still negative but it is getting better.

MR HARGREAVES: But let us say we have had this really great windfall and it is now minus 5. Before we can even start to put the ice in the bucket it has to get that minus 5 back. So you are going to have to have a double movement, in effect, a movement double the size, aren't you? I don't mean you personally, of course.

Mr Ronaldson: To get to the minus \$5 million deficit it has got to turn at least zero per cent this year.

MR HARGREAVES: So, in fact, the chances of us actually improving the situation, given that we have only got a couple of months to go, is about zero too, isn't it?

Mr Ronaldson: Well, my candid view is that in all honesty I think it will have a positive rate of return. But I am just saying that back in October it was our honest belief that we would record a zero rate of return.

MR HARGREAVES: That zero rate of return you are talking about: we are talking about a movement that was zero in October, it was at minus 10 a couple of weeks back and you are hoping that it will be positive X by the end of the financial year. What is that spread over the whole year? What is the average?

Mr Ronaldson: Where do I think it will end up?

MR HARGREAVES: Yes, in the net sense? You have got movements all over the place. Is that just a monthly increase and decrease or is it an annualised thing? That is what I am getting that.

THE CHAIR: I assume it is an annualised result.

MR HARGREAVES: Well, I would like to hear from Mr Ronaldson.

Mr Ronaldson: The expectation if you straight line where it is out to the future at the end of the year would probably be in the region of about plus 20 million.

Mr Quinlan: So net of abnormal items operating we are still in deficit but not a lot.

THE CHAIR: Yes.

Mr Quinlan: We are about to give a figure.

THE CHAIR: But they are always abnormal items, aren't they? And the Auditor-General accepts those where he has calculated the bottom line, doesn't he?

Mr Quinlan: But you don't plan on them—or you did but you shouldn't. You don't base your future on them.

MR SMYTH: Well, you are basing your future on it being negative. You can take the same counter argument. I think we will need to wait till the end of the financial year and see. The market is turning and I am with Mr Ronaldson.

Mr Quinlan: If we base our future on it being negative, Mr Smyth, we will work a bit harder.

MS DUNDAS: We have just had a lot of discussion about plus, minus up and down, and I must say I didn't quite hear an answer that you gave earlier. When you tabled the Commission of Audit report you quite clearly stated that you expect there would be a deficit of 5 million. You recently said 20. This is your tabling statement.

Mr Quinlan: There will be somewhere where I have said there is an accounting adjustment of 18-odd million.

MS DUNDAS: Investment losses accumulated amount to a \$108 million deficit. Anyway, it quite clearly says "produce a deficit of 5 million". Earlier you said 23 million. Is that related solely to this variable—

Mr Quinlan: No.

MS DUNDAS: super investment?

Mr Quinlan: The Commission of Audit says that there is a net \$5 million deficit, but only after they have bought into the year \$18 million worth of land sales revenue, which was missed in a previous year. Had that accounting adjustment, that catch-up entry, not been made then the deficit would have been \$23 million—the operating deficit.

MS DUNDAS: But we still have that \$18 million sitting in the bank.

Mr Quinlan: We still have it? Yes, sort of. Near enough, kind of.

MS DUNDAS: Well, if we had gathered it through land sales, then we should still have the money.

Mr Quinlan: Yes, sort of. Yes, we do.

MS DUNDAS: So we are still looking at a deficit of 5 million at the end of the financial year.

Mr Quinlan: Well, the \$18 million was in our bank a year ago as well.

MS DUNDAS: But CTEC was in our bank a year ago.

Mr Quinlan: You have got to get the difference between actual recorded profit and cash on hand, and that was the point I was making earlier.

MS DUNDAS: Yes, sure.

Mr Quinlan: So that the cash included the 18 million—if we'd reconciled our bank account, it did—but the accounting profit, or bottom line, didn't.

MS DUNDAS: So, you are saying in paper terms, in terms of a written down outcome, that we should have a deficit of 23 million, but in terms of what we have actually got sitting or not sitting in the bank, it is a deficit of 5 million?

Mr Quinlan: Near enough. But what I am saying is that if you were running the household, the sort of—

MS DUNDAS: If I could run a household to a \$5 million deficit, it would be amazing.

Mr Quinlan: Mr Smyth, you were talking about 2 per cent off the hospital.

MR SMYTH: You promised an extra 20 cops and 2 per cent off the police budget would lose about 16 of those police, I suspect. In respect of education, you promised an extra \$27 million, but a 2 per cent loss or withdrawal in education funding must be \$7 million to \$10 million. Two per cent off the health budget must be something like \$10 million. You gave 8.7 before Christmas, and you take back 10.

Mr Quinlan: So the essence of what we are trying to do here is: we are looking for efficiency in what we do now, and then the additional funds to return additional service and not to be absorbed in operations.

MR SMYTH: But doesn't this therefore mean you can't fund your election promises? You said you are going to give extra money and then, on the other hand, you are taking the money away.

Mr Quinlan: Let me say that, given what I am finding on a regular basis, life is not getting easier in terms of funding election promises. One of the amazing things that I have heard over recent times is Mr Humphries asserting very, very strongly that we are in a very strong financial position as of ticker, or whatever the hyperbole was, and, on the other hand, that Labor can't fund its election promises. Our election promises, as you are aware, were very, very close in terms of quantum to yours. So it seems to me that one of those statements, Mr Humphries, can't be right, or your assumptions are based on different premises.

THE CHAIR: Well, with respect, one of yours can't be right, either. If there is going to be a deficit, you can't fund election promises, can you?

Mr Quinlan: And I am saying right now: it's getting harder every day, but our intention is to fund them.

MS DUNDAS: On that point, however, what are you, on paper, saying is the deficit that you are working to as you plan the next budget?

Mr Quinlan: The one coming up?

MS DUNDAS: You are planning a new budget for the 2002/2003 financial year. Knowing that the territory was in deficit, what is the figure that you have got in mind as you are planning for the future?

Mr Quinlan: Well, the deficit is something that occurs each year. Right?

MS DUNDAS: But we just can't let a deficit get bigger and bigger and bigger as we go on.

Mr Quinlan: No.

MS DUNDAS: What do you have in your mind is the deficit that you have to budget for in the next financial year?

Mr Quinlan: I have in mind that the ACT budget will be in surplus over a three or four-year period.

MS DUNDAS: But do you have a figure for me in terms of the figure you wrote down?

Mr Quinlan: Yes. The figure is nil. A \$1 surplus in four years and I'll be happy. Net gross surplus over four years, I'll be happy.

MS DUNDAS: But the question I am trying to get an answer to is: for the next financial year, 2002/2003, what deficit are you budgeting for?

Mr Quinlan: Well, I am hoping to provide a surplus.

MS DUNDAS: So you are going to be able to find money to fill in the \$5 million or the \$23 million deficit that we have now?

Mr Quinlan: I said yes; I said "hoping". That is what we are working on and that is why we are injecting into the budget process some discipline that apparently didn't exist before.

MS DUNDAS: You are trying to budget for a surplus based on a \$5 million or a \$23 million deficit? How much are you trying to inject to get a surplus? Am I not speaking Treasury-speak or something?

MR SMYTH: You want to know what the figure is for this coming financial year; what the likely deficit is?

MS DUNDAS: Yes.

Mr Ronaldson: The \$5 million, if I could just repeat, was a view known as of October. The world moves on, so the \$5 million will dramatically change—or the 23, whatever figure you want to reference it to. It is my understanding as part of the budget consultation process that there will be, very shortly, a budget consultation document released, and that budget consultation document will talk about, as we sit here now, a different set of figures—because the world has moved on from October—going forward, and from where we sit, anyway, we would expect those figures to be released as part of that document.

MR SMYTH: When is that document due? We were promised—

Mr Quinlan: It is overdue, actually.

MR SMYTH: We were promised it mid-February, and committees are now conducting consultation.

MS DUNDAS: We are doing consultations without it.

MR SMYTH: It is due when?

Mr Quinlan: Say, next week?

Mr Ronaldson: Yes, my instructions are that they will have it ready very shortly.

Mr Quinlan: It is overdue.

MR SMYTH: We will take the Treasurer's "next week"—that would be lovely. I have a few questions on the prison. You mentioned the prison and you also announced there would be a review. What is the status of the review? Has that started?

Mr Quinlan: Yes. I actually met with the corrections people. So it is internal; it is not a review yet. I have met with corrections people last evening actually and discussed quite a number of things and injected a few of my requirements into the process.

MR SMYTH: Are there terms of reference for the review?

Mr Quinlan: No.

MR SMYTH: We are having a review without knowing what we are reviewing?

Mr Quinlan: Well, it is not a review in terms of a formal review. It is just sort of you want it, like we had—

MR SMYTH: Well it is an ersatz review?

Mr Quinlan: You guys had a proposal on foot to build a \$110 million prison in Symonston without a cent in the budget. That is the starting point we have. We have said no prison in Symonston, therefore go and find other sites. That is done internally and I don't think we need to construct terms of reference for the "go and find another site" question.

THE CHAIR: So is that all this review is about—just finding another site?

Mr Quinlan: No. The review isn't about that. The review is about a number of dimensions of not just the prison problem but the prison/remand centre problem. The remand centre problem is much more urgent, thank you very much, than is the prison project.

So there are some dimensions in the review separating the two. It is virtually saying that there are different imperatives for the remand centre, in as much as it doesn't have to be strictly an economic proposition to happen because it has got to happen anyway. We don't have a choice. This is the situation we find ourselves in—in an appalling situation, I might add. So that must be redressed.

The prison, on the other hand, in terms of responsible use of taxpayers' money, must stack up on an economic basis. Overlay over that the fact that the prison on top of a remand centre can become a marginal project in terms of its evaluation. So I have said to the corrections people that you will take that away and you will divide it up along those lines. You will come up with the minimalist cost, if we can, remand centre that does the job. We will then look at whether that would be the first stage of a complete prison complex. Is that the best way to build a prison? What is the marginal cost of that? What is the overall cost of moving all of our prisoners back to the ACT or is there any room for an 80/20 rule, where we can look after most of prisoners most of the time, with one facility, whereas it takes any other state a multiple number of facilities, such as prison farms? So they have different styles of prisons.

There are a number of dimensions that I have discussed with our corrections people and a number of requirements that I have imposed upon them in terms of coming back to me. When they come back to me and I have got some sensible information to transmit to the Assembly, then I'll do so.

THE CHAIR: Wouldn't the enormity of that task be assisted by written terms of reference? I mean, looking at a remand centre, future correctional needs of the territory, examining prisoner numbers, and what level of prisoner we can have in the ACT. Doing all of that without a review, as you called it, without any terms of reference other than what you have given to the public servants orally, sounds extraordinary. Shouldn't that be in writing?

Mr Quinlan: Well, it doesn't sound extraordinary, I don't think. You have spent an hour here looking to dramatise something, Mr Humphries. I have given—

THE CHAIR: Can we just have an answer to the question Mr Quinlan without the—

Mr Quinlan: You have had a whole report done on the prison. I want Treasury involved, but I have given a series of instructions and if they represent terms of reference, then they have got terms of reference. Have I written them down and posted them on a wall? No, I haven't. I have given instructions as to what I want and you can judge the end product by what comes out of that process. And that happens a lot, I have to say, on many fronts.

MR SMYTH: I have to say I am worried by your minimalist approach, because Corrections is something that has suffered from a minimalist approach across the world, producing a 70 per cent recalcitrant rate where 70 per cent of those who go once will come back for a second visit. I thought the commitment in your platform was to come up with a criminal rehabilitation system that would break that cycle. But what I am hearing from you is that what you are setting in place is simply a system that is dollar dependent and you want the minimum investment that you can outlay.

As a community we don't want to see anybody go to gaol initially, but inevitably people will. How do we rehabilitate with your minimalist approach?

Mr Quinlan: I am not talking about a minimalist prison. I am talking about minimalising the costs of providing an adequate facility.

THE CHAIR: No terms of reference to minimalise cost.

Mr Quinlan: I have to say that, while I am Treasurer, that will be my approach to virtually everything that we do, that we will actually get value for the taxpayer's dollar in every project.

MR SMYTH: So spending the minimal amount on corrections will guarantee the maximum return for the taxpayer's dollar? I think that is a very naive and stupid solution.

Mr Quinlan: Can I give you an example?

MR SYMTH: Yes, I will be delighted to hear an example.

Mr Quinlan: It is like refurbishing a stadium—that if you do it properly, you get a fixed price and you do it for \$28 million like you could have done, or you do it badly and you blow 80 million on it. That is the difference.

MR SMYTH: We are talking about corrections here.

Mr Quinlan: And it has nothing to do in either case with the amenity of the stadium. It just has to do with effective management.

MR SMYTH: Well look, I would actually be very concerned about the amenity that a prison will offer, because unless you have an environment conducive to rehabilitation you are just going to exacerbate the problem. If you are saying that it is the Labor government's intent to have a minimal approach to dollar expenditure and a minimal approach to corrections then I have to say I am concerned.

Mr Quinlan: Okay. We are still trying to create some drama here out of nothing. I am looking to minimise the costs of the prison. All right? I am not—

MR SMYTH: Have you done any analysis on what minimising the costs will do to the rehabilitation system? You're making assumptions that I am not hearing are backed up by any facts at all.

Mr Quinlan: No, no. There is a whole raft of standards that will be set for the prison to meet. I have met with prisoners aids groups. I have made commitments in terms of, if we have a prison in the ACT, what it will offer within the capacity of the prison itself. Let me give you a specific example. At the time of the last report that I had, the ACT had seven female prisoners and there is a desire to particularly bring those prisoners back to the ACT. When we do and we have a separate or at least a partitioned facility for women, which will probably have a different ratio of residential to cell accommodation than would a male prison, it will not be possible, unfortunately, to provide all of the programs that will be available to a full-blown female prison in a large state. That is a compromise we are going to have to make, because it just won't be able to be done.

With a male prison, if we have got a men's prison with 80 or 90 prisoners, it is not going to be able to have the same breadth of programs that will be available in a much larger prison. There will not be the same degree of activity. We talked about our remand centre, which accommodates sometimes up to 90 people and has great difficulty and virtually no facilities to provide for activity and programs. It still will not be able to provide the breadth of programs that are available in the Sydney centre—it has got a nice euphemistic name, but I forget it off the top of my head.

So when we provide this facility, there will of necessity be compromises so that it is not a money sinkhole. We can sit and say that this is the ideal prison that we want everything in, but it is not possible, given the size of the facility and the population in that facility, to provide all of those things. So we are going to have to be very clever about the prison that we provide. So don't put words in my mouth. I have said I want to minimise the cost of it. That doesn't mean I want to minimise the cost by saying I want to make it smaller, or build it out of corrugated iron. That says I want to minimise the cost, much as I would have liked to have minimised the cost of the refurbishment of the stadium. Have I got that point across?

MS DUNDAS: Just a quick question. When you tabled the bill you advised that the supplementary budget papers did not include the revised financial statements of the departments as the administrative arrangements order that was announced in November was yet to be finalised. You can take this question on notice. Have those administrative arrangement transfers been finalised, and will we have the revised financial statements before we bring down this report in April?

Mr Quinlan: Over the weekend, guys?

Ms Smithies: Well, the answer is that, no, they haven't been finalised. I think we will have to take on notice the date when we can actually get them to you.

MS DUNDAS: Can I then ask just a quick follow-up. Why haven't they been finalised? Why is it taking you so long?

Mr Quinlan: These people have been working very hard. The resources in Treasury are not infinite. There is a lot going on in terms of getting that Commission of Audit done, and now starting the budget process and fronting into Grants Commission.

MS DUNDAS: But you will be able to supply us with a time line of when you expect those to be finished?

Mr Ronaldson: Can I just say, I think there are only one or two outstanding matters about finally splitting costs between departments. Other than that, the work has been done, so it should be very shortly.

MS DUNDAS: Thank you.

THE CHAIR: Can I just clarify what you have said to Ms Dundas. The statement on page 9 of the supplementary paper says, "Several AAOs of 14 November 2001 are not yet finalised"—this is as of February—"to a point where agencies' financial statements can fully incorporate the impact of those orders," which rather implies that it is the agencies not having finalised their AAOs which has prevented Treasury from developing financial statements. So which is it? What has been the delay? Has it been the agencies or has it been Treasury?

Mr Ronaldson: My understanding is, as we are speaking now, that there are some elements of cost sharing or cost division between agencies that have to be finally settled.

THE CHAIR: So what is that? That is negotiation between agencies, is it?

Mr Ronaldson: They have to be concluded, yes. There are recurrent assets that have to move either way between departments as well. So when those negotiations have been completed, which I am informed, Ms Dundas, will be—

THE CHAIR: There are still negotiations in train four months after the change of government?

Mr Ronaldson: Yes, there are still. We are hopeful that such negotiations will conclude soon.

MR HARGREAVES: I just have one final question in respect of the prison. Treasurer, I understand that what you are doing is saying that we won't start with a block of ground, build a prison on it and then try and fit the programs into it. What you have done is the other way around, which is what we have been saying for the last 3½ years.

MR SMYTH: That's not what you said of the report, Mr Hargreaves.

MR HARGREAVES: That's what I said in the media, Mr Smyth, and I refer you to that. If you are having a little bit of an attack of Alzheimer's, I can't help that. Can I also ask: are you mindful, Treasurer, that it took the previous government 3½ years to do

a cost-benefit analysis and can we be assured that sort of time frame won't be occurring again?

Mr Quinlan: I will try to ensure that that sort time frame doesn't occur again.

THE CHAIR: Can I go back to the question about the across-the-board savings that are being sought, and be specific about education's position. Savings of 2 per cent have been asked of every agency. Let us be clear that education is at least \$350 million worth of expenditure. Is it the case that education is or is not exempt from the 2 per cent saving? And if it is not, how does that reconcile with the \$27 million extra in education? Will that be offset as the money starts to flow into education?

Mr Quinlan: Everything that every agency does qualifies to be made exempt during the budget process. Do you follow that?

THE CHAIR: Sorry, can you repeat that?

Mr Quinlan: Everything that every agency does qualifies to be made exempt by the process as it rolls through. What we are saying is go and look at everything you do and tell us why you can't make a 2 per cent saving. Now, if they tell us why they can't, if they say, "We're reducing class sizes and we still have one teacher per classroom and therefore you can't reduce the cost of that process," okay, that is one area where we don't get 2 per cent.

THE CHAIR: But if there aren't any savings at all to be made in education and those savings are actually made, even if it is not 2 per cent but something less, then surely that means you can't deliver on a promise to increase the spending in education by the amount you have already specified. If you have reduced the base then you can't increase it by \$27 million, can you?

Mr Quinlan: Sorry, I don't follow your question.

THE CHAIR: One per cent of education spending is about \$35 million. Just suppose you only ask for a 1 per cent saving in education.

MR SMYTH: Ten per cent would be 35.

THE CHAIR: Sorry, \$3.5 million would be 1 per cent. Let us suppose you only get a 1 per cent saving, or let us say a 2 per cent saving—\$7 million dollars out of education. Are you then going to restore that \$7 million to education before you add the \$27 million that you have promised to deliver in potentially as little as one year to the education sector?

Mr Quinlan: Could I answer the question by saying that I do not anticipate getting a gross saving of 2 per cent on the whole budget. I do anticipate—

THE CHAIR: But are you going to exempt education now?

Mr Quinlan: Sorry?

THE CHAIR: Are you going to exempt education now, given your promise to increase spending there?

Mr Quinlan: I can't answer that. What I can say is that when the education budget comes forward and there are areas where they say, "Yes, we think we can make some efficiency savings and there are other areas where we don't," then they will be reviewed on their merits, like everybody else's.

MR SMYTH: Except your election commitment was that you would spend \$27 million more on education. Now it is the budget plus 27 million, potentially minus 2 million. Is that not breaking an election promise?

Mr Quinlan: I don't think so. What we have said is we will take that \$27 million, which we will, and we will put it inside the school yard.

MR SMYTH: So you will put it in the front door and you will take 2 per cent out the back door.

Mr Quinlan: Well we might take it—who knows where we might take some out but what we take out will not be about reducing education; it will be about delivering what is delivered now more effectively and efficiently.

MR SMYTH: But that is not what you said. That is not what Mr Corbell has said. He has run the mantra of there is an extra \$27 million inside the school gate, except the Treasurer is going to take 2 per cent out the back door.

Mr Quinlan: Look, I know this is complex.

MR SMYTH: I don't know how you reconcile that.

Mr Quinlan: I know this is difficult but—

MR SMYTH: It is difficult. You said it is for \$27 million.

Mr Quinlan: Let me have one more crack at it. What we are saying is we are looking for efficiency in what is delivered now so that when we do put an additional \$27 million in we get full \$27 million value for it.

MR SMYTH: Oh, you can spend it wiser and better than anybody else.

Mr Quinlan: We are trying.

MR PRATT: Mr Quinlan, are we closer to sorting out this dislocation between yourself and the education minister on the time frame for the reallocation of that 27 million. Is it one to two years or is it more likely over the four years?

Mr Quinlan: I have to say at this stage that I think when Mr Corbell said “once”, one to two years seems to have become etched in stone somewhere. I didn’t hear the statement itself but I am trusting that that was said more as a case of “That’s what I would really like to do as soon as is possible”. But the actual flow of expenditures, both capital and ongoing, will be decided in the course of the budget. But I am not at loggerheads with education because I have not even started discussing that level of detail with the relevant minister.

MR PRATT: But do you think it is more likely that that funding is going to have to be scattered over that four-year time frame? It is something that needs to be clarified because people are depending on where is the program going and how fast are certain new activities going to come on line.

Mr Quinlan: It does depend on the breakdown of numbers. A lot of that money is about capital expenditure and quite clearly there will be capital expenditures involved in that particular block of expenditure. They are probably less time critical in terms of how we manage our money than are the operational expenditures, and had you been here earlier you would have been involved in a discussion on the pressures on operational expenditures. So I cannot answer that off the top of my head because I haven’t got to that point yet.

MR PRATT: Okay. I have one more if there is time.

THE CHAIR: Yes, okay, one more.

MR PRATT: I do apologise for not having been here earlier, and I also apologise if I am cutting across a few bows. In your capacity as minister for sport as well as the manager of resources and Treasurer, if the Gungahlin Drive western route extension goes ahead, which is what the government is hell bent on pushing, have you been able to budget money to take care of new car park extensions which would be required for both the AIS and Canberra Stadium, given that clearly the western route must go straight through the centre of existing car parks?

Mr Quinlan: At this stage, I have not seen any detail to that extent. I do know that out at Bruce the existing car parking is fairly rudimentary, as you are probably aware, with dividing lines of copper’s logs on grass, effectively, and maybe a bit of gravel thrown around and rolled in. So, I am not sure that the cost of redevelopment of the car parks looms large. But I don’t know is the answer.

MRS DUNNE: So that means you have factored it in?

Mr Quinlan: I have not seen enough detail of what will be happening over the long term for Gungahlin Drive and around the Canberra Stadium to be able to say, “I can tell you what it will cost to provide additional car parking of a standard that exists at the moment.”

MR HARGREAVES: Mr Treasurer, could you tell me which part of appropriation bill No 3 has amounts allocated in it to fix the Gungahlin Drive extension and the AIS problem?

Mr Quinlan: Good point.

MRS DUNNE: My question is fairly complex and relates to an answer that you gave me on notice about the cost of the bushfires, but I think I probably should put that on notice, given the time. A couple of issues have arisen. I notice that in 2000-2001 the ACT received \$4.4 million from change of use charge, and until the end of January 2002 in this financial year we had received \$3.1 million from change of use charge. Given your government's stated policy to increase change of use charge to 100 per cent, have you done any modelling of the impact of increasing the change of use charge to 100 per cent?

Mr Quinlan: No.

MRS DUNNE: Do you intend to do so, or do you just think that it is going to increase by a third?

Mr Quinlan: Off the top of my head, I have to say I wasn't entirely convinced by a lot of the doomsayers when they talked about the impact of various levels of the change of use charge. Personally, I do subscribe to the philosophy that the community should get full value for the amenity that it is providing to other people.

MRS DUNNE: Yes, but have you done any modelling?

Mr Quinlan: No.

MRS DUNNE: Do you have any idea what the impact on revenue would be if you changed the change of use charge to 100 per cent?

Mr Quinlan: Consistent with what I said earlier that I don't place a lot of trust, a lot of faith, in claims made that 100 per cent change of use charge would inhibit development, I would expect that it is a fairly simple model.

MRS DUNNE: You think it is a fairly simple model. I would just like to go back to the 2 per cent efficiency dividend that you are looking for, particularly in reference to the AFP. The AFP is obviously one of those places where you can't get a discount, because that is a matter for the contractor or a matter with the federal government. So, when you are looking for savings in police, and when you are looking at 2 per cent, what impact does that have on your election commitment for 20—and I emphasise 20—new police over three years, not 30, because the 10 have already started and they were ones that were promised by the previous government in the previous budget.

Mr Quinlan: That is true.

MRS DUNNE: And your incoming government brief tells you that the budgeting for 20 police over three years is about 1.6, 1.8, depending on which of the out years we are talking about. So how are you going to meet your efficiency dividend and meet your election commitment?

Mr Quinlan: First of all, let me just go back over this. We were saying 30 when you were saying 10, but if you are saying zilch, if you are saying nil, I will say 20.

MRS DUNNE: No, you were saying 20, we were saying 10.

Mr Quinlan: If you put on nil, we will say 20 then.

MRS DUNNE: And we put the 10 on, because they were in the budget. But this money is not in the budget. Where are you going to get it from?

Mr Quinlan: Let me say that we have been around and around this point. There are going to be a lot of areas where we don't or we can't find efficiency of 2 per cent. But we are demanding of every agency that they look at every area, everything that they do. That is the discipline.

MRS DUNNE: Why did you demand this of the AFP when you know that you have a contractual arrangement with the federal government?

Mr Quinlan: Because they do a lot of other things, like maintain properties, and they have a whole lot of ancillary operations that may in fact benefit, let us say, from increasing computerisation. As you are aware, a police force more than most uses information to a large extent. It is a matter of if their information systems are improving, if they can tap into national systems. I have been to police ministers councils where we have talked about joining national systems of identification and rifling marks on bullets and all that sort of stuff, where efficiencies can be drawn. So there is no reason—

MRS DUNNE: But you won't get a saving out of that because if that saving is made, that goes back to the feds.

Mr Quinlan: Look, all we have said is we are asking every agency to go and look at what they do with a view to doing it more efficiently; changing the emphasis from having these people run around trying to identify anywhere where gains might be made to placing a discipline through all agencies to say, "You look at what you are doing and then you justify why that can't be done." In many, many cases—and we can sit here till sunset and you will still be thinking of them—you won't be able to find that 2 per cent. But it doesn't change the commonsense of applying that discipline and applying that discipline to agencies.

MRS DUNNE: Did you apply that discipline and that commonsense to the Commission of Audit when they came up with their suddenly unforeseen expenditure?

Mr Quinlan: I don't think that question hangs.

MRS DUNNE: Well the Commission of Audit suddenly found all these things that departments desperately needed to spend money on, which was used by you to come up with a different bottom line. Why didn't you impose that discipline there?

Mr Quinlan: The Commission of Audit was about the available knowledge at the time.

MRS DUNNE: And that allowed departments to say. “Look, we’d really like to spend money on this that or the other, which we hadn’t anticipated.”

Mr Quinlan: No, I don’t think you will find that.

MS DUNDAS: You might have already answered this, Ted—I am sorry that I was out of the room for a minute. But the 2 per cent efficiencies are not in any way related to job cuts?

Mr Quinlan: I certainly hope not, but it may involve one or two reductions.

MS DUNDAS: So you are not ruling job cuts out as part of the 2 per cent?

Mr Quinlan: I don’t think I can. It would be disingenuous of me to sit here and say, “We are not asking people to run more efficiently.” What you see over time is an increasing automation of information handling. The public sector, as we know it today, is just so different from the public sector of 20 or 30 years ago. With accelerating technology there is no reason why that won’t change. It will change and there may be fewer jobs. I would hope one day that what that really represents is fewer working hours for more people as opposed to fewer people working. It is something the community has got to catch up with.

THE CHAIR: I propose that we let the Treasurer go since he is running out of time. I have got just a couple of questions I might ask you to take on notice. One is a technical question about why the \$2.38 million injection to CTEC is a capital item, given that it covers things like legal costs and so on. The other is that you have indicated that some of the items in the third apop were foreseeable and some were not. I would like you to break those up into the two categories. What things ought to have been, in your view, in the budget at the beginning of 2001-2002 and what things are properly matters that have arisen by circumstances that were not foreseeable at the time?

Thank you very much for your attendance and the attendance of your officials today.

SIMON CORBELL,

ALAN THOMPSON,

GUY THURSTON and

TREVOR WHEELER

were called.

THE CHAIR: Thank you, Mr Corbell, and officials. I am sorry to have delayed you, but we will press straight on. Do you wish to make an opening statement in the areas of your responsibility?

Mr Corbell: Thank you. No, I do not intend to make an opening statement. The items in Appropriation Bill No 3 for my portfolio of responsibilities are quite limited. I think they speak for themselves. I am quite happy to answer any questions the committee may have.

THE CHAIR: Okay. Would you explain the bus safety door project? Have I read these figures correctly, as saying that the amount being appropriated for this year is only \$3,000?

Mr Corbell: My understanding is that the amount being appropriated this year is \$150,000, and then there are some costs in the out years. This is an important project. It is fundamentally an occupational health and safety issue, and is first and foremost to protect passengers, particularly school children, but also to make sure that the buses generally operate safely without any risk to passengers, or indeed to drivers. I might invite Mr Thurston to elaborate on the project if you wish to better your understanding of it.

MS DUNDAS: Yes, please.

Mr Thurston: I am Guy Thurston, acting chief executive of ACTION buses. Bus travel is the safest form of travel there is. Unfortunately, there are incidents where children, particularly, are trapped in doors and, as you can imagine, that is a very emotive issue. These incidents have happened in most states in Australia.

What this program is about is lifting the standard of the door mechanism on our buses, and particularly on the front doors. At the moment, ACTION buses do not have any safety mechanisms on the front door, and those of other jurisdictions do.

The false premise was that drivers could see the door fully, and that was not an issue. However, in reality, drivers are trying to get back into the traffic, and they need to have some supporting mechanism to ensure the safety of the children alighting from the bus.

The answer to your initial question is that a proportion of the money is in this financial year, and the rest is in the 2002-2003 year, and that is to kick start the project and to finalise it.

THE CHAIR: Yes. I see there is \$3,000 for what I assume is depreciation this year?

Mr Corbell: Yes, it is depreciation.

THE CHAIR: Okay. I assume that, in the out years, that figure of \$130,000 includes depreciation, or is it all depreciation?

Mr Corbell: I am advised that it is entirely depreciation, Mr Humphries.

THE CHAIR: Is that just depreciation on the mechanisms on the doors?

Mr Thompson: I am Alan Thompson, chief executive of the Department of Urban Services. Yes, if you went back to the actual bill, you would see there that the capital funding is listed as \$150,000 this year, \$1.15 for next year, and then immediately under that is the effect of that investment decaying over 10 years to zero in year 10. So we lose 0.13 of it every year, as those buses approach their replacement date.

THE CHAIR: It is depreciation on the safety mechanisms on the doors?

Mr Thompson: In the next, say, six to nine months, we are increasing the value of the buses by \$1.3 million by making them safer.

THE CHAIR: Right.

Mr Thompson: Then, over the next 10 years, as they approach their use-by date, the value of that improvement decays—

THE CHAIR: By 10 per cent.

Mr Thompson: By around 10 per cent, yes.

MS DUNDAS: Regarding the safety door project, where is the information about the research on these mechanisms coming from?

Mr Thompson: Part of the initial investigation involves identifying the types of systems that are around and what can be applied. There are a whole raft of different mechanisms around Australia at the moment. What the project would do is identify all of those and evaluate them in the first instance, and implement improvements.

MS DUNDAS: Is this a new project then?

Mr Thompson: Per se, yes.

Mr Corbell: Yes, this a new program for the government, and it has been identified as one that is of some urgency in terms of ensuring the safety of school children, in particular, catching buses. I understand this has been flagged on a number of other occasions, but has not been progressed. This government believes that it needs to be addressed, to ensure the safety of school children catching buses.

MS DUNDAS: In that sense, why was it not in Appropriation Bill No 2?

Mr Corbell: As far as I am aware, it was not identified as an immediate measure to be dealt with in Appropriation Bill No 2. Appropriation Bill No 2 dealt, first and foremost, with the immediate implementation of election commitments.

MS DUNDAS: Yes.

Mr Corbell: Appropriation Bill No 3 was foreshadowed with Appropriation Bill No 2, but Appropriation Bill No 3 was for meeting urgent needs within government that had to be addressed before the next budget, along with additional funding needed to commence other election commitments.

MS DUNDAS: On that point then, if this committee produces a report that is handed down on 9 April, and this bill is passed in that sitting week in April, when do you see work commencing on the upgrade?

Mr Thompson: Work is already progressing on evaluating what is out there at the moment.

MS DUNDAS: Yes.

Mr Thompson: We have had Dr Henderson from Sydney come down and give us an evaluation of our current door mechanisms. He is an expert in the field and would be the most respected expert in Australia. He did a lot of work in New South Wales following the fatality there of a five-year-old girl in 1994. There is a lot of background to this issue. It is a matter of making the buses in the ACT achieve the standard of those in New South Wales, or better.

MS DUNDAS: Can I just follow up on that question? I am not denying that this is an incredibly important project that needs to happen. However, in terms of process, if the Assembly says no to this appropriation bill for some reason—I am not saying that they will—where will you, as an entity, find the money to fund the work that you have already done on the project?

Mr Corbell: We will not. That is why we have an appropriation bill.

MS DUNDAS: But you have already started spending money that you do not have.

Mr Thompson: No. As part of normal operations as a transport operator, we keep ourselves abreast of what is happening across the country. Part of that involves monitoring what is happening in other states, so that we can keep up to date.

MS DUNDAS: Is the money that will come through this appropriation bill specifically for the mechanisms and for putting them on the buses themselves? It is not about doing the research, because the research is part of your day-to-day activity, isn't it?

Mr Thompson: Yes.

MS DUNDAS: Thank you, that was the information I was after.

THE CHAIR: Moving to a different subject, can I ask a question about the non-government school enrolments. Sorry, before Mr Thurston finishes, I have a question for him. You described yourself as the acting chief executive of ACTION?

Mr Thurston: That is correct.

THE CHAIR: So why have you ceased to be the—

Mr Corbell: I am happy to answer that question, Mr Humphries. Mr Thurston is currently acting chief executive because, following the establishment of the new ACTION authority, which commenced earlier this year, we were required to advertise the position of the chief executive. That was advertised in the national press last weekend and, in the interim, Mr Thurston is acting in the position.

THE CHAIR: Good luck, Mr Thurston. Can I move to education, and ask a question about that.

Mr Corbell: Yes, I am happy to answer questions.

THE CHAIR: Are there any other questions about the Urban Services side of this appropriation bill?

MR HARGREAVES: Yes, just a quick one for Mr Thurston.

Mr Corbell: Well, can I just seek a clarification on that, Mr Chairman? I am not aware that there is funding in Appropriation Bill No 3 that relates to education.

MS DUNDAS: Yes, there is.

THE CHAIR: On page 51 of the appropriation paper, the supplementary appropriation of Department of Education and Community Services provides \$4.11 total appropriation, \$1.507 as a government payment for outputs, and \$2.603—

Mr Corbell: This is for non-government schools?

THE CHAIR: And the substitute care, as well.

MS DUNDAS: And the substitute care—\$1.507 million.

Mr Corbell: Would you give me a moment? I will just ask my officials from Education to join us.

THE CHAIR: Okay. You indicate that enrolment levels have increased between the audits of 1999 and 2001. When are the audits conducted? At what point in the year are they conducted?

Mr Corbell: I might ask Mr Trevor Wheeler to answer that question.

Mr Wheeler: I am Trevor Wheeler, executive director, Corporate, Department of Education and Community Services. The enrolment audits for non-government schools are conducted in the early part of the year, once the school enrolment patterns have settled down.

THE CHAIR: All right. I assume we are saying there that we have had an increase of 1,163 students in the non-government sector?

Mr Corbell: That is correct.

THE CHAIR: I assume that the 414 students at Amaroo are part of that 1,163?

MS DUNDAS: No, that is an additional figure.

THE CHAIR: Or is additional?

Mr Wheeler: It is an additional number.

THE CHAIR: So the total non-government enrolment is about 1,500, nearly 1,600 students?

Mr Wheeler: Over those periods.

THE CHAIR: Okay. What is the equivalent position with enrolments in the government sector over the same period?

Mr Wheeler: I do not have the numbers over the same period to 1999, but there has been a small, steady decline in government school numbers in recent years.

MS DUNDAS: Sorry, was that decline or climb?

Mr Wheeler: Decline.

THE CHAIR: It has been my understanding that there has been a decline as well. If there is a decline, does that imply that there would be some deduction in expenditure on government schools that could be used, in part, to offset the increase in spending on non-government schools?

Mr Corbell: No, it does not. Funding in the government school sector is not simply a factor driven by enrolment levels. It is driven by a whole range of issues, including the costs of funding teachers. For example, the costs in the government school sector are increasing simply because of the move by both the previous government and this government to have smaller class sizes in primary schools. That actually requires additional teachers and, in some instances, additional accommodation for those smaller classes, provided by demountables.

With all due respect, I think it would be simplistic and wrong to suggest that, because there is a decline in the overall number of students enrolled in government schools, that that leads to an overall decline in funding for government schools.

THE CHAIR: Right. You are saying that the formula is not based on student numbers.

Mr Wheeler: No, it is not.

THE CHAIR: Okay. A different question on education. We have asked the Treasurer this morning about the 2 per cent efficiency savings that have been requested across the whole of government. He has indicated, effectively, that there is no area of government which is exempt, per se, from that process.

You have indicated that there is to be a funding increase in education in the ACT, behind the school gate, of \$27 million over a period about which there is some doubt, but of between one and four years. Do you anticipate that the funding increase is going to be from a base of what education spending is today, or from what it would be after the process of making this 2 per cent saving?

Mr Corbell: I think it is somewhat of a hypothetical question. As the Treasurer has indicated to the committee, the 2 per cent measure is one which the government has asked all agencies and departments to consider. However, clearly the capacity of some agencies or departments to meet that, in terms of sustaining the same level of services, albeit more efficiently and at a cheaper cost to government, will vary. When it comes to the Department of Education, the capacity for the department to meet that request, particularly in its delivery of schooling—both in the government sector and in providing funding to the private sector—is extremely limited, if not non-existent.

As all other agencies are, the department is looking at where it can sustain its level of service provision and do so more efficiently, but the government has made no final decisions about how such a measure will be applied. It is simply doing the work of looking at where services can be provided more efficiently. To answer your question, Mr Humphries, it would be pre-emptive of me to answer it in the way that you have framed it, simply because we are not at the stage of even considering it.

THE CHAIR: I understand that you have not made any decision about whether there would be a saving expected from Education, but the Treasurer was insistent that Education would be expected to try to find a saving.

Mr Corbell: Yes.

THE CHAIR: If it is ultimately in the position of making a saving—bearing in mind that the total budget of Education is about \$350 million or something of that order—do you still anticipate that the \$27 million would be delivered to the ACT from that new lower base, or from the existing base of Education spending?

Mr Corbell: I think it is pre-emptive to try to answer that question, because there are too many ifs in the scenario you paint. I think it would be more responsible for the government to outline exactly how that is working once the budget is brought down.

MR PRATT: Minister, I welcome the education inquiry that you have announced today, of course, and hope it will be as truly independent as you have assured us it will be, since in the ACT we do have a high proportion of students attending non-government schools, amounting to about 38 per cent of students.

I note today that you have appointed Ms Lyndsay Connors to head up the inquiry, which will cost ACT taxpayers \$250,000. This is my problem: Ms Connors is, by her own admission and on the record, a critic of independent and non-government schools, as evidenced by her writing and recent speech making. It does not sound as though she will provide an unbiased opinion and, given the complexity and the broad range of the ACT education system, I am concerned. Does this not sound as though we are more likely to have, in fact, a biased review?

Mr Corbell: Through you, Mr Chairman, I have to say, Mr Pratt, that I take offence at the comments, because it suggests that Ms Connors is not capable of applying a rigorous approach to this inquiry. I think Ms Connors' reputation and her record as an educationalist speaks for itself, in terms of her understanding of the issues concerning funding arrangements for both public and private schools, as well as the very broad range of sensitivities involved in that debate. I reject your assertion absolutely, Mr Pratt. Ms Connors is very well regarded across all areas of the education sector, and I believe, more importantly, that she has the intellectual rigour needed to conduct the inquiry.

MR PRATT: Mr Chair, if I could just clarify the issue raised by the minister. In fact, I was not seeking to have an impact on Ms Connors' personal—

Mr Corbell: The suggestion was that she would be biased, Mr Pratt.

MR PRATT: No. My question was about a professional bias to one element of our schooling system. I am not attacking Ms Connors personally. I am sure she is a very professional person. I am talking about an emphasis on one sector at the expense of the other. That is a professional bias: that is not a personal attack.

Mr Corbell: What you are suggesting, Mr Pratt, is that the head of the inquiry will be biased towards the public sector over the private sector. That is, I think, a completely unsubstantiated and unfounded attack on the reputation on Ms Connors.

She is well regarded in all circles for her capacity and her understanding of education funding issues. Yes, Ms Connors has worked in the public sector extensively, but she has been the author of several reports to governments of both political persuasions on the arrangements needed in relation to funding for government and non-government schools. To suggest that she will be bringing some level of personal bias to the inquiry is quite offensive.

MR HARGREAVES: Minister, can I ask you a question on that one? Have you received from any of the relevant sectors any indication of whether they welcome this inquiry and Ms Connors' role in it?

Mr Corbell: Mr Hargreaves, I have only heard comments from some parts of the sector today. I only formally announced the inquiry about an hour ago, and I have only heard the comments of the ACT Parents and Citizens Council to date. However, they have indicated their support for the inquiry and welcomed it. They have also endorsed the fact that Ms Connors will be conducting the inquiry, and welcomed the contribution that she will be able to bring to it.

I should add, though, that all sectors of the education community have welcomed this work, because they recognise that the existing funding arrangements raise concerns for their individual sectors, as well as for the health of the sector overall. That is why this work is so urgently needed.

THE CHAIR: Okay. I take it that the people conducting the review will include people from all sectors, from both non-government and government sectors?

Mr Corbell: She will be conducting the inquiry. She will have absolute discretion about how she spends her budget. She will have the capacity to engage independent research on matters that she believes are relevant to her work, to her recommendations and to the report that she makes to government.

She will be seeking widely for input from all groups within the education community. She has not outlined to me fully how she intends to do that except that, during my discussion with her this morning, she indicated that she was intending to seek to visit at least every private school in the territory, along with a broad representative number of public schools, to meet communities directly and talk about their concerns, as well as to use the normal process of written submission and interview.

THE CHAIR: Is there a reference group of people from the sectors who might assist her in that exercise?

Mr Corbell: No. Ms Connors will be supported by a secretariat, which will be resourced from the Department of Education. She will have a budget which, as I have alluded to earlier, will give her the capacity to commission work independent of government that she feels needs to be done in the course of the inquiry. She will be seeking the broadest possible range of input from everyone within the education community.

MS DUNDAS: I have a question on a different topic. As Minister for Industrial Relations, how do you think the 2 per cent efficiency that has been requested will affect staffing levels in the ACT, especially as earlier Mr Quinlan did not rule out job losses?

Mr Corbell: I think the point Mr Quinlan was seeking to make is that the government, as any government should, needs to work out ways in which it can continue to sustain the same level of service delivery and do it more efficiently. In that context, whether it is a case of not renewing people's contracts or not replacing people when they leave the ACT government's service—effectively the voluntary redundancy path—such options are open to government.

Along with all of my colleagues, I will be absolutely committed to ensuring that the same level of service is provided to the Canberra community, but we will, as a responsible government, seek to sustain that level of service delivery in as efficient a manner as possible.

MS DUNDAS: If the need is for job losses, be that through not renewing contracts and not filling vacancies, experience has shown that it has a huge impact on morale in workplaces. If job losses occur, will there be steps taken to ensure that, while the level of service is maintained, the level of workplace morale is also maintained?

Mr Corbell: The government is absolutely committed to undertaking this process of efficiency in a strategic way. We do not simply see all agencies as being able to sustain the same level of efficiency dividend as other agencies. There are some agencies that have a greater capacity than others. I think the questions from Mr Humphries earlier, and my answers, highlighted that point. There are some parts of Education, for example, where it will be very difficult to achieve that, and I would argue that it would be irresponsible to do so.

It depends very much on the individual agency and the circumstances in that agency. This government has taken steps to improve relations with its workforce, for example, it has re-established, after a six-year hiatus, the joint council, which is provided for under the Public Sector Management Act. This is a peak body for consultation between the management of the ACT government service and the unions that represent people who work in the ACT government service.

I would envisage that it is through those sorts of mechanisms that we will be doing considerable work in improving the overall standard of the employee-employer relationship in the ACT government service.

MR HARGREAVES: First, is it of concern to the government that the search for efficiencies to offset budgetary hassles can centre on this spectre of job losses, when that is only a fraction of the issue? Second, is it also of concern to the government that this process can centre on the spin doctor's definition of what constitutes a job, based on our understanding of what a permanent job was in years gone by, when in fact the bulk of the workforce that is going to be a target for this efficiency could very well be people who are contracted for time-limited programs, the efficacy of which may be suspect?

Mr Corbell: You have made the point that the public service is now structured very differently to the way it was structured even 10 years ago, and I think that is the point that Mr Quinlan was making earlier today, when I was listening to his evidence.

The key issue here for the government is that we must ensure that service provision is not affected, but that we do achieve greater efficiency in how we deliver those services, so that we make more money available for other services that the Canberra community needs. That will be the focus, and that is the approach we are working through in the budget cabinet at this time.

MR HARGREAVES: A very responsible approach.

THE CHAIR: Yes, thank you, Mr Hargreaves.

MRS CROSS. Mr Corbell, I wanted to ask you some questions on the new buses. How many new buses have you purchased this year?

Mr Corbell: This is not a matter covered in the third appropriation bill, but nevertheless I am happy to answer the question.

MRS CROSS: Thank you, Mr Corbell.

Mr Corbell: The government is currently considering an approach to bus replacement. We recognise that we have obligations under agreements with the Commonwealth to provide accessible buses, and to have a certain percentage of wheelchair-accessible buses, within certain time frames. In the context of the budget, the government is considering what those costs will be, how we will meet our obligations under Commonwealth agreements, and how we will fund them. Those are all matters that are currently being considered in the lead-up to the budget.

MRS CROSS: Under the Liberals, \$9 million was budgeted for free buses, including disability friendly buses.

Mr Corbell: Yes.

MRS CROSS: Can you tell me if you have purchased any this year at all?

Mr Corbell: My understanding is that we have not, but I will just check with Mr Thurston.

Mr Thurston: No. No new buses have come into ACTION in this financial year. We did have some buses on lease, which assisted us with the introduction of the SSTs. There were 17 of those. They are now in Brisbane.

Mr Corbell: I should stress that this is consistent with the government's election commitment to re-divert the money that was proposed for the free school bus scheme, and that was being spent on the free school bus scheme, to education. Obviously, we are not following through with commitments the previous government made that are inconsistent with that commitment.

MRS CROSS: Are you saying that you are not going to buy the new buses that are needed out of the \$27 million that was budgeted?

Mr Corbell: We are not buying them out of the \$27 million that the Liberals set aside for free school buses.

MRS CROSS: But the \$9 million that was set aside for buses—

Mr Corbell: No, we are not.

MRS CROSS: You are not going to use that for buses?

Mr Corbell: No.

MRS CROSS: Even though there is a need in the community for those buses?

Mr Corbell: The answer to the question, Mrs Cross, is no, because that is what we said during the election campaign. We said that the \$27 million, which includes that \$9 million component for bus fleet replacement, will be spent on education. That is the promise we made in the election, that is the promise we stand by, and that is what we are implementing.

However, as I indicated earlier, that does not mean that the government is not considering a bus fleet replacement program. We are, because we have made commitments to the Commonwealth, as you would be aware, that a certain percentage of the fleet will be wheelchair accessible within certain time frames. In the context of the budget, we are working out how we will meet those commitments and how we will fund them.

THE CHAIR: Could I just correct what you have said. You said that the government had committed itself to spend no money on bus replacement. However, in the statement that Mr Quinlan issued just before the election on the funding of Labor's election promises, in fact he indicated that there would be \$4.1 million spent this financial year on the bus replacement program. Has that changed or is there still the intention to spend approximately \$4 million on the bus replacement program?

Mr Corbell: I do not recall that, Mr Humphries, but, without that information in front of me, what I can say to you is that the government is not spending any money on bus fleet replacement this financial year. However, we are considering a more significant bus fleet replacement program in the coming financial year, as part of the budget deliberations.

THE CHAIR: I am happy to give you a copy of that document if you want to see it.

MR HARGREAVES: Could I ask a question of the minister that he may have to refer to Mr Thurston. It relates to the cost pressures for ACTION, and the \$540 million worth of long-term staff absences.

THE CHAIR: \$540,000.

MR HARGREAVES: \$540,000, sorry. It relates to long-term staff absences owing to illness and injury. First, what was the cause of half a million dollars worth of, I assume, occupational health and safety cases? Second, if page 6 of the budget paper is right, there will be \$540,000 in 2001-2002 only, but nothing in the out years. If we have an issue that cost half a million dollars in this financial year, what did you do that was so successful that we do not have to provide for it next year?

Mr Corbell: I think Mr Thurston will be happy to provide you with some information on this question, Mr Hargreaves.

Mr Thurston: Yes, ACTION staff have an ageing profile. The driving force has a median age of 54. It has come down in the last couple of years to just under 50. It is an ageing workforce, and that is not going to change in the short term. We have more than 300 drivers over 50 years of age. We have over 60 drivers over 60. We have 10 drivers over 65, and they are tested every year. We have a workforce that is predominantly not well covered by superannuation. That is another issue with the profile of the workforce. We have changed the work practices with bus driving, and that has accelerated some of the health issues, but we have also had a long history of Comcare cases going back up to 20 years.

MR HARGREAVES: Are these half a million dollars catch-up funds for those Comcare payments, Mr Thurston?

Mr Thurston: I was just coming to that. Our Comcare premium went up from \$1.4 million last year to \$2.75 million this year, based on actuarial experience.

MR HARGREAVES: Oh dear.

Mr Thurston: That was a horrendous jump forwards. This is the biggest problem ACTION has in regard to its staff. What we are doing is bringing every single injured person who is physically able back into ACTION. We are manufacturing work, because they cannot do the work for which they were recruited, be they mechanics or drivers. We are managing that, and we are having a degree of success. We have to manage that aspect of our work, or our Comcare premium will go from \$2.75 to \$5 million.

We need to manufacture work to make sure that these people have work and, hopefully, can then be gradually restored to their substantive position. As I say, we are having success in that regard, but the problem is like a hill, and it is going to take more than one year to correct this profile.

MR HARGREAVES: Can I just pick up on that one? If it is a hill and you are halfway up the hill, then I congratulate you, because being at the bottom is worse than being halfway up. Can you tell me why we have not then allowed anything in the out years for this, or is there sufficient money within the general budget of ACTION to cater for that?

Mr Corbell: I am happy to answer that, Mr Hargreaves. The cost that you see in this appropriation, which is \$540,000, is to meet the shortfall this financial year. It is intended to address the shortfall that we face and that we have inherited this financial year. I think it is important to look at it in the context of funding for ACTION overall. Funding for ACTION overall is estimated to be around \$47 million at the end of this financial year. If you look at the out years you will see that, under the previous government, there was a continued reduction in government payments to ACTION, from \$47 million in the previous financial year, down to \$42 million. So there was a decline in funding to ACTION.

MR HARGREAVES: Of \$5 million?

Mr Corbell: Yes, approximately. That is a significant reduction in the amount of money going to ACTION in the out years. What this government has done is say, “We need to look at the funding model for ACTION. We need to look at exactly how funding for ACTION is going to work, in the long term, so we can have a sustainable, effective and responsive public bus service.” In that context, the government is currently considering how to address funding issues in ACTION, so that we meet our election commitments in relation to fleet replacement and in relation to the single zone fare, and also how we address these other issues that are inherent in the structure of ACTION as a public bus service provider.

MR HARGREAVES: Of course, the way in which the service was delivered before, because of the ever-rising Comcare premium, would indicate that we were providing a service to the public at a certain level, but at some danger to those people providing the service. I hear you saying that part of the whole process is to address that part of the issue as well.

Mr Corbell: It is really about considering how much ACTION can sustain internally, and the answer is very little. ACTION runs on a very, very tight budget now. It has done exemplary work, over the past 18 months to three years, in improving its focus on the budget. However, the issue is how much are we, as a community, prepared to pay for a bus service, and what do we need to pay for a bus service to get the level of service provision that is needed. Those are the key issues that the government is now looking at in the context of the next budget.

MR HARGREAVES: Mr Corbell can you please advise, in terms of the class size reduction program—

Mr Corbell: Sorry, can I just interrupt. Just for the sake of the officers, is it possible to deal with all Urban Services questions or all Education questions first?

THE CHAIR: Yes, I think that is a fair point. Are there any further Urban Services questions before we go back to Education?

MS DUNDAS: I would like to draw the chair’s attention to the time.

THE CHAIR: Yes, we are running out of time too.

MR PRATT: Is it possible for me therefore to table a batch of questions on notice?

THE CHAIR: Yes, that is the best idea. That is fine.

MR PRATT: I have about six.

Mr Corbell: That is fine.

MR PRATT: Should I detail those?

THE CHAIR: No, just put them in writing and give them to the secretary as soon as possible.

MR PRATT: Okay, thanks.

THE CHAIR: We are running out of time so, if there are no further questions for Mr Corbell, I thank you for your attendance here today and that of your officials.

BILL WOOD,

ALAN THOMPSON and

TREVOR WHEELER

were called.

THE CHAIR: Thank you, Mr Wood, for waiting. I am sorry we are running out of time. Do you want to make an opening statement about the areas of this bill that are covered in your portfolio?

Mr Wood: No, thank you.

THE CHAIR: Could I start with a question about the SACS award. I see that, in the second appropriation bill, extra money was provided to fund supplements to community organisations in education, community services and health, and that this bill covers appropriations or supplementations to housing and environment recipients. Are there other community organisations which are yet to be dealt with, or does this complete the exercise?

Mr Wood: I expect it completes the exercise. There would be a problem if it did not. Yes, to the best of my knowledge, it does.

THE CHAIR: What level of resourcing has been provided to community organisations in this process? Have we funded the complete shortfall that was effectively entailed in the decision of the industrial commission, or has there been some discount or premium expected?

Mr Wood: You will recall that, when you were Chief Minister, you started the process of ascertaining that cost. Because of the relative sizes of the organisations affected, the costs in my area were not hard to find. It is a fairly precise cost, whereas the other was around \$4 million. I can speak for only my areas—that they are accurate costs. It is broken down by detail. If you want it, you can have a copy of that.

THE CHAIR: It is less than \$100,000, isn't it?

Mr Wood: Yes.

THE CHAIR: In your areas, does this fully compensate the organisations in the community for the effect of the SACS award?

Mr Wood: I would think so. Mr Thompson would know.

Mr Thompson: That is my understanding. It is on a backdated basis to, I think, 1 July 2001, or whenever the award increase occurred.

MS DUNDAS: I was going to ask about ACT Forests and the money that is being put into the redundancy program. The annual report mentions that the restructure would involve a reduction of 42 to 24 staff. It says the restructure commenced in June 2001 with an injection for voluntary redundancy packages of five staff. It states that the restructure will be completed in the early part of the 2001-02 financial year. We are now saying that we are putting in this money out of the 2002-03 budget because more staff have taken redundancy, earlier than expected.

What number of staff are we working with now? What number have we been reduced to? Have we reached the 24 ahead of schedule? Have any other steps been taken, such as the board of advisers—and has the full and transparent funding of community service obligations been reached, so that we can actually deal with having this reduced staff earlier than expected?

Mr Thompson: When we looked at the overall organisational arrangements of ACT Forests—this goes back well over a year—we conducted some quite extensive studies. We concluded that the size of the fixed work force was unsustainable for the size of the plantation operation here. So it was decided to reduce the size of the work force by offering packages to a significant number of them. At that stage, we worked on the assumption that a certain number would quickly take the package and leave, and that the others would spend some time with the career assistance unit, looking either for other work around the government or other opportunities outside.

In the end, when we made the offer of the package, a lot more left straightaway. The money we had set aside, assuming that we had to continue to pay some of these people for their time at the career assistance unit, has not been needed. However, what has been needed is additional funding for this year, to simply pay for the packages that have been used up. So the total call on the public purse has stayed basically the same. It is just that we have brought it forward, from a future year to the present year.

MS DUNDAS: Have we now reached the 24 staff that you were looking for? Have the other systems been put in place to effectively manage what appeared to be a three-year plan being condensed to a two-year plan?

Mr Thompson: The board of advisers is still trying to finalise that. In terms of the CSO payments, in the current budget they were significantly increased—by some \$750,000. So now you could say that ACT Forests is being reimbursed by the government for a whole range of community service activities in the ACT Forests area. That includes a lot of recreational opportunities. So, substantially, we have done what we said we would do 12 months ago. However, because of the fires over Christmas, the numbers have been a bit more variable than we had expected.

MS DUNDAS: You are aiming for 24 permanent staff.

Mr Bartlett: The total number of permanent staff is 24. That number was actually fully in place by about September 2001. We implemented the restructure from June last year and finished it in September. In that restructure, we saw 26 people leave the organisation. Twenty-three of those took voluntary departure packages and three went to the career assistance unit. I understand that one of the persons who went to the career assistance

unit now has a job elsewhere in the public service. So there are two remaining at the CAU—and we recruited about 10 new staff.

It is important to understand that, in order to run a successful commercial business, you need the right skills mix of staff. As part of this restructure, we got in some people who had different skills mixes. That is why the numbers are like that. There is to be no more departure of staff or recruitment, other than if someone gets another job and goes somewhere else.

MS DUNDAS: On the board of advisers, you say that that is yet to be finalised. Do you have a timeframe for finalisation?

Mr Thompson: I hope that, in the next two to three months, we will get that in place. Some of our forward planning for that went awry. Certain people in Forests became very preoccupied over last Christmas, dealing with what has become a huge task for them. It was not just the events of Christmas Eve and Christmas Day, they now have the huge challenge of replanting some 500 hectares that they had not programmed. It is a major operation.

MS DUNDAS: I fully understand that it has been a very trying and unexpected period. However, you have successfully reorganised to come down to reduced staff numbers but the board of advisers is not yet fully operational. Is there any extra pressure being put on the staff, above and beyond the pressure that is already there because of the season? Are the staff working under extraordinary pressure because the mechanisms that were meant to be in place for effective management are not yet there? What is filling that gap?

Mr Bartlett: Just to reassure you, in the last two weeks we have put on a temporary project officer to work specifically on the establishment of the board of advisers. They will work out the terms of reference and try to do some background work on who might be the right sort of people. We are fully intending to advance that in the remainder of this financial year.

In terms of staff workloads, Forests is always a busy organisation. The fire and replanting operations have made life extremely busy. It is important to understand that the board is not going to replace, or do any of the work of, the permanent staff. It is to be a board of advisers with commercial experience. They will be there to help us, to make sure that, in our commercial directions, we work out the best use of the money we earn. Our strategic directions will be focused. They will be assisting me, and other senior managers, to make sure our business plan is very sharply focused, from a commercial point of view.

THE CHAIR: What is the government's view about the long-term position of ACT Forests? Is it a sustainable business activity for the ACT government, or does it have the sort of problems in the long term which would require a rethink of the way in which it is currently operated?

Mr Wood: At this stage, we see it as having a sustainable future. The experts will tell us about long-term prospects. I think all steps have been taken at the moment, and I anticipate it to be a very long-term venture.

THE CHAIR: As in long term before profits are returned?

Mr Wood: Yes.

Mr Thompson: The expectation is that we will be moving into the black within a couple of years. I am not sure how we will go. This year is a bit of an aberrant year because of the effects this fire has had on us. We believe we now have two of the big cost problems under control. We had very high fixed labour costs and unfunded CSOs. Those two issues have now been dealt with.

There are still some problems there. There was a significant backlog of unplanted area, which we are still working on. But, month by month, we are rolling these problems back. I would expect that, in the next couple of years, we will see this business back in the black, like all other state plantation businesses.

There are two critical issues for our operations: firstly we are not a large plantation operation, by any measure. A number of commercial plantation operations elsewhere in Australia are of a much bigger scale than ours, and scale is important in timber production.

The second challenge we have is that a lot of our plantation is right next to suburbia. That means it is much more difficult for normal commercial timber operations to occur—right next to Weston Creek or wherever.

THE CHAIR: Especially Weston Creek!

Mr Thompson: Yes, especially Weston Creek. So there are extra costs, extra time and so on, involved with managing the interface between the plantation estate and urban Canberra. We are aiming to offset that in part by encouraging development of commercial plantations in the broad Canberra region. We have a management agreement with one company, to assist them in expanding private sector plantations in the Canberra region.

THE CHAIR: You talk of putting operations back into the black, but the reality is it has never been in the black in the ACT, has it?

Mr Thompson: So far as we can track back, no, it has not. However, as I say, those significant cost pressures now appear to be under control, and I think the indicators for the future are pretty positive.

I neglected to mention that we have started a process of shipping out a fair amount of pulp wood to Carter Holt Harvey at Tumut, predominantly for particle board manufacture. That is still at the preliminary stage. If that is durable and long term, then that will get rid of the wood that in other plantation operations automatically goes into pulp wood. We have had years and years of just chopping those bits of timber down and leaving them on the forest floor. If we can get rid of that, for even a modest profit, that also will help us to move into the black.

MR HARGREAVES: I notice that, in the budget papers, you talk about the bushfire being a hazard reduction, and that the revenue foregone is \$0.024 million.

When travelling along the parkway now, there is a lovely view of the lake, but there is also a lovely view of all these logs—stacked up. Presumably, this is a bit of unfortunate early culling. What happens to those? Are those logs sold prematurely, with a revenue effect? Is that revenue effect being taken into account in what we see before us? What is the revenue effect of losing 500 hectares of those trees in the out years?

Mr Bartlett: The first point to note is that the figures in the estimates, or the appropriation funding, do not relate to ACT Forests, they relate to other parts of urban services. We are fully insured for all costs for the fire that occurred at Stromlo—firefighting and replanting, and any other losses we have had. There is no call on the ACT government for those funds. We are treated separately.

MR HARGREAVES: If all the logs that we see stacked up had been reduced to cinder, that would have been picked up by the catastrophe insurance, covered by the ACT government?

Mr Bartlett: That's right. The way the insurance works is that we are required to salvage what we can, which makes good sense anyway. They then deduct that off whatever return we get. In answer to your question about those stacks of logs, we actually tried to find a market for them.

There was a small operator in New South Wales that was using those logs and cutting them into sleeper-grade material. They are then preserved, but because the trees have been damaged as a result of fire, they are not taking up preservative. They are doing a bit more research but, until they can sort that out, those logs are just sitting there. If we cannot market them, we will move them from where they are and eventually sell them for firewood. However, we are hoping to get them back into sleeper material.

MR HARGREAVES: It is comforting to know that the catastrophe insurance picks that up. Five hundred hectares have now gone, and you have to replant it. Are the replanting costs covered by insurance?

Mr Bartlett: Yes, fully.

MR HARGREAVES: That does not have any impact on us at all, in terms of the cost of labour, does it? You could actually put on additional labour, couldn't you, under the insurance policy?

Mr Bartlett: It has to be done at commercial rates. The insurance people have their own people. If we say, 'This is going to cost \$100 million', they don't just pay it. They actually scrutinise every single task.

MR HARGREAVES: Yes, I understand that. We are talking about the effect of the fire being to completely advance where you would normally be, in that particular part of the plantation. So, the cost of actually bringing it back to the same level is that which is reasonably claimable on your insurance policy?

Mr Bartlett: Yes.

MR HUMPHRIES: If that requires additional expense, over and above the normal running of your plantation, that too should be covered by insurance.

Mr Bartlett: Yes.

MR HUMPHRIES: So could you investigate putting on additional people, under the insurance policy, to recover that particular part of the plantation earlier on?

Mr Bartlett: We will certainly replant that area, but whether we do it by putting people on or by using a contract work force is a commercial decision.

MR HUMPHRIES: I do not mind where you get them from. I think it was Mr Thompson who said earlier that you had a backlog of plantings anyway. This is going to further exacerbate the backlog of planting. I am trying to ascertain whether or not we can ameliorate that and have the insurance company pay for it.

Mr Bartlett: We are still negotiating the value of the burnt trees, but we will end up with about \$2 million. We will get somewhere between \$1.6 million and \$2 million for the trees that were burnt.

What we have been discussing with Treasury is that we will initially quarantine that money. We will then do a thorough analysis of what is the best use of that money. We may put it into replanting other areas of backlog.

Because young trees have been burnt, we will have a drop in our wood availability in some of the out years. We will have to decide whether to spend some of it either fertilising existing forests to make them grow faster, or trying to line up the external purchase of logs in the out years. We need to do some really sensible analyses. As well as running our business profitably, we have industry that hangs off all the rest of the ACT forests. They cannot afford to, all of a sudden, have no wood supply. So we need to do this very carefully.

MR HARGREAVES: I appreciate that and I am sure you do a great job. The catastrophe insurance is not insignificant in this process. In fact, what can happen is that you can divide your plantation activities into two parts, or maybe more than that, given the impact of the catastrophe insurance.

I am concerned that we actually use the insurance to the fullest extent—because we pay a heck of a lot of money for it—so that we do not end up letting the rest of the stuff slide, just to make good that particular area. Do you understand where I am coming from?

Mr Bartlett: Yes.

Mr Thompson: This year, assuming we get appropriate autumn rains and so on, we would be aiming to replant the vast majority of the burnt area, which would be some 500 hectares. In addition, our program is to wind back some of the other backlog—about

another 600 hectares. Assuming we get the right rainfall in the lead-up to winter, which is when we do the planting, this will be a very, very big planting year. This will be partly to fix up what is out there on the parkway, and partly to start redressing some of the other areas.

MRS CROSS: Mr Wood, could you please explain why there is \$850,000 set aside for kerbside recycling, who has the current contract and when that expires?

Mr Wood: That is to cover the extension of the contract in broad detail. Is it the garbage or the recycling?

Mr Thompson: The recycling one. It is the yellow bin contract. Its normal period of operation terminated in November 2001, but we have negotiated a one-year extension. The extra cost of that within this financial year is some \$850,000. Appropriation Bill No 3 would give us the extra costs of extending the contract for that period.

MRS CROSS: Why was there a need to set aside that money for the contract, though? What was it for?

Mr Thompson: The current contractor is SITA but, going back in history some six or seven years, the contract was actually awarded to BFI—another big waste company. As far as we can tell, it was not a profitable deal for BFI. In due course, SITA took over their business and inherited this unprofitable contract. Frankly, the only way we could continue the service beyond November 2001 was to offer to pay them at a somewhat greater rate.

They have effectively been incurring a loss for the last five or six years. For obvious commercial reasons, they were unwilling to continue on the same terms and conditions. So we have done a one-year extension, while we organise ourselves to call tenders for all waste collection operations, which we hope to do in the very near future.

MRS CROSS: Mr Wood, the current contractors have had ongoing problems with needle-stick injuries, due to used syringes being put into glass recycling products. To your knowledge, how is that issue progressing?

Mr Wood: It is a problem. It is handled at the waste depot. The workers are trained and they watch out for it. There is some community publicity about it, to try to discourage it. That will have to continue.

MRS CROSS: Last year, a staff member, who is with the TWU, contracted hepatitis B and was preparing a court case for compensation against the government. Can you update me on the status of that case?

Mr Wood: No, I cannot.

Mr Thompson: I am not aware of where it is up to. It is a long-run case. We are not sure where it has got to.

Mr Wood: We will get back to you on that.

MRS CROSS: Thank you.

Mr Wood: The current recycling operation is at Hume. They use, I guess, early 1990s technology. It involves people, working with leather gloves, physically throwing bottles into various bins and so on. We would hope this next round of contracts would have somewhat better technology, with less physical contact—you know, people, with gloves on, putting their hands in amongst the waste. Although we can run education campaigns to discourage people putting needles into the yellow bins, we are never going to be entirely successful. So we would prefer to have an operation where we are not putting people in that risky situation.

THE CHAIR: We can expect kerbside recycling to cost more money in the future though, can't we? The profit levels that were expected to be the case, some years ago when these contracts were first negotiated, are no longer there. We are looking at higher costs, and therefore higher costs of taking on these contracts, are we not?

Mr Wood: We will not say that publicly.

Mr Thompson: We want to go into the marketplace and see what the market will now offer. The contract here in Canberra will be one of the bigger waste collection contracts in Australia, so we would expect the major operators to be very keen to bid. We are hoping they will sharpen their pencils and give us very good prices. At this stage, yes, we are expecting the price to be a bit higher than it is under the current contracts.

THE CHAIR: There are no further questions. I thank Mr Wood and his officials for their attendance here today.

The committee adjourned at 12.34 pm.