

**LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

SELECT COMMITTEE ON ESTIMATES

(Reference: Appropriation Bill 2004-2005)

Members:

**MR B STEFANIAK (The Chair)
MS K MacDONALD (The Deputy Chair)
MS R DUNDAS
MRS V DUNNE
MR J HARGREAVES**

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 1 JUNE 2004

**Secretary to the committee:
Ms S Leyne (Ph: 6205 0490)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents relevant to this inquiry which have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

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The committee met at 9.23 am.

Appearances:

Mr Ted Quinlan MLA, Deputy Chief Minister, Treasurer, Minister for Economic Development, Business and Tourism, and Minister for Sport, Racing and Gaming

Treasury portfolio

Mr Andrew Weeks, Acting Under Treasurer, Department of Treasury
Ms Megan Smithies, Acting Deputy Under Treasurer, Department of Treasury
Mr Glen Gaskill, Director, Resource Management Branch, Department of Treasury
Mr Neil Bulless, Director, Government Business Enterprise Management, Department of Treasury
Mr Tom McDonald, Director, Insurance Policy, Department of Treasury
Mr Roger Broughton, Finance and Investment Group, Department of Treasury
Mr David Butt, Director, Economic Management, Department of Treasury
Mr Graeme Dowell, Commissioner for ACT Revenue, Revenue Management Branch, Department of Treasury
Mr John Robertson, Director, ACT Procurement Solutions, Department of Treasury
Mr Khalid Ahmed, Acting Executive Director, Financial and Budgetary Management, Department of Treasury

THE CHAIR: You should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections and also certain responsibilities. It means you are protected from certain legal action, such as being sued for defamation for what you say at this public hearing. It also means you have got a responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter. Do you understand? Please nod.

Thank you. Could each witness coming to the table clearly state your name and the capacity in which you appear. Please also identify when you are taking a question on notice because it is your responsibility to check the transcript and respond to it. Responses to questions taken on notice are required within three full working days. The transcript will be emailed to the minister and the departmental contact officer for distribution to witnesses as soon as it is available. If members want to ask questions to be taken on notice, please give any page references. Proceedings are being broadcast to government offices, and the media might record proceedings and take visual footage.

In relation to questions on notice-this is not necessarily for you, Mr Quinlan, but for some of your colleagues-questions on notice are meant to be answered within three working days. We have quite a few outstanding questions on notice as at today, some of which are over three working days. Unless the committee gets these questions on notice in a proper timeframe, it will be very difficult for us to meet our reporting date of 22 June. I would urge all staff members, ministers who might be listening, and government officials to ensure you get any outstanding questions on notice in as soon as possible. That message is to people outside this room, as well as to those inside it.

Mr Quinlan: Mr Chair, it would stretch resources to respond to some of the requests in three days, but I think we've been fairly prompt otherwise.

THE CHAIR: Thank you, Mr Quinlan. I note that in the previous estimates committee

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there were still some questions on notice dribbling in after the committee reported, which quite clearly is not satisfactory. I don't think the committee is going to be super concerned if they're a day or two late, but anything over that is starting to stretch it.

Mr Quinlan: We're happy to let you know what we can and can't do within three days.

THE CHAIR: That would help. Just while you're there: I don't mind if you take this on notice, simply because I'm not sure if it is strictly within the purview of what we're doing today, but it is your responsibility. The final report, *Review of contestable electricity infrastructure works*, of April 2004 basically made a recommendation that there was a net benefit to be gained to the community as a whole from the introduction of competition in the electricity infrastructure works market in the ACT.

When are you going to make a decision in relation to this report? Are you likely to meet the deadline for introducing a contestable market, which is, I think, the end of June next year—2005? If not, why not? On the timelines for changes to the Utilities Act, are any changes going to be introduced in the life of this Assembly? Can you point to anything in the budget—if there is anything—for implementing such a scheme as described in this ICRC report? I don't expect answers now to all of that.

Mr Quinlan: Some of them we might be able to do away with. Unless I'm corrected by Graham from behind me, I don't think there would be direct costs involved for the budget. As to the impact on the Actew estimates, I'd hesitate—and I think they would hesitate—to change their estimates before testing the whole process, but that is only speculation on my part. I think it is highly unlikely that they'd be wanting to change their budget at this point in time.

I'm still taking some advice on the report from the ICRC. There has been some conjecture, or some questions have been raised, in relation to a couple of matters within that. But I would have thought that 30 June 2005 was quite achievable in respect of implementation of competition above 10,000, or whatever the rule is. It is a case of us going through and answering some of the questions that have been raised and making some decisions as to any parameters that might be associated with it. Given the deadline of 2005, I don't think there is any pressing reason to hammer together legislative change between now and August, which is a couple of months away.

Given the legislative program that is still around, it is probably one that wouldn't make the cut to the point of being able to be introduced into the House, debated and passed. We don't feel like it has to be fixed tomorrow. The enterprise that raised the question may feel some frustration that they've got what seems to be a favourable decision and, all of a sudden, it has been put on a long schedule. But I think that is reasonable, given what may or may not be raised between then and now in terms of practical implementation. We have the assurance that, at the end of the day, we've got systems installed that are maintainable and match the quality and reliability that has been a hallmark of Actew and ActewAGL.

We've got an odd situation now where there is a proposition that contractors can put in a system and then walk away, leaving Actew as the maintainer of last resort. Even though the electricity market has been deregulated to a large extent, the operation of distribution systems certainly hasn't been deregulated, for good practical reasons. That leaves Actew

holding the bag at the end of the day. So we would like to work through and make sure that the process will work and that the appropriate inspectorial processes are in place.

When Actew installs the system and Actew remains responsible to operate it, it is a whole different situation from having a different installer and then a residual maintainer. Therefore, there is going to have to be a regime of inspection and standards. To some extent, you could let Actew build their own system and, if it isn't reliable, it is on their head, but we now have to have a whole different process. We need to work through that to make sure there is a workable system where, on the other hand, Actew can't be a difficult regulator if they were to be the regulator. They are the experts in what is a decent and reliable system: they set the standards that have to be set. There is a lot of work to be done.

THE CHAIR: Do you think you can make the deadline?

Mr Quinlan: I think so, but there will be a lot of argy-bargy going on in this. We will have to sort wheat from chaff as well, because there are a few different opinions as to the practicability of this floating right now.

THE CHAIR: When will the government formally respond to the recommendations of the report?

Mr Quinlan: I think we have to respond, at least to the point of saying, "Look, it is highly likely. This is an independent assessment; it is reasonable, we're going to carry this forward and set up a regime." There will be some debate, I'm sure, as we build the regulatory regime over that provision of system, that may absorb time. I can't give you that. On one hand, it might just all skate through and everybody will be happy but, on the other hand, it might be a case of trench warfare when it comes to standards, processes for inspecting, handover, acceptance, commissioning and those sorts of things.

THE CHAIR: Thank you, Treasurer. If there are no questions on that, we'll move straight onto the day's business. Are there any further questions from page 75 onwards before we get to output class 1, financial and economic management, on page 91?

MRS DUNNE: I thought we were going to start with the output classes.

THE CHAIR: Okay, then let us start with the output class 1 on page 91. Ms Dundas, you have some questions on 1.1.

MS DUNDAS: In respect of the quantity measure of providing advice to government on the structures and operations of the GBEs, GBE performance and implementing government decisions, can you explain why that figure has increased and where it has gone in output class 1.2?

Mr Quinlan: That is quantity (g), is it, with footnote No 5? The footnote contains the explanation, I think.

MS DUNDAS: I've read the footnote and it says it has been transferred to 1.2. I've read through 1.2 and I see similar measures, but there are significantly different numbers.

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Mr Bulless: Neil Bulless, Director of GBE management. Going to the next page at indicator (f) of output 1.2, that 25 comprises 25 of that 43, or 36 from the previous measure. What we've done with the performance indicator this year is remove the number of board appointments. That was basically a reasonably straightforward administrative number and not really indicative of the work of the branch, or the area of Treasury that looks after GBE management. What we've done is essentially maintain the figure as per the previous indicator for the previous year, but taken out the number of board appointments.

MS DUNDAS: In 2003-04 you've provided 25 lots of advice?

Mr Bulless: No. For 2003-04 the estimated outcome is 43 lots of advice, which included a number of board appointments.

MS DUNDAS: That is what I'm saying—25 non-board appointed lots of advice.

Mr Bulless: I think it was a little more than that.

MS DUNDAS: Okay, but 25 is the number that you settled on. That comes in at (f).

Mr Bulless: Yes.

MS DUNDAS: On page 92 under output 1.2, what is (g)? Does that pick up something as well?

Mr Bulless: Yes, this is a new measure. Last year the government reviewed the governance framework for statutory authorities and also for TOCs. The government has agreed to the development of legislation, which is currently being done, to improve those governance frameworks. As part of that process the Treasury Department will be developing guidelines to assist boards in undertaking internal reviews, reporting, and responsibilities, to make clear things which are not captured in the legislation—it adds more value to that legislation—and also, in terms of supporting the TOC act, guidance about significant event reporting. By that I mean to give them guidance on how they should be reporting to government and about what things, over and above what is specified in the legislation. It is a working manual-type approach.

MRS DUNNE: Perhaps I can follow up on that to try and find the rationale for the distinction between them. Why have GBEs been moved out of economic management into financial management? On the surface it seems to fit more logically with the first, but I'm open to being convinced.

Mr Bulless: In this year's budget we reviewed what the Treasury Department does in relation to GBEs and other business activities. We felt that it fitted better within the provision of analyst monitoring and oversight functions, as opposed to contributing to economic analysis. While they may have a linkage between each other, I think it fits better with output 1.2. That is why we changed it this year.

MRS DUNNE: Can you just say that again? The analysis, oversight, and—

Mr Bulless: Looking at the description under “financial management” it is “analysis,

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monitoring, and reporting on financial performance.” That fits more closely with the outputs of the branch I’m responsible for.

MS DUNDAS: I refer to the words, “Policy proposals implemented are consistent with competition principles.” We did not achieve that outcome. What is being done to ensure that we either receive the full payment by legislative change or are exempted from some changes?

Mr Quinlan: Do you mean what is being done in relation to competition payments? We still have the question of deregulation of taxis—and something will be coming back to the Assembly shortly. We had a committee report that recommended, I think, deregulation by the purchase of licences for the whole taxi fleet, which is \$60 million.

We had a moveable feast in relation to pharmacies, with the Commonwealth shifting ground in relation to deregulation of pharmacies, even to the point of the involvement of the Prime Minister in the policy. I think that, in recent times, he publicly announced an agreement he had struck with the Premier of New South Wales in relation to a limitation on deregulation of pharmacies and possible caps for friendly societies. Allowing friendly societies to run pharmacies is one of the areas we are looking at. It then goes to the next step of whether we allow pharmacies in supermarkets. That is something that, at this point, the government hasn’t embraced—and it seems that the federal government might back-pedal on that anyway.

There are a couple of other issues of minor importance. There is the issue of gambling and poker machines in hotels. I met with Wendy Craik, the Chair of the National Competition Council, a week or so ago. There doesn’t seem to be much importance placed on that at this stage—she and her senior officer were non-committal. By comparison with other states and territories, we’ve probably got the highest proportion of our maximum total possible payments. Each of the other states has had difficulty, one way or another, with some of the propositions behind the competition payments. At the end of the day it is a fairly crude assessment. Our payment was effectively reduced by 10 per cent. It wasn’t reduced by some complicated mathematical process. We looked at that and the competition council paid us nine out of 10.

The difficulty we have now is whether we make our own decisions, unconcerned about the payments, given that the federal budget brought down last month does not contain competition payments in the out years. It may or may not. That is a matter of the federal Treasurer or the federal government playing their cards close to their chests. Last year’s budget contained a contingency line for budget change and a footnote that said, “Competition payments are in there.” This year the budget contains a contingency line and that footnote has disappeared—that is all we know. The federal Treasurer, I think, has been non-committal as to the future of competition payments and whether those competition payments will not be tied to some other reform.

I remember that, maybe two federal budgets ago, there was talk—just throwaway lines—that qualification for continued competition payments may be tied to actions taken in desalination, for example. That was an issue of high profile back then. Where they are going to go from here, who knows? We’ve seen federal ministers making various pronouncements as to what states and territories should fund, given the level of GST that is flowing. Now that the GST has done what it was promised to do, there seems to be a

move to try and wind back on the growth tax the states committed to.

MS DUNDAS: In respect of the two major areas of reform that are left—taxis and pharmacies—I believe that the recent announcement by the Prime Minister involved a consideration he had reached with the Premier of New South Wales to exempt pharmacies from ongoing competition framework. Are you considering writing to the Prime Minister asking for the same exemption, or are you keen to continue to work on the reform?

Mr Quinlan: I think the issue the Prime Minister was involved in was just a bit of profile. But the matter is being, and has been, dealt with I think at ministerial council level with health ministers. It is the health minister's portfolio we're now talking about so I can't—

MS DUNDAS: As the person in charge of national competition compliance, are you thinking of writing to the Prime Minister or—

Mr Quinlan: No, because I'm reasonably confident—I'm told that the Chief Minister is writing but there you go.

Mr Butt: David Butt from the Economic Management Branch. I hadn't had a chance to brief the Treasurer that the Chief Minister had requested that a letter be prepared for the Prime Minister seeking clarification of what the Prime Minister would accept as a standard of reform for pharmacies in the ACT, given the arrangement that had been arrived at with New South Wales.

MR SMYTH: Is that an indication of a shift in the government's position, or is it just an inquiry at this time?

Mr Butt: It is an inquiry that will be aimed at seeking the Prime Minister's confirmation of what would be acceptable.

THE CHAIR: Note 7 on page 91 indicates that there was a suspension of 10 per cent—in other words \$1.2 million—of the ACT's 2003-04 payment. Is that the first time we've lost money or had a suspension of a national competition policy?

Mr Quinlan: No. We've never had full payment, as far as I know.

MR SMYTH: Has the review been completed—the reassessment?

Mr Quinlan: Reassessment of?

MR SMYTH: Your note says, "The suspended amount may be reinstated following a reassessment in April 2004."

Mr Quinlan: A reassessment has been done by the National Competition Council, not by us.

MR SMYTH: Yes, I appreciate that. Have they reinstated the money or not?

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Mr Quinlan: No. I think you might have been out of the room, but the chair of the NCC, Wendy Craik, is doing the rounds. I met with her a week or so ago and they're going through it now. There seems to be a sense that this exercise needs to be brought to a conclusion. In the last year or so the noises that have come out of the council have been a bit more bolshie than previously. We've now got personal visits asking, "Are you going to do something about this or that? Have you drawn a close on where you want to go with that?"

MR SMYTH: Treasurer, Mr Butt just told us that the Chief Minister is now writing to the Prime Minister about the pharmacy payments and what needs to be achieved to meet the requirements. Is that a shift in government policy, or is it simply an inquiry?

Mr Quinlan: No. It is an inquiry about a mooted shift in federal government policy. The pharmacy guild has been very active in campaigning against total deregulation of pharmacies and particularly pharmacies operated from within, say, supermarkets. Then there is the question, at the edge, of friendly societies; and there is also the question of caps on the number of pharmacies a given group or pharmacist can own.

Those questions are being kicked around more in the health portfolio than in mine, but we've certainly had reports from the pharmacy guild that they've got a commitment from the Prime Minister that the total deregulation will not be insisted upon. We've now seen some concessions committed to by the Prime Minister, in concert with the Premier of New South Wales. Following that, if you're doing it in New South Wales, the Chief Minister is obviously writing to ask, "What is the picture? What is the current position with the federal government?" As I said, it has been discussed at the ministerial council on health.

MR SMYTH: If the Prime Minister writes back and indicates that a lesser degree of reform, or no reform at all, is required, will the government then continue with allowing friendly societies to operate in the ACT?

Mr Quinlan: I don't see why not. I doubt very much if that level of reform would be canned anyway, although it may be at the federal level. As that is not a question for me to answer, I won't give a firm answer on that. The health minister has carriage of that.

MR SMYTH: If the lesser reform is acceptable; if there is no need to continue and we get our competition payments, will you be advising cabinet that there is no need to go ahead with the bills proposed by the health minister?

Mr Quinlan: What I advise cabinet will be cabinet-in-confidence. Cabinet will decide if there is an issue.

MRS DUNNE: I want to stick on the competition policy issues and go back to taxis. You're the minister responsible for competition policy but you're not the minister responsible for the line of policy itself, say in relation to taxis or pharmacies?

Mr Quinlan: Yes.

MRS DUNNE: How does the relationship work between you, as the minister responsible for the "meta" issue and the minister responsible for the substantive issue?

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Mr Quinlan: The Minister for Urban Services—the minister for taxis—will come to cabinet with his proposals. As you are fully aware, there will be coordination comments that will have already been incorporated into the presentation to cabinet from Treasury in relation to the likely impact of competition payments. It would be my role in cabinet to remind cabinet that there may be a cost associated with not fully deregulating, or deregulating in this way or that. We had a system put forward, and we've had an Assembly committee reject the proposals.

MRS DUNNE: In a very incisive piece of work, if I may say so!

Mr Quinlan: With a price tag of about \$60 million—yes, very incisive. I have spoken to Graham Samuel, who formally headed up the competition council. He was fully aware of the proposal that was coming forward from the ACT. He thought the proposal before the committee was an excellent one. For what it is worth, that probably meant that it might have a tick, had it been adopted. But, who knows? You don't know until you do it.

MRS DUNNE: It didn't get a tick in Tasmania. Will Treasury have had an involvement before the minister for taxis takes the proposal to cabinet? Presumably Treasury officials would be dealing with officials in urban services to put together a package at the moment.

Mr Quinlan: If there is a proposal put forward, Treasury officials would certainly supply comment and would, if need be, challenge some of the assessments contained therein. Under normal circumstances—virtually universally—the cabinet submission would contain at least an acknowledgment of any difference of opinion or acknowledgment of serious comment made—and generally the summary of comment made will be attached.

Mr Weeks: Andrew Weeks, Acting Under Treasurer. I'd simply add to that the observation that, if we get the opportunity to work with another agency, we will clearly do so. If the carriage of a cabinet submission is with another agency we will get the opportunity to have written representations in the preparation of that document. We will have the opportunity to view the document before it goes to cabinet. It is our practice that, if we are in material difference of opinion with the document, we will provide a separate briefing for our minister prior to that document being viewed at the cabinet table.

MR SMYTH: On the national competition policy issues, and given that you're responsible for gambling issues, the PAC recommended that the government write to the grants commission about their insistence that we all maximise our return from the various streams of revenue open to us. Currently the ACT collects about 68 per cent of the perceived possible revenue taken through gambling. Has that letter been written? Is the government content to minimise its revenue and hence its dependence on gambling with all the downstream problems?

Mr Quinlan: When you look at the numbers, the first thing you should understand—I'll get some numbers if need be—in respect of our gambling performance or gambling effort is that it ain't poker machines that are holding us back, it is the fact that we don't have the capacity to run lotteries, whereas the states do.

Mr Broughton: Roger Broughton, Director of Financial Investment Group. I don't have the data, but you're on the mark. I look after the grants commission exercise. The areas where we underperform relative to other states in respect of our gambling collections—and this is in comparison to our household disposable income—are mainly, as the minister has said, in the lotteries and gaming areas—on horse racing, dogs, and all those sorts of things.

MR SMYTH: Would the performance of the revenue from poker machines be, on average, the same as for the rest of Australia, or better or worse?

Mr Quinlan: Define “better” and “worse”.

MR SMYTH: Worse that we collect more than the other jurisdictions; better that we collect less.

Mr Broughton: I won't get into that. Certainly as far as per capita collections are concerned, we do pretty well on the poker machines. That is partially because some states either don't have poker machines or have a limited number of them.

MR SMYTH: Is it possible to get a breakdown of the performance in the gambling revenue at more involved levels?

Mr Broughton: Yes, it is possible.

MR SMYTH: Back to you, Treasurer. Does the government intend to write to the grants commission? Has the letter been written to the grants commission—as suggested by the PAC?

Mr Broughton: We wouldn't write to the grants commission. The grants commission assess a state's ability to collect revenue from gambling by looking at the average per capita household disposable income. We have argued strenuously, over a number of reviews, that we don't think that is an appropriate measure, and we've got a lot of evidence to support that. But the commission, for want of some better measure, has stuck to that. We do that through the regular review process the commission offers, but there is no avenue for us to approach the commission outside of that.

Mr Quinlan: They are comprehensive submissions.

MR SMYTH: The process, if we want the way the commission itself operates changed—or the emphasis they put on a particular stream of revenue—would be to approach the Commonwealth government and say that we think the emphasis they're placing is inappropriate.

Mr Quinlan: As we've seen over the last few years, there are a few states that would like the way the grants commission operates to change significantly—and that was very quickly referred by the federal Treasurer to the council of treasurers. Probably you could say it is a standing agenda item on the ministerial council. Of course, it goes to much heavier issues than just the single line; it goes to the whole philosophy of horizontal fiscal equalisation, which is the base of the grants commission review process. Larger

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states—New South Wales and Victoria, sometimes Western Australia, depending on how the wind is blowing in the given year—would like it changed considerably.

So far the federal Treasurer has just referred it to that council on a “majority rules” basis, knowing full well which way that would go. In March this year the council decided that it would not question the principle of horizontal fiscal equalisation but would support a review of the methodology and the data collection and inclusion/exclusion processes of the review process. I do not know how long that is going to take.

Mr Broughton: The review will probably take two years.

MRS DUNNE: All the procurement-type measures in 1.1 have been removed, so we can talk about that under 1.4. Is that right, Treasurer?

THE CHAIR: I see that the Under Treasurer is nodding.

MRS DUNNE: Yes.

THE CHAIR: We will move to 1.2, financial management.

MS DUNDAS: Referring to the government capital works program reporting, the last capital works program delivered by this government in the lead-up to this budget was late, and it was incomplete. Can you explain how you believe you’ve met that target?

Mr Quinlan: Was it late?

MS DUNDAS: It was late. It wasn’t tabled at the same time the budget was tabled and it was incomplete in that none of the footnotes—in my copy—was included.

Mr Quinlan: I can’t recall. I can recall the return but I can’t recall exactly how late it was.

Ms Smithies: Is this the December quarter capital report?

MS DUNDAS: Yes.

Ms Smithies: It was late, from memory, but it wasn’t incomplete, unless there was an error with the footnotes not being there. We’ll have to take a look at that.

MS DUNDAS: I don’t know about anybody else’s copy, but in my copy the footnotes weren’t included. There were references to footnotes, but none of the notes was anywhere to be found in the report. Which means that it was—

MR HARGREAVES: A conspiracy.

MS DUNDAS: a pretty light read in terms of the information that was then available.

Ms Smithies: We’ll have to take a look at that.

THE CHAIR: It’s probably just an error, Mr Hargreaves. It usually is in Australia.

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MR SMYTH: At the end of the report are projects that have been rolled over, but a number of those projects don't appear in the body of the text—or when they were first initiated and what the expected completed times were. Some of the cross-referencing is also deficient in the latest report.

Ms Smithies: All right. We'll take a look at that too.

MS DUNDAS: If it's possible to get the footnotes, I'd really enjoy reading them.

MRS DUNNE: You need to get out more.

MR HARGREAVES: Get a life!

MS DUNDAS: I like this one! Ms Smithies, you are taking on notice a question about whether the report was complete; it is not in dispute that it was late. Yes, we did get four whole-of-government capital works programs reported but, in terms of this target and as an efficiency measure, it wasn't on time and it was incomplete. That was a bit of a misleading performance measure. That isn't a question, but it is concerning.

THE CHAIR: Why?

Mr Weeks: The performance measure is quantity, not timeliness. I accept the comment about the lateness, but it is explicitly stated that it is a quantity measure.

MRS DUNNE: On the subject of capital works and the ACT's legendary incapacity to turn in any sort of capital works budget that comes anywhere near what is budgeted—you know, I've been coming to estimates for seven or eight years, and everyone says, "We'll do better next time" or "Yeah, well this was the problem here"—what oversight, regulatory, rousing people around processes do Treasury have to ensure that capital works budgets are met?

Mr Weeks: I will make a tangential observation on that, if I may. I was quite interested in the size of the capital budget this time: \$330-odd million. It's getting very close to the point where we're going to have almost a rolling capital budget that covers the entirety of the estimates period. To an outsider coming in and looking at that, it makes a great deal of sense in terms of capital as a long-term investment. To actually have a program that shows a commitment over a period of time will limit the opportunity for, and the risk of, ad hoc capital investments and will lead, I believe, to a much more mature investment in capital over time. From a Treasury perspective, with a degree of twinkle in the eye, if the expenditure is slowed down, I can't say I'm going to be terribly unhappy about it.

MR SMYTH: What else brings a twinkle to your eyes, Mr Weeks?

Mr Weeks: I'd rather not answer that.

MRS DUNNE: That was a very interesting exposition on the value of managing the capital works budget, but it was very tangential to my question.

Mr Weeks: Indeed it was.

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MRS DUNNE: We make commitments to a capital works budget, and in doing that we're actually making a commitment to the economic prosperity of large sectors of industry within the ACT. If you don't deliver—and we are congenitally not delivering—what does that say about us? What are we doing about it? Yes, Mr Weeks, it is nice to save money and store it away for another day, but we've made commitments to spend it and we're not doing it.

Mr Quinlan: I've had discussion with the MBA on the whole procurement process. I can't say much more than that the matter has been raised to cabinet level. It's a matter that concerns me as well. The continued delay—we enter in a year and the first quarter report comes in and then—

MRS DUNNE: Nothing's happened.

Mr Quinlan: we're just thinking about it, getting ready for it. With a capital budget, of course, it can only go one way, generally. You've got your pretty good estimates in there of what you might be able to do, and then any delay sends them backwards. It is a matter that is occupying the mind of cabinet at the moment in terms of procurement procedures and the pace of implementation of the capital budget. Best I can do.

MRS DUNNE: Gee, I'm underwhelmed by that—best you can do.

MS DUNDAS: It was a question about the capital works budget.

Mr Quinlan: That's an explanation, as opposed to what we might be able to do.

MR HARGREAVES: I'm impressed, Treasurer. I'm not underwhelmed at all.

Mr Quinlan: Thank you.

THE CHAIR: Any more questions on 1.2?

MS DUNDAS: Yes, I have another one on the quantity outcomes. At “expenditure review capacity reviews” it indicates that there will be four in 2004-05, but I couldn't actually find, in 1.1 or anywhere else, how many were completed in 2003-04.

Mr Weeks: The requirement in 2003-04 of the expenditure review process addressed three entities: the health department, Treasury and Urban Services. The Urban Services report was an interim report to cabinet and will be finalised in the current fiscal year.

MS DUNDAS: The footnote does say that this measure was transferred from output 1.1, but I can't find it. That's just a pedantic point.

Mr Weeks: It's an error on our part; it is in fact a new measure.

MS DUNDAS: It is a new measure.

MRS DUNNE: This is also a pedantic point: “(J) Board appointment processes comply with statutory requirement” is not in fact a new measure; it has just been moved from

1.1. Perhaps we have another footnoting problem here, Ms Dundas.

Mr Quinlan: Scathing estimates report!

MRS DUNNE: We want your footnotes right!

MR SMYTH: It's obviously ruining Ms Dundas's life.

MRS DUNNE: That's right.

MR HARGREAVES: Don't encourage them to excellence, Treasurer.

MRS DUNNE: I'd actually prefer more performance in the capital works budget.

THE CHAIR: I've got a few questions on output class 1.3: revenue management. At "(g) Objections and review of decisions", you've got a target of 215. The estimated outcome for the rest of this year is 114, and 150 is the target for 2004-05.

Mr Quinlan: An outbreak of satisfaction.

THE CHAIR: Well, we'll see. The footnote for that measure, footnote 5, reads: "Estimated outcome is less than 2003-04 due to fewer land valuation objections." What is the reason for that? If you don't know, say so. But can you advance any reason why there were fewer land valuation objections?

Mr Dowell: Graeme Dowell from the ACT Revenue Office. The AUVs are done over three years. As you drop off the old ones and the new ones come on, of course the amount goes up, but the monetary impact has usually been fairly slight. Last year the rates were CPIed, so I suspect that that's added to the reductions.

THE CHAIR: That's why: it wasn't the start of that three-year period, when you'd expect lots of objections because people are unhappy with a new valuation; it's in the middle of a cycle.

Mr Dowell: Yes. We may see an increase this year, but I think generally people have accepted that housing prices have gone up a lot.

THE CHAIR: Thanks. At "(i) Stamp Duty Home Buyer Concession", the target for this current year was 400, and the estimated outcome is 28. Next year's target is probably more realistic: 120. At footnote 7 you say: "The 2003-04 variance is due to high property prices, which excluded many potential applicants due to eligibility criteria. The 2004-05 projection is based on stabilised average home prices." Is that because the criterion up to the one you've announced in this budget was woefully inadequate and very few people could possibly qualify for it?

Mr Dowell: The criterion on the income side was very low, and house prices clearly made it very difficult for people to get financing. That would be the reason why. The other problem was the actual level of the property value where it cut out. That can be seen by the recognition of the change. The number of 120 as the target for 2004-05 is an error; it should be 925.

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THE CHAIR: Nine hundred and twenty five?

Mr Dowell: Yes.

THE CHAIR: That is a big error. Can you advance a reason as to how that occurred? It's not even terribly logical, I must say.

Mr Dowell: Based on the previous criterion, it would have—

THE CHAIR: I see: 120 was based on the old criterion.

Mr Dowell: Yes. It was just not updated.

THE CHAIR: And the 925 is based on the new criterion. I'll certainly wait with interest to see if that's achieved. Ms Dundas?

MRS DUNNE: Thank you for anticipating my question, Mr Dowell.

MS DUNDAS: The 2003-04 financial year was based on a revised criterion. The criterion was changed at the beginning of the 2003-04 year.

Mr Dowell: Yes.

MS DUNDAS: Last year's budget indicated that you were aiming for 400. Does that mean that the work the Treasury did this time last year didn't take into account the real state of the market? Why was that first revision not good enough?

Mr Dowell: I think it's because the value of housing increased dramatically over the last 12 months, and that's what's pushed it through to lower it down to the 28.

MS DUNDAS: Was that not foreseen by Treasury?

Mr Dowell: Not at the time that it was revised, in 2003.

MR SMYTH: In the 2002-03 papers, the target for 2001-02 is 1,000 concessions, and the actual outcome was 238. Even with 238, the target for 2002-03 was downgraded to 100, almost inexplicably, and perhaps you can answer why. Against the 100 you only achieved 35 concessions. It is then upgraded to 400, against which you achieved only 28 concessions. The question stands: is it a basic misunderstanding by Treasury about what the numbers were doing?

Mr Dowell: I think we'll take that one on notice.

MR SMYTH: All right. I look forward to the explanation. Treasurer, following on from that, some weeks ago you mentioned the change to concessions, and we now find out that the target is 925. In your press release you mentioned that the money for the new concessions had been quarantined for some time. How long had that money been quarantined for?

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Mr Quinlan: For the course of the budget formulation.

MR SMYTH: So the money was there from, say, February?

Mr Quinlan: It's not money sitting somewhere; it's a case of looking at your forward estimates and saying, "Where will we have capacity, and how will we apply that capacity?" Within that regime, we've said: "We'll need to look at this area. This area needs to change. Through the budget negotiations we will maintain forward capacity, which will occur, to implement some of these changes.

MR SMYTH: The question is on behalf of a constituent who had read that line. I was just curious about how long the government had put money aside for.

Mr Quinlan: I'm sure that with your deep understanding of finance and economics you would have explained that to them straight away, Mr Smyth.

MR SMYTH: Mr Treasurer, I never try to explain anything on your behalf.

MR HARGREAVES: Very wise move.

Mr Quinlan: No, I think quite the contrary.

MR SMYTH: New South Wales had an immediate start when they announced their revised concessions. Indeed, I think they backdated it a couple of days so that people were given the benefit of the concessions. Why did we put off the start of our concessions until 1 July? We're getting complaints from people that a number of sales have fallen through or that sales are being held off until July so people can gain the approved concession.

Mr Quinlan: We are aware that that would happen. But to implement this system in our process I've got to have appropriations with it. It's part of the budget, and I've got to have the budget passed.

MS DUNDAS: I thought you didn't appropriate money for the stamp duty.

MR SMYTH: I thought it was revenue foregone.

Mr Quinlan: No, it's not foregone. It costs us money.

MS DUNDAS: That completely contradicts the answer to a question you gave me earlier this week, Treasurer.

Mr Quinlan: Sorry, I don't need it appropriated, apparently. But I do need to do an instrument under the legislation.

MRS DUNNE: You could have started it earlier.

Mr Quinlan: Technically, I could have, yes.

MS DUNDAS: The impact it would have had on the surplus would have been negligible.

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MR SMYTH: Given, by your changes, the acknowledgement that the concessions you had in place were no longer effective, isn't it more effective and fair—

Mr Quinlan: I didn't say that.

MR SMYTH: No, I'm saying that. You've always claimed to be the party of equity.

Mr Quinlan: No.

MR SMYTH: You don't? Okay. Wouldn't it be fairer to start it immediately? I'm hearing of a malaise in the last two months of this financial year—

Mr Quinlan: Let me say this much: I can't answer that question because the preamble is a false premise. I won't answer a question based on a false premise.

MR SMYTH: It's based on your own numbers; it's not a false premise.

Mr Quinlan: But it's your opinion.

MR SMYTH: The number of people applying for that concession is backed up by your numbers, Treasurer.

Mr Quinlan: I'm very happy to say to this committee that we looked at the concessions, and we looked at the number of first home owners. About eight per cent are first home buyers.

MRS DUNNE: It's about that now, but it used to be close to 20 per cent.

Mr Quinlan: We said, "Right. This is a case of you're damned if you do and damned if you don't. If we announce it straightaway, some people will be saying that we need to hold off. If we don't announce it, people will buy houses between the time we were formulating our budget and 30 June, or whenever we made it public, and then complain that they paid duty that they would otherwise not have paid." So it was our decision that this is a forward initiative, for next financial year. Given that it only affects about eight per cent of the market, we thought it was reasonable to introduce it from 1 June but to announce it ahead of time.

MR SMYTH: New South Wales got around those difficulties by announcing it and making it immediate.

Mr Quinlan: That was their call.

MS DUNDAS: Isn't the plan to grow the stamp duty home loan concession scheme? Yes—at the moment eight per cent of the market are first home owners but, as Mrs Dunne has indicated, that is a significant drop from where it was a couple of years ago. Aren't we trying to encourage more young people to stay and buy their homes in the territory? Wouldn't we want it to grow? You have an impact on a potential market that is a lot bigger than eight per cent.

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Mr Quinlan: We put a growth element into the formula we've put forward to keep the concession contemporary with prices. The aim is as much to make it feasible for people to buy homes as it is to grow the building market. There certainly will be some level of stimulatory effect. We may in the future see the impact of the federal first home owners grant pull forward a lot of demand, but the long-term effects of that and whether any more people bought homes because of the first home owners grant are yet to be discovered.

MS DUNDAS: In terms of the 925 applications you expect to get for the home buyer concession scheme, do the forward estimates quarantine enough just for those 925? If you have a sudden growth in the market and there are 1,010 applications, will there be quarantined concessions for everybody?

Mr Quinlan: With quarantine I think you're looking at it upside down.

MS DUNDAS: I don't want to call it an appropriation, because it's not an appropriation. Will everybody who applies for a stamp duty home buyer concession scheme get one, even if you exceed the target on 925?

Mr Quinlan: Yes.

MS DUNDAS: How infinite is the budget capacity to deal with this?

Mr Quinlan: This is money we're not going to get.

Mr Ahmed: Khalid Ahmed, Treasury. The estimates are based on the statistical analysis of the likely number of first home buyers superimposed by the likely income profiles and the cut-off that would be there for eligibility, and superimposed by the property market values and their threshold.

In answer to your question, if the number of those eligible home buyers is not 900 but 1,000, in all likelihood the number of home buyers and the market activity would be higher as well. So, in effect, you'd have a higher level of revenue. Part of this would be revenue foregone. If there are 1,200, the activity in the market would be a lot higher than what we had estimated. The capacity would be there automatically in the budget.

MR SMYTH: What you lose on the swings you make up on the roundabouts?

Mr Quinlan: It just means that there are a lot more not notes. You know, there are more people buying homes. We weren't expecting revenue and we weren't getting it.

MRS DUNNE: Minister, in the initiatives, the revenue foregone is \$5.2 million and it's consistently that through the out years. There doesn't seem to be any expectation or even indexation in that. Why is that the case?

Mr Ahmed: We have estimated a flat level at this time. It is very difficult to predict the activity in the market, and that probably goes to the answer to Mr Smyth's question earlier as well. No Treasury has been able to predict the activity in the market over the last two to three years. The rise in the activity and particularly the increase in prices was phenomenal. In one year where we got the price right the activity just overshot, and that

has been the problem with all treasuries.

THE CHAIR: Does anyone have further questions on 1.3?

MRS DUNNE: I do. I want to go back to the question that I asked last week about the revenue expected in 2005-06 in relation to the car parking levy. The Treasurer said that that \$2½ million is in the revenue for next year. Last year when we talked about the car-parking levy, it was fairly vague as to how it would apply, to whom it would apply and at what level. The analysis was that there were 2½ thousand car parks in Civic, so we would raise \$2½ million.

Seeing that it wasn't introduced in the last budget and we've now effectively got two years to think about how it would be implemented, and it's surely going to be implemented as soon as we're into the next budget cycle, how will it be implemented? How are we going to levy it, and what is the impact going to be?

Mr Quinlan: I think you've answered your own questions in your preamble. If this is implemented there will be debate on how pervasive it is—for example, charitable organisations, the accommodation industry and so on—and the level that is applied. They are not defined at this point.

MRS DUNNE: We're in the same situation we were in this time last year, Treasurer, where you were going to implement it but you didn't know how you were going to do it.

Mr Quinlan: No, we hadn't decided how we were going to do it.

MRS DUNNE: No, you didn't know how you were going to do it.

Mr Quinlan: Whatever. No, let's have a few "Dunnies" in the place.

MRS DUNNE: You're saying that the last budget estimate was \$2½ million and after a while it became too difficult and you didn't do it. The budget estimate for 2005-06 is still \$2½ million, but you don't know how you're going to raise it and you don't know who, if anyone, is going to get an exemption. So the people out there who are actually going to foot the bill don't know what the impact will be. They could be sitting there saying, "There are 2½ thousand places in Civic, so I will pay a proportionate amount of that." But if there are a whole lot of people who are exempt for a whole lot of reasons, that proportion will go up because the people who own the fully commercial car spaces will end up paying more, but they don't know how much more and you're not telling them. Why aren't you telling them?

Mr Quinlan: Because it's not decided yet.

MRS DUNNE: So you're creating a vast amount of uncertainty in people's minds and spreading it out over three years, Treasurer, because you hadn't determined at this time last year. You've determined that you will raise the revenue in 2005-06, but you're not prepared to tell people how you will raise that revenue.

Mr Quinlan: I hardly think, in a serious conversation, Mrs Dunne, that the speculated level of the parking tax is going to make a whole lot of difference to a decision about

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whether to have a car park. We are not talking thousands of dollars per car park.

MRS DUNNE: The planning regime requires a specific number of car parks to be put in, which is a cost, so you get them coming and going. When they build the building, they have to put in and maintain the car parks. That car parking policy hasn't changed. People who are building new buildings today are still going to have to put in a certain number of car parks, not knowing how much they're going to be levied for something that they are statutorily required to do.

Mr Quinlan: Do you seriously think that a potential tax of \$100 or \$150 per car park space is going to change those decisions?

MRS DUNNE: It depends whether it's \$100 and how many of the 2,500, for instance, car parks in Civic are exempt from that. It does make a difference because, once you introduce the tax, how often is it going to rise? You start it at a low level and say, "Don't you worry about that, mate. It's only \$100. That's not going to make a big difference to your business." But when you're out there looking for revenue in a few years time, because it's there it's easy to raise it. It creates uncertainty. You've created the uncertainty.

Mr Quinlan: Mrs Dunne, that applies to just about every tax in this territory. It is illogical to apply that to only one.

MRS DUNNE: When is the implementation date for this?

Mr Quinlan: When's the budget? Year after next.

MRS DUNNE: So is it going to be 1 July 2005?

Mr Quinlan: Not decided. This is forward estimates, for God's sake. Let's look at the other side of it. If we said, "Here's a tax that we've deferred"—and we have—"I'll take it out of this budget and then bring it back in a year or so's time," wouldn't there be fun in this room? Come on.

MS DUNDAS: I have a quick question. In relation to the compliance revenue per inspector that was received this year, the footnote notes that there was abnormal revenue. One of the reasons for this was that tax refund requests for trainee and apprentice wages were found ineligible. Can we get some more information on how people taking on trainees and apprentices were not being able to access that payroll exemption?

Mr Dowell: We can't give you information regarding the individual taxpayers.

MS DUNDAS: I don't want individual information; I want generic information.

Mr Dowell: It's probably better to take that question on notice so that we can give you a more complete answer relating it back to the output.

MS DUNDAS: I would like that. I'm just concerned that it appears from this footnote that maybe some misinformation was floating around that a number of different organisations followed, which meant that they were all found to be ineligible. If that is

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the case, we need to improve our communication systems. I'm asking the question to understand why it is happening, and I'm happy for it to be taken on notice.

THE CHAIR: This is a convenient time to break for morning tea. We'll resume at a quarter to eleven.

Meeting adjourned from 10.33 to 10.46 am.

THE CHAIR: I have just one more question on the 1.3 and it relates to footnote 8, quality/effectiveness and timeliness. In regard to "Treasurer's satisfaction with quality as assessed by six-monthly survey", the target was 95 per cent. You were down to 80 per cent on that estimated outcome. Your satisfaction with timeliness, as assessed by the six-monthly survey, is down 10 per cent from 95 per cent to 85 per cent. Also I refer to the 85 per cent targets for the following year, and that relates, as I understand, to customer satisfaction. Could you perhaps just elaborate on why the drop in customer satisfaction?

Mr Weeks: I would like to answer that in the context of output 1.3 and the other outputs as well, where there is a variation in those percentages. The Treasury is required to provide top quality advice to a minister at all times. There are going to be occasions when the advice we provide might not necessarily be what the minister wishes to hear. The minister can reasonably expect that the advice streams that are given are within the broad parameters of the direction established by a government, but I wouldn't expect 100 per cent satisfaction from a Treasurer on a string of advice on an ongoing basis. I would think we were not doing our job well if there was 100 per cent satisfaction.

As regards timeliness, that is always a concern. There will be occasions when we are late, and unreasonably late, with some of the advice we give, but I do take some comfort from the kind words from the Treasurer in the Assembly following the delivery of the budget where, when the Treasury does go to some extreme lengths as an institution to deliver a product, that is recognised. But timeliness is a problem for us. Whether 80 per cent, 85 per cent, 90 per cent or, indeed, 75 per cent is reasonable, the figure that sits there at the moment is indicative that we are not going to get 100. We don't expect to. We would like it as high as possible but I wouldn't be terribly concerned if it were a little lower than that.

THE CHAIR: You have certainly revised it down, though, from the 95 per cent.

Mr Weeks: To get it to what is probably a more realistic and achievable level. Quite how you can assess that, ultimately to get an assessment done of every piece of advice and get rated on it, is a moot point.

Mr Quinlan: I would like to take this opportunity to make a comment about the volume of work that Treasury must do and make particular reference to the quantity and complexity of questions on notice that have been through the course of this Assembly, which is something in the order of 2½ years old, and we are well in excess of 1,550-odd questions. Something will have to change, I would think. We do need to protect accountability in this place and that has to be our first standard. At the same time, 1,550 question on notice in that period of time is just way beyond the pale.

THE CHAIR: But they are certainly not all to the Treasurer.

Mr Quinlan: No, they are not all to the Treasurer. Certainly they are to all ministers but they do compare, I think, to 400 and something during the course of the last Assembly, which was three years and eight months, and I don't think we went short of essential information. But this sort of factory production line of questions on notice without regard for the administrators that have to address them has become a significant problem.

THE CHAIR: Are you are saying that affects Treasury and is indicative of—

Mr Quinlan: Of course it does. If you look at not just the volume of questions but the volume of parts of questions, we are very rapidly talking about 15,000 questions, some of them that could quite easily be answered with a bit of work on the part of the generating office but a lot of them that just end up obviously going nowhere—just churn them out. You would expect, I think, a little bit more structure in the process. And something has to be done. You can't just make it totally open ended. I don't know how you do it, while you protect at all times full accountability. But it is something that we do need to turn our mind to. It has just got to the plague stage, the silly stage.

THE CHAIR: These performance indicators, however, are to your satisfaction?

Mr Quinlan: Yes.

THE CHAIR: With your office?

Mr Quinlan: Yes.

Mr Weeks: Mr Chairman, could I make a minor correction, for which I apologise if I have misled you. I am advised that for 2003-04 the measure is not only the Treasury but it is also the CEs in the public sector which have been eliminated from the measure for the budget year. It might help the ratings somewhat.

THE CHAIR: Okay, so that needs to be altered and noted. Thank you for that.

Mr Weeks: And could I make one other observation regarding the ministerial questions. In other jurisdictions—I am thinking in particular of my home one in New Zealand—the outputs of every agency include a specific outline for ministerial servicing to make transparent the cost of those types of activities.

THE CHAIR: Thank you for that, Mr Weeks. You are not from Canterbury, are you?

Mr Weeks: Absolutely not. I was barracking for the Brumbies, too.

MS DUNDAS: I will start by asking an output question. We have seen some quantity measures changing through 1.4—revised measures and the like. Can you explain how (c) and (d) relate—the “Online Procurement Services—number of business opportunities notified to local suppliers”, which is 2,000 and is being deleted and replaced by a new measure of online procurement services of four.

Mr Robertson: John Robertson, Director, ACT Procurement Solutions in Treasury. The

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first measure you refer to relates to a number of business opportunities that have been notified to local suppliers. That is a quantity measure. What actually happens there is that staff in Procurement Solutions go through some of the major national papers and the *Canberra Times* and they actually provide notifications to firms in the ACT and region of tender opportunities.

You would probably be aware that we have most of the ACT's tenders already online but these are business opportunities whether they are ACT government, Commonwealth government, firms in the local district, local councils. There are many hundreds of firms that are actually registered and receive automatic notification of that and that is where the BASIS website—the Buyers and Sellers Information Service—derives its name.

That quantity measure, though, apart from the loading of information on the system, doesn't say a lot about what Procurement Solutions as a whole does. And if there are no opportunities advertised in the paper, we would score a zero for that. So, again, it doesn't say much about what we do.

We have actually looked, though, at what are the real services we provide to the broader community and the measure has been changed to reflect that. The four doesn't mean we are only going to put up four tenders or anything. It actually relates to four completely different things. One is BASIS—the buyers and sellers information that I have just described in a bit of detail. We will continue to do that but we won't reflect that detail in the measures. Another one is the central contracts register which we administer under the Government Procurement Act, which provides details on all contracts over \$50,000 for the general public and everybody else to look at.

We are also putting the pre-qualification system online so that firms will be able to update their pre-qualification details online rather than lodging changes through papers. As things need to be updated, that online system will be updated. During the course of the next year that information will also be involved to agencies throughout the territory and potential suppliers to the territory to see who is pre-qualifying in the different categories.

The fourth item is we are moving towards e-tendering, and that is described elsewhere in the Treasury documents as one of the highlights. That service will be there so that people can actually receive and lodge tender documents online. They are effectively the four services that we will now be providing, and that is a big improvement over a couple of years ago when BASIS was the only service.

MS DUNDAS: Thank you for that analysis. I have a similar question in relation to how (e), (f) and (g) are being consolidated into (h), which is in relation to risk management services.

Mr Robertson: Certainly between output measures (f) and (g) there is a fair measure of duplication, and also with capital works. Effectively, all of the activities that the fee-for-service parts of the branch do are risk management services. We assist other agencies with preparing procurement plans, preparing tender documents, letting contracts, and in the case of the capital works we actually deliver the large proportion of the capital works that we see around the territory, whether it is improvements to the hospitals, building the new school out at Amaroo, a lot of the roadwork that is being

done around the territory.

But in terms of those details, the gross numbers themselves don't necessarily tell you much about the 275 tenders—individual ones may lead to multiple contracts where you have panel contracts, for example. So some of the raw numbers themselves don't tell you a lot. It would be very easy for us to actually boost our numbers and look very impressive by continuing to make errors in RFT documents and withdrawing and reissuing tenders. We could get up to a couple of thousand pretty quickly, but the private sector would then soon work out we are not actually doing our jobs properly. So we have tried to make the measure more meaningful. In that risk management service we are fee-for-service for the agencies and if we are not doing a good job they won't come to us and therefore those numbers will disappear quickly, and that would be a real indication of whether we are useful or not.

MS DUNDAS: So are we actually having an increase in real terms of the number of tenders that are called and the contracts that are let? This is in relation to risk management in capital works and ongoing projects by other agencies. We have had the discussion before about the delays in the capital works budget. Are we actually seeing an increase in the work that you are doing that supports capital works getting off the ground?

Mr Robertson: Just to explain the 400, that is our estimate of the things we have been doing in the past, what the numbers will be for next year. It includes both capital works and the whole goods and services work. For example, we have been working with InTACT on its telecommunications services. We have been working with other parts of Treasury on financial advisors. We have also been working with the Long Service Leave Board, for example, in that same area. So we do a lot of things that aren't capital works.

In relation to capital works, our staffing resources are about the same and we will continue to do about the same amount of capital works as we have in the past. Some of the projects are long term, others are short term. School refits might be over in a year or two but with the prison, which we are working with Corrective Services on, we will be there for many years. So whilst we will continue to work on that, it won't be reflected in our numbers necessarily next year because it won't be a project that has been initiated next year.

MRS DUNNE: Can I just go back to a more general discussion about tendering and pre-qualification, and also the criteria on which you select the preferred tenderer. I have had complaints from constituents that they know that they were the lowest bidder but they didn't get the gig. Can you tell us what process you go through to determine, and this is in relation to sort of urban services-type roads, trunk sewers, that sort of things, and they are things that the tendering process is done by procurement services.

Mr Robertson: Certainly Procurement Solutions does for most of those projects. Just as a general comment before we get into the detail of it, there seems to be general acceptance throughout industry that the old way, when it was first past the post in terms of lowest price was the winner, wasn't satisfactory and it didn't work. Often people's attitudes changed depending on whether or not they were the lower price for the most recent tender and whether they got it or not.

MRS DUNNE: What do you mean by that, Mr Robertson?

Mr Robertson: What I mean by that is that someone might generally support the principal of not necessarily the lowest price winning but they are a bit annoyed if they were the lowest price at the last tender and they didn't get it because they were passed over and someone else got it.

MRS DUNNE: I see, yes.

Mr Robertson: Essentially, what we do when we look at it—

MRS DUNNE: It depends on whether you win the tender or not.

Mr Robertson: That's right. The Government Procurement Act requires us to pursue value for money. There are now seven procurement principles that we must comply with when we are assessing tenders. Individual tenders have criteria that are published. They are part of the RFT. Prior to that they have been part of a detailed evaluation plan and the estimated cost of the procurement determines whether it has gone just to an approved procurement unit for approval or whether it has gone to the Government Procurement Board.

Always, price is one factor. Sometime where it is a two-envelope assessment methodology, it is the last factor that is looked at after we have assessed whether the offering itself is worth being considered. Clearly, when you want some work done, you want to make sure that the people who are going to do the work know what they are doing, so you look at the prior experience of the individuals. Certainly in civil engineering, whether it is design or other things, the individuals are important but also the track record of the firm is important. They may have some relatively new people that have not got a lot of experience in the territory on a particular project, but if you know the firm has delivered those sorts of projects over a long period of time, that is another element you would take into account. You look at the resources that the people have available, so that they are not going to use one grader to do a large road—that they actually have got access to enough of the resources that you need.

General quality is a factor as well. It is all well and good for someone to do a job on time, but if their quality record is such that you are back in 11 or six months fixing things or you have a lot of problems in defects liability, that impacts on the assessing.

It is hard to talk in specifics on the general point, but there are weightings against each of those criteria. So if you are not using a two-envelope methodology, the price might be in the order of 20 per cent; the experience of the individual firms might be 20 per cent; a similar number might be there for the skills of the individuals; and, depending on the particular job, there are other factors.

As you would be aware, with construction there are requirements that, unless there is approval not to use pre-qualified suppliers, we use pre-qualified suppliers at all time. And things like the financial stability of the organisation and whether it complies with occupational health or whether it has all the right certifications for occupational health and management systems, environmental management systems, a range of other criteria. If you want to get a job as an architect then you have got to have architects on staff.

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Engineering, similarly. So those things have already been taken into account.

Where you get a civil engineering job and someone is passed over because of price, then it may be that the other firm offered a better overall package; more skilled people were able to commit to it on a different timeframe for delivery with that sort of criteria that you are assessing.

There have been discussions with the MBA as to whether or not with civil engineering jobs we should list tenders by price order so people know whether or not they were the lowest price. That is an item that has been discussed with them for a period of time. It might give some people comfort to know where they are in a relative price list but it doesn't necessarily mean they are going to win.

MRS DUNNE: But everybody in this town knows what everybody else bid about the time the envelopes are opened, so that is probably slightly immaterial.

Mr Robertson: Sometimes that appears to be the case, but we certainly have very strong restrictions and declarations that people have to make about no collusion in terms of the tender itself.

Mr Quinlan: It's not just this town.

MRS DUNNE: No. When people tender and their tender is unsuccessful, do you or the line department provide a debriefing?

Mr Robertson: Certainly where we are involved, an unsuccessful tenderer has firstly received a letter and they also are invited in for a debriefing. A lot of the time people accept that; at other times people choose not to come in for a debriefing. It is up to the individuals.

MRS DUNNE: And how does the system work? I had particular complaints about a particular civil contract. I am just interested in how the process works—that somebody at Procurement Solutions sort of opens up the tender box and looks at all the tenders. Who assesses it?

Mr Robertson: I will run you through the process. We do run the major tender box for the territory so most tenders in the territory are lodged there, certainly the most significant tenders. They are then opened by a panel in accordance with very strict quality controls and our practice is certified as best practice.

It then very much depends on the individual procurement—whether or not it is one that Procurement Solutions has closed the tenders for an agency and is doing everything themselves or whether we have just closed the tender and opened it on behalf of the agency. If it is one that we are doing ourselves it is then assessed by Procurement Solutions staff and normally with someone from the line department as well. For example, with the tenders for the Amaroo high school and primary school there was one officer from education on that evaluation panel and two from Procurement Solutions. For other projects, the project officer or someone from the agency will come along, sign for the documents, double enveloping and these sorts of things to make sure that confidentiality of the tenders is maintained in transit and then they are assessed by the

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line agency. In some other circumstances and certainly with some of the roads jobs, there may be one Procurement Solutions person on the panel and two from the agency. So it is all case by case.

You mentioned that you had a particular complaint. If you want to raise it with me separately, I am happy to investigate that, which we do all the time. Certainly, even on ones that Procurement Solutions don't close, people often come to us, too.

MRS DUNNE: I have come across mainly civil works where private engineering firms are employed in some capacity to sort of referee in a sense the tenders. How does that work?

Mr Robertson: On some jobs we will close a tender and, if there are a large number of responses or depending on the technical nature of that project, there might be a firm that has been involved in the design—for example, a civil engineering project. In those cases private firms can assist us, and often do, with evaluating not the technical conformance in the sense of a price schedule being signed and those things but the technical conformance in the things that they are bidding on—if they want some job, that all of the elements have been covered in the price so that effectively what people have offered us is what we have asked for.

There are a lot of specialist staff in Procurement Solutions with architecture and civil engineering backgrounds and you can appreciate that, with the volume, it is often useful to have other resources as well. Those outside people generally, and in fact I can't think of any examples where they have actually been on the evaluation panel for ones that we have closed.

Where you get other larger jobs—for example, I keep coming back to the Amaroo school—there might be what we call trade contracts that are then let beneath head contracts. In those circumstances, if we have got a firm that is the project manager for that, they may close the tenders at Procurement Solutions. In fact, they usually do to protect the integrity of the process. But in those circumstances it may be that work is really being done for the program manager and so they may assess it. Contracts are often then let by Procurement Solutions staff and we review the work that was done as well.

MS DUNDAS: I want to ask about how the implementation of the changes to the procurement guidelines act were going in terms of having open-source solutions considered?

Mr Robertson: Open-source solutions have always been considered. They were not prevented from being considered previously. Since the Assembly's decision late last year to actually put in the open source or the guideline on open source, we and the Government Procurement Board have worked quite closely with ACTIM and InFACT to work out what actually it means so we can provide proper guidance to agencies. We are working on draft circulars and tool kits.

Several months ago now, I think it was, the procurement plan, which is issued under one of the guidelines under the procurement act, was amended. Effectively, it is the pro forma template. Some issues around open source were included there, making sure that if any IT was involved in that procurement, people had considered the open source

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issue and addressed it.

Because of some of the wording of the principle itself, it is unlike a lot of other things. If there is a government bill or government circular, when the decisions are announced we are more ready to actually put the detailed background papers on the table. So there has been a fair bit of work with ACTIM, which is ACT Information Management, and InTACT on exactly what did it mean because we want to make sure we are providing proper guidance to people. We do not want to have them in breach of the guideline and therefore the act.

On Friday last week the Government Procurement Board actually endorsed the detailed circular and the detailed toolkit that sits behind it, and my understanding is that they are being loaded this morning on the BASIS web site and put out for broader public comment. In the meantime, we have worked with many agencies to provide guidance on interpretation of that provision.

MS DUNDAS: Thank you.

Mr Robertson: And it has also had a lot of people going around identifying how much open-source software they were already using. InTACT has got somewhere between 16 and 20 things that meet the open source definition, and they have also pointed out to me that there is other software which is proprietary in the sense that it needs to be licensed but there are no fees or other things that are then paid.

MS DUNDAS: And that is what InTACT is doing?

Mr Robertson: Well, that was InTACT, for example. And, of course, they are one of the main practitioners there.

MS DUNDAS: The department of education uses a lot of IT solutions as well.

Mr Robertson: Yes. All agencies in their procurement planning since the enactment of the guideline have been complying with their obligations, to the best of our knowledge.

Just one thing on 1.4 to clarify an issue that Mrs Dunne raised earlier. You asked about the procurement board items. Output 1.4 actually does really relate to Procurement Solutions and the activities of the branch within Treasury. In 1.1 there is a residual performance indicator for the procurement board. Of the two, though, that have been deleted, one was related to the meetings of the board, and that is a statutory requirement that they meet monthly.

MRS DUNNE: It's not really a performance measure.

Mr Robertson: In the review of the measures, that has been removed. And the other item, which related to circulars and guidelines, has been deleted. The policy area in my branch works very closely with the procurement board. We prepare the draft guidelines, circulars, toolkits, et cetera and then the board considers them and seeks changes where that is necessary, arranges for us to consult—we do the consultation on their behalf—and then the board ultimately issues them.

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MRS DUNNE: So this is the 72 procurement plans?

Mr Robertson: No, that is still their function of assessing procurement plans. That is why that has remained there because that is still a board requirement.

MRS DUNNE: So can you explain to me the sort of break-up between why some things are in economic management and some are in procurement support?

Mr Robertson: The Government Procurement Board was established under the act. It has particular responsibilities, and one of those is making sure that—

MRS DUNNE: Under which act, sorry?

Mr Robertson: Under the Government Procurement Act.

MRS DUNNE: Yes.

Mr Robertson: And it has a secretariat, too. That is located in economic management.

MRS DUNNE: And that just creates a sort of Chinese wall between them?

Mr Robertson: Effectively it does. It could sit elsewhere but when it was established originally the policy function and the secretariat were together as part of Treasury. Several years ago some of the ex-Totalcare functions and the ex-DUS functions of contracting and tendering and infrastructure procurement were all moved to the Treasury. The policy group was moved to form Procurement Solutions within Treasury and because the board itself was assessing the procurement plans that are signed-off by Procurement Solutions, as they do for other agencies, that separation was put in there. The board, of course, is independent so where the secretariat sits doesn't really matter. But traditionally, that is just the way it has been.

MRS DUNNE: So long as it doesn't sit with you.

Mr Robertson: The secretariat could sit with my branch because there are a lot of synergies potentially between what they do and my branch's policy unit. I don't want to make it sound like I am making a bid at the estimates table so—

MRS DUNNE: You would never do that, Mr Robertson. Thanks for that.

THE CHAIR: Is there anything more on 1.4?

MRS DUNNE: I think I am just about done on procurement.

THE CHAIR: Okay. Let's go to the Central Financing Unit.

MRS DUNNE: Central Financing Unit. Mr Broughton, come on down.

THE CHAIR: Budget paper 4 at page 95.

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MRS DUNNE: Mr Broughton, this time last year I think we had a discussion about borrowings policy and the review of borrowings policy. What's happened with the review of borrowings policy?

Mr Broughton: The review has been completed and its recommendations are currently being implemented. What the review did in essence is look at how we should structure those particular borrowings that are under central government control to best achieve a couple of key objectives. One of those is to get a degree of reliability in our interest costs from year to year. The other one was to remove or reduce the risk of getting sudden interest rate rises at the time we came to renew or rollover the existing borrowings.

As a result, what we are aiming to do and implement now is get a portfolio that is diverse in terms of when the renewals of the different borrowings fall due. What we hope to achieve out of that is an average of three years maturity for our borrowings. That doesn't mean to say they'll all be three years: some will be short-term, some will be longer term, but we hope they will be around the three-year average.

MRS DUNNE: Putting your eggs in lots of baskets.

Mr Broughton: That's right.

MRS DUNNE: Is it possible to have a copy of the review?

Mr Broughton: I have a copy.

MRS DUNNE: Could we receive a copy?

Mr Quinlan: I don't see why not.

MRS DUNNE: Thank you. One of the other things that is of interest to me is on page 99 under borrowing costs. Borrowing costs are down on target for this financial year and there's an explanation for that. However, from the estimated outcome this financial year to the estimated outcome next financial year, there's slightly more than a 20 per cent increase in borrowing costs but there seem to be no new borrowings in the GGS. Can you explain that?

Mr Broughton: The borrowing costs cover not only the servicing of our debt but also repayment to the agencies of their investments. In essence, the agencies place money with us to invest on their behalf, and the repayment of the interest earned while that money is invested is included in the borrowing costs. You can get fluctuations from year to year, simply on the basis of the amount of funds they leave with us to invest.

MRS DUNNE: To make sure I've understood this: somebody in a department has some spare cash in a hollow log and gives it to you to invest. You receive the interest on that and you pass that on to the source agency, and passing on the income you received is a cost of borrowing? Is it the cost of the transaction or the fact that you've taken x dollars out of your income here and transferred it over there? Is the amount of interest that you've received the borrowing cost?

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Mr Broughton: That's right. In our revenue line we receive the interest from the investment of their funds. We then pass that interest on to the agency and the cost or the outflow of that is included under the borrowing cost line.

MRS DUNNE: Could we have a breakdown of the different elements that come under that item of borrowing costs for, say, this financial year and what you project for next financial year?

Mr Broughton: Yes.

MRS DUNNE: However, that still doesn't explain why the projected borrowing costs are going up 20 per cent from the estimated outcome to the—

Mr Broughton: Part of the reason for that is that we have also now included in the central financing unit a couple of lines of debt that used to be managed by the line departments. That was a loan what was shared equally between DUS and ACTION for plant and buildings. They appropriated those funds and made the payments directly to service those loans. Now that has been brought into the CFU so the agency pays the CFU to make the payments on their behalf.

The other line of borrowing that's in the same circumstances is the financing for the Magistrates Court and the Dame Patty Menzies building. Those changes increase the amount of revenue coming into the CFU but also increase the outflow, which is measured under this borrowing cost line as well.

MRS DUNNE: So how many agencies would be managing their own loan portfolio?

Mr Broughton: In the general government, after this change takes place from 1 July, there will be none.

MRS DUNNE: So it'll all be with you.

Mr Broughton: That's right.

MRS DUNNE: That makes sense. Thanks for that.

MS MacDONALD: Treasurer, on page 104, against the expenses on behalf of the territory, under the quantity measure of "Monitor and review the debt portfolio" and note 1, you've got that "a review of the debt liability management was only completed at the end of the 2nd quarter," which explains why the outcome there was two as opposed to four reviews. What is the debt liability management review about? Can you tell me more about that?

Mr Quinlan: We've just been through it.

Mr Broughton: Yes. That was more or less the answer I gave a short while ago—

MRS DUNNE: The answer to my question.

MS MacDONALD: I'm sorry.

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Mr Broughton: where we were looking at how we can best manage the debt portfolio we have. The review will be tabled later on.

MRS DUNNE: And we're getting a copy of the report on notice.

THE CHAIR: Any other questions, Ms MacDonald?

MS MacDONALD: No, thank you.

MRS DUNNE: I just wanted to check something else, Mr Broughton, if I could. It says in the notes on page 101 in relation to interest, that there's an increase in interest which reflects the higher investment rate and new revenues from loans not previously recognised in the CFU. They're the loans that we were talking about before?

Mr Broughton: That's exactly right.

MRS DUNNE: Okay. I just wanted to make sure.

THE CHAIR: Anything more on the central financing unit? Good. Let's go to the home loan portfolio and I have a couple of questions there. On page 107, in the statement of financial performance, the estimated outcome for 2003-04 under total ordinary expenses is \$9.881 million, but the budget figure is \$4.973 million. Other expenses seem to account for that. What is that extra \$4.795 million? Is that the one on page 110? Sorry, go on, you tell me.

Mr Quinlan: The second dot point on page 110.

THE CHAIR: You say this is due to an increase in the provision for bad debts and doubtful debts. Could you just elaborate on that? That seems a fairly significant amount of money and a fairly significant increase in the provision for bad and doubtful debts.

Mr Dowell: We had the portfolio reviewed and it was recommended that we increase the provision for bad and doubtful debts. One of the reasons for that is that, as the portfolio goes on in time, a number of people are leaving the portfolio and refinancing their loans through the banks. The people who are left in the home loan portfolio are going to be higher risk borrowers so, over time, the provision for bad and doubtful debts will be increased to accommodate that.

THE CHAIR: I take it a bad debt is simply a debt that you're owed? What's a doubtful debt?

Mr Dowell: It's a provision allowing for the fact that you may or may not collect the debt.

Mr Quinlan: Generally, a bad debt is something that you actually know. A doubtful debt is when you say, "We don't know which ones, but we reckon 10 per cent will go bad, or five per cent, on x periods."

THE CHAIR: So it's an extrapolation into the future.

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Mr Quinlan: Yes. It's a provision.

MR HARGREAVES: Could you please explain to me why it goes from \$4.795 million in the estimated outcome of 2003-04 down to zero in the following year?

Mr Dowell: That's because the provision is written off against the financial statements in the year that it's made, but the actual provision reduces. At this stage, we have an increased provision in the out years.

Mr Quinlan: It goes into your balance sheet and, if debts go bad after that, they're written off against the provision.

MR HARGREAVES: Okay, but we don't actually—

Mr Quinlan: What this says is that there's no need to make a further assessment. The assessment has been made now and we reckon we've provided enough as a buffer against the overall debt now.

MR HARGREAVES: Where does that provision pop up in financial statements in the later years? I'm assuming that every year we can expect some level of bad and doubtful debts.

MRS DUNNE: Isn't it the case that you make the provision for it once?

Mr Quinlan: If you made a provision for doubtful debts it should be in the balance sheet.

MRS DUNNE: Yes, and that's what that \$4.7 million is in this financial year. Once you've made that provision, you don't need to do it again unless somebody comes along and says you need to re-provision.

Mr Quinlan: Yes, unless it is going up again.

MR HARGREAVES: The point that I was asking about is that I would assume that every year you get a certain level of bad and doubtful debts. Is it not provided for in here because you have no idea what the predicted level might be? I can understand that you started off with a budget last year of 74,000 and then it came in at 47. That was explained away, but what about future years?

Mr Quinlan: The point about this one is that this is a residual system for home loans previously given but we're not giving new loans, so this is just watching the whole process tail out.

MR HARGREAVES: Fine. That's it.

MRS DUNNE: On the subject of tailing out, how many loans are left in the home loan portfolio and what is their value?

Mr Quinlan: A few: \$100 million worth.

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Mr Dowell: The actual quantity is around 660. It's on page 112 of BP3.

MRS DUNNE: Right, yes. What is the value of the portfolio?

Mr Quinlan: On the balance sheet it would be about \$100 million. The net value is about \$11 million.

MRS DUNNE: No, I mean the assets. Is it \$113 million?

Mr Quinlan: Yes, we are holding liabilities against it because we've got to pay that to the Commonwealth, don't we?

Mr Dowell: The accounting value of the loans is the receivables line in the current assets added together with the non-current assets receivables. That's the value of loans outstanding.

MRS DUNNE: So that's \$2 million.

Mr Dowell: No, it's about \$22 million.

MRS DUNNE: Sorry. So that's the value of the portfolio?

Mr Dowell: No, that's the value of the loans.

MRS DUNNE: So what does the \$111 million of non-current assets amount to? What is that?

Mr Dowell: That represents the investments, which is money that is—

Mr Quinlan: Correct me if I'm wrong—I'll get picked at—

MRS DUNNE: Can somebody explain to me how it works?

Mr Quinlan: Okay. This area is, in large part, Commonwealth funded. The money received by the Commonwealth is on such good terms that you pay it back at the last possible moment because you can profit by holding it.

MRS DUNNE: I like that.

Mr Quinlan: So you see, on either side of the balance sheet, about \$100 million.

MRS DUNNE: So somebody is actually putting it on the short-term money market, as I keep suggesting?

Mr Quinlan: It might be the mid-term money market, but yes.

MRS DUNNE: Yes.

Mr Quinlan: So the \$100 million worth of investment—

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MRS DUNNE: Is that \$100 million roughly what the Commonwealth originally contributed?

Mr Quinlan: I have no idea. That would have changed over time.

MRS DUNNE: Yes, but that's the Commonwealth's contribution that we haven't paid back yet.

Mr Quinlan: Yes.

MRS DUNNE: I see, thank you. This is something that everyone's vaguely aware of but can somebody shed some light on why it stopped? The idea was introduced and then we decided not to sell public housing tenants their houses any longer. What was the policy behind that or is that something I should ask the housing minister?

Mr Quinlan: I think it stopped a long time ago. How long ago?

MRS DUNNE: 1996.

Mr Quinlan: I don't know. I don't know the full story about why it was discontinued, but apparently it was an administrative nightmare.

Mr Broughton: Minister, I can help.

THE CHAIR: Do we have someone who can shed some light on this?

MRS DUNNE: Do you have some corporate knowledge, Mr Broughton?

Mr Broughton: I don't profess to know much about the actual housing program, but my understanding is you can still purchase public housing but this financing scheme is closed. The reason it closed was that the banks were able to provide lower interest loans. As the interest rates came down, there was little point in people utilising this facility because it was more expensive. Part of the reason that there are—

MRS DUNNE: How about we take it on notice?

Mr Dowell: I can answer the question for you. Under the home loans portfolios, the loans enable people to defer their payments, so you can only pay up to a certain percentage of your income then you can defer the remainder of the payments. This has resulted, in the 1990s, in people's loans values exceeding the value of the property. It's very similar, if you can remember, to when banks in the past used to do low-start loans and they stopped doing them because of the problems people were having. The same type of problem occurred with this, where the debt would continually grow. Its advantage to the people borrowing was obviously limited.

MRS DUNNE: Thank you for that.

THE CHAIR: Any more questions on the home loan portfolio? If not, we will move to superannuation on page 125.

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MRS DUNNE: Treasurer, all the information about superannuation and the provisioning account seems to be spread all over the budget papers like a dog's breakfast. There are five or six separate references to it in BP3. Is there some way of making it more coherent? Superannuation is hard enough without having to track through the whole process about five different times to try to get the story together. Don't be so amused, Mr Weeks.

Mr Weeks: I agree with you.

MRS DUNNE: You're not supposed to chortle at estimates.

Mr Quinlan: Mr Broughton will give you a complete rationalisation. A fulsome rationalisation is coming.

Mr Broughton: I don't see any reason why we couldn't aggregate the two areas. I'm looking at my budgets people now, because they actually determine the structure of the papers.

MRS DUNNE: Would you give a rationalisation that is convincing to a non-budget person?

Ms Smithies: The thing is, though, that the information is slightly different. What you see in budget paper No 3 is a strategic look at the whole-of-government management of superannuation, whereas what you see in budget paper No 4 is the detail that goes with the accounts. I suspect that what you're really after is in budget paper No 3—a more fulsome explanation of superannuation. Is that it?

MRS DUNNE: Possibly. For someone coming to these things cold, they're better than they used to be but some of them are still not very transparent. Perhaps we should make a recommendation that we become a bit more coherent about how superannuation is presented.

THE CHAIR: What are we planning to pay out in super for the 2004-2005 year?

Mr Broughton: The figure that we will pay out is included on page 127 at the line entitled superannuation expenses. I'm advised that a figure that is part of the \$246 million is the actual payment to beneficiaries, which will be \$43 million.

THE CHAIR: Right. What is the other \$203 million?

Mr Broughton: That's the increase in the liabilities that we are yet to pay out on.

MRS DUNNE: Is that what's still unfunded?

Mr Quinlan: It's adding to it.

Mr Weeks: It's contributing to cover that which is unfunded.

Mr Broughton: So what happens is that, each year, because of the number of people we

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employ and what we pay them, we accumulate a liability in respect of their future superannuation payments but, right at the moment, the number of beneficiaries we have means that their entitlements are \$43 million, so it's quite a bit less than the actual accumulation of liabilities.

MRS DUNNE: We have a program of fully funding our superannuation liability and I think we had a brief discussion about this the week before last, when we were assured that we were on track.

Mr Weeks: Ninety per cent by the year 2039-2040.

MRS DUNNE: We have this figure of \$203 million for next financial year's increase to our unfunded liability—is that what you just said, Treasurer?

Mr Quinlan: Yes. That is the cost. I think Mr Broughton said that that includes what we add to our increasing debt to our employees and what we will pay out—both of them.

Mr Broughton: No, the 246 is both of them so the 203 is the increase in the liability.

Mr Quinlan: Yes, 203 of it.

MRS DUNNE: At the same time, you're saying that we are on track to get to the position where it would be 90 per cent covered by 2039.

Mr Quinlan: On page 260 of BP3 there's a table that says that, in 2004, we will be 58 per cent funded, by 2008 that will be 67 per cent, and the 90 per cent will be way out there.

MRS DUNNE: At the moment, we're ballooning out at the top but we're sneaking up on it.

Mr Quinlan: Yes.

MRS DUNNE: Okay. This is an enormously complex area.

Mr Quinlan: We are doing better than any other state except maybe Queensland, I think you'll find.

MRS DUNNE: Yes.

Mr Broughton: Yes.

MRS DUNNE: That was an uncomfortable yes.

Mr Broughton: New South Wales has moved a long way towards funding its superannuation liabilities but it has done so by borrowing money on the market, so it has just shifted one form of debt to another form. We haven't done the borrowing but we are moving very effectively to funding.

Mr Quinlan: We did some borrowing because, by pulling money out of Actew

previously, it put them into the borrowing market.

MRS DUNNE: This is one of the things I don't understand: I thought that, as new people entered the super scheme, they were fully funded from day one. Is that not the case?

Mr Broughton: Not at the moment. We have to make payments to the Commonwealth government, which then pays our beneficiaries. This is a deposit benefit scheme, which means that what you end up being entitled to is based around your final salary, your length of service and your age at retirement. It's impossible to know, with any certainty, what you have to pay out and so the Commonwealth won't let us pay them an estimate, and then accept that as fully funded. Because of that, we're setting up our own fund to help us through that process.

Mr Quinlan: If we are not only reducing the proportion of unfunded entitlements but we're reducing the absolute margin—which we are—then we are effectively fully funding. It is just how you label it now.

MRS DUNNE: Yes. Essentially, the Commonwealth won't let you fully fund through its arrangements, so you have a separate account where you are estimating what the final liability will be.

Mr Broughton: That's right. We're doing our best to do that, that's right. That's the superannuation account.

MRS DUNNE: There is still a bit of the entrails of chickens about it. You can't tell, when Megan Smithies enters the public service, what the payout is going to be in 25 years' time.

Mr Quinlan: That's why we get those actuarial assessments each year that cause us so much pain.

MRS DUNNE: In BP3 on page 261, the text talks about five per cent of the superannuation provision account being an alternative investment. What does that mean? Are we investing in hemp or solar futures or—

Mr Broughton: No. By alternative investments we essentially mean a combination of private equity, which is—unlike investment in shares of listed companies—investment in unlisted companies that tend to be relatively small and in the early stages of their development. They could be start-ups or they could have moved a little bit beyond that. It's a relatively high-risk area of investment but the returns on it can be phenomenal.

MRS DUNNE: That's why they're high risk.

Mr Broughton: That's exactly right. There's always that trade-off. There's also infrastructure, which is clearly part of, say, building toll roads and taking over airports and all those sorts of things. So there is a range of different infrastructure-type investments you can get into. Finally, there are opportunistic property-type developments rather than your stock standard commercial property, office property and such. There are sometimes a little more obscure property investments which often can have very high

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rents and very high capital gains associated with them.

MRS DUNNE: And therefore a high return.

Mr Broughton: And therefore a high return.

MRS DUNNE: What you're saying is that you have five per cent in high-risk, high-return investments.

Mr Broughton: That's right.

MRS DUNNE: In the hope that you make a motser.

Mr Broughton: To add a little bit of value over the whole portfolio, yes.

MRS DUNNE: Okay.

Mr Quinlan: You will find that some of the major super funds have within their charter a requirement to have five per cent at that end of the market. Some of them that I know of have it as part of their charter. I don't know whether it's a legal structure or just the trustee structure, but it's a fairly common thing to have a portion at the high-risk, high-return end.

MRS DUNNE: A question for you, Treasurer: wearing your many hats and seeing that there's an initiative for a venture capital fund, could you envisage that the ACT super fund might invest some of its high-risk stuff in that?

Mr Quinlan: I'd love to say so but I think there are prudential barriers preventing me playing with the super fund.

MRS DUNNE: Yes, okay, fair enough.

Mr Quinlan: In fact, I think it's crazy, but we can't actually invest it in real property.

MRS DUNNE: You can't invest in the ACT.

Mr Quinlan: Yes, we can't take our fund. That's right, isn't it? We couldn't buy our own building, for example.

MRS DUNNE: We've had this discussion before. Yes, okay.

Mr Quinlan: Yes. There has to be an arm's-length thing.

MRS DUNNE: Yes.

Mr Broughton: The investments on behalf of the super fund are covered by the FMA and under the guidelines issued under section 67 of the FMA, I think it is, if we want to invest in government property we will be required to lodge a disallowable instrument in the Assembly.

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MRS DUNNE: So it's not impossible.

Mr Broughton: It's not impossible. It depends on whether that instrument gets through the Assembly or not.

MRS DUNNE: I'm not saying that you should do it. I'm just exploring, Treasurer, whether it would be desirable and possible to do it.

Mr Quinlan: We'd be a damn good tenant. I don't know who'd decide the rent we'd pay, but that's where it gets sticky, you see.

MRS DUNNE: Yes, that's right. I'm thinking Centenary House here. I was really thinking about investing in the venture capital fund. Is that possible by virtue of a disallowable instrument?

Mr Quinlan: I'd have to check on that.

Mr Broughton: There's also a requirement, I think, under section 38 of the FMA, that investments be made in order to benefit the revenue and the wealth of the territory, so we can only get into investments where we deem that this is an appropriate thing to do. We'd have to look at any fund like that.

Mr Quinlan: It's not territory I'd like to go into, really.

MRS DUNNE: But, if the New South Wales super fund wanted to invest in your venture capital fund, you wouldn't be shy of taking their money?

Mr Quinlan: No, not at all, provided it all came under the same degree of control and certainty in terms of retention by the fund.

MRS DUNNE: One of the things about investment by super funds is that they are in investment for the long haul.

Mr Quinlan: That's right.

MRS DUNNE: So there could be some advantages because venture capital money is not necessarily going to be turned around in a short period of time.

Mr Quinlan: There's certainly superannuation money now in search of a home. It's inevitable that that process will continue and grow because compulsory superannuation is a relatively new phenomenon in Australia. It's highly probable that our markets will be more like the American markets than they are now, with the large super funds having considerable interest and possibly control in the market.

MRS DUNNE: Okay, thanks.

THE CHAIR: Thank you very much, Treasurer and officials.

Mr Quinlan: Thank you.

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Meeting adjourned from 11.50 am to 2.00 pm.

Appearances

Ms Katy Gallagher MLA, Minister for Education and Training, Minister for Children, Youth and Family Support, Minister for Women and Minister for Industrial Relations

Education portfolio

Ms Fran Hinton, Chief Executive, Department of Education and Training

Ms Anne Thomas, Executive Director, Resource Management, Department of Education and Training

Mr Craig Curry, Executive Director, School Education, Department of Education and Training

Mr Rob Donnelly, Director Budget and Facilities, Department of Education and Training

Ms Anne Houghton, Training and Adult Education, Department of Education and Training

Mr Peter Veenker, Chief Executive, Canberra Institute of Technology

Mr Shane Kay, Finance Accountant, Canberra Institute of Technology

Ms Robyn Calder, Director Children's Services, Children's Services Branch, Office for Children, Youth and Family Support

THE CHAIR: The committee is dealing with output 2.1, which relates to the maintenance of standards and the administration of grants—page 358 of BP4.

Ladies and gentlemen, you should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections, but also certain responsibilities. It means that you are protected from certain legal action, such as being sued for defamation for what you say at this public hearing. It also means that you have a responsibility to tell the committee the truth, because giving false or misleading evidence will be treated by the Assembly as a serious matter. Do you understand that? Good.

New witnesses who come to the table should state their names and the capacity in which they are appearing. Also, please identify clearly that you are taking a question on notice. It is then your responsibility to check the transcript and respond to such questions. Responses taken on notice are required within three full working days, as I reiterated this morning. The transcript will be emailed to the minister and the departmental contact officer for distribution to witnesses as soon as it is available. If members want a question taken on notice, please identify the page number. The proceedings are broadcast to specified government offices. The media might be recording proceedings.

Minister, I have a number of questions on non-government school education. I note that there have been a number of teacher demonstrations recently, the most recent being by non-government school teachers, Catholic schools in particular. No doubt you, along with other members of the Assembly, have seen a letter to staff and parents from the Catholic Education Commission. Minister, the commission states a number of things in this document, which I will table if you do not have a copy with you. Specifically, there is a list of grievances in relation to the Catholic system as opposed to the government system.

They have divvied up a summary of new education funding in the 2004-05 budget

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between government schools and non-government schools and they have indicated that there has been a \$51.646 million increase in various aspects, including capital funding for government schools, and only a \$2.224 million increase for the non-government sector, which they state is 39.2 per cent of the total school sector, the government sector being 60.8 per cent.

They go on to say that included in the funding for non-government schools is an amount of about \$600,000 for estimated enrolment increases which is not a real per capita increase and that discounting this leaves a real share of new education funding for non-government schools of only three per cent. Without going into the details, they say that the considered requests for funding support by the Catholic Education Commission in its budget submission to government have been largely ignored, as shown at attachment A. I'll hand this one to the committee secretary. Minister, why has your government apparently, on the basis of that, neglected the non-government sector compared with some reasonable increases in expenditure for the government sector?

Ms Gallagher: Thank you, Mr Chair. I haven't actually seen that document. You read out quite a bit of detail about it. I have seen some correspondence from the Catholic Education Commission to, I think, the Chief Minister, which they copied to me, and it is fair to say that they are running the line that they are not happy with the budget. I understand that. But at the end of the day, there was a 6.6 per cent increase to the non-government sector from the ACT government. We have increased our contribution to the non-government sector to \$35.3 million for 43 schools, which, I should point out, is more money than we get in return from the Commonwealth for the government's 96 schools, for which we get about \$34 million to spread across double the schools.

We are the minor funding partner of the non-government system. I take that into account when I am making decisions about the budget. This budget did provide increases for enrolment adjustments, as they point out, for new initiatives, for indexation and for the continuation of previous year initiatives, particularly the early childhood initiative that we funded in the previous budget. All that taken into account, this year's budget provided support through new initiatives for ICT. Bearing in mind the fact that we are the minor funding partner, we provide 30 per cent of all government funding to non-government schools in the ACT. That is a significant contribution from the ACT government. It also included money for students with disabilities, an increase of 10 per cent on the money they currently get, mindful of their representations to us about the level of need in the non-government sector. We are currently in the process of assessing that need, as we have assessed it in the government system.

THE CHAIR: The extra disability funding is about \$70,000, isn't it?

Ms Gallagher: It is \$70,000, on top of the \$700,000 they get, yes.

THE CHAIR: I think that the average cost in the government sector is about \$18,000 per child; so, realistically, that is probably for only about four extra kids.

Ms Gallagher: I think you have to compare apples with apples. The students with disabilities that we have in the government system are often at a quite different level of need from those in the non-government system. In the recent census, I think the non-government schools were saying that there were about 300 students with a disability.

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Our figures indicate 259 and we are in the process of assessing the need. They do not assess the disability category according to the SCAM process, which is how we do it in the ACT now.

In relation to disability funding, mindful of the fact that the ACT government is the minor funding partner and that we provide 30 per cent of all government funding to the non-government sector, if you look at the numbers for the funding of students with a disability you will see that the ACT government will contribute just over \$3,250 per student with a disability in the non-government sector. If you compare that with Mr Joy's claims of a shortfall, you can see that we are not far off the 30 per cent that we currently contribute, and the actual deficit or the gap that Mr Joy argues is down to the Commonwealth, which is the major funding partner not funding students with disabilities in the non-government sector.

The analysis that you just read out is not balanced, in my view. I understand that the Catholic Education Office is not satisfied with the budget, but I had a certain amount of money to work with and I was mindful of my responsibilities to the non-government sector. I believe that we made the right decisions in terms of allocations. In relation to students with disabilities, there is more work to be done. That work may show that there is a shortfall in the responsibility of the ACT government to fund students with disabilities. Connors pointed out that there should be similar criteria for funding students with disabilities regardless of what school they attend.

The argument put by the Catholic Education Office is that a voucher system should exist—that if you are a student with a disability, regardless of what school you attend, the same money should move with you. A voucher system is not something that the ACT government will fund. We have always said that we are opposed to a voucher system. However, we accepted that recommendation of Connors. Connors does point out—again, Mr Joy doesn't include this in some of the analyses he has provided—that it is mindful of the funding partnerships, of which there are three in the non-government sector, the Commonwealth, the ACT government and fees.

THE CHAIR: My colleague Mrs Dunne probably will ask you more about the voucher system. I have seen some other figures which indicate that the level of ACT government funding for the non-government sector is now about 16½ per cent of their total funding, down from about 17½ per cent. I know, and I am putting this to one side, that they would like us to go up to the 25 per cent they get in New South Wales. Leaving that aside, that would tend to back up a lot of the statements here that in real terms their funding has gone backwards, and they have close to 40 per cent of the total school population. There is certainly more the ACT government should be doing.

Ms Gallagher: Their funding has not gone backwards. There have been increases in every year's budget and indexation according to AGSRC, which is providing indexation overall between the two governments of around six per cent per year. So there has been real growth in funding to non-government schools. No-one can dispute that. The Commonwealth indexes on AGSRC. We index at 2½ per cent. It is down to two per cent for this year's budget and will grow again to 2½ per cent. Government education is indexed at two per cent. So there has been real growth in the money going to non-government schools. The reason there has been a slip down to about 16½ per cent, as you point out, is all due to the fact that we are currently in an enterprise agreement

with our teachers.

THE CHAIR: Is the CPI for both sectors two per cent?

Ms Gallagher: Yes.

MRS DUNNE: I want to explore, Minister, why your government would never fund a voucher scheme?

Ms Gallagher: That is because a free universal education rests within the public system. To accept that parents should have the same level of public subsidy in the non-government sector would be a significant policy decision and not one that we are prepared to take. As I have said, there is, and we will maintain it, a three-way funding partnership. We are not going to fund students in the ACT, mindful of the fact that we are one-third of a funding relationship, to enable the full public subsidised entitlement to rest in the non-government sector. That is not the way the non-government sector operates. They operate on a three-way partnership. To accept that a voucher system should exist is to take responsibility for that part of the non-government sector funded by fees. It is not what we are going to do.

MRS DUNNE: Okay, that is a general exposition on why you are opposed to voucher funding in the education system, but there is general agreement—and this comes from Connors—that in the case of students with disabilities there is a certain level of funding that should go to them over and above the general amount of money. My recollection, and I might stand corrected, is that in the Connors report it was recommended that, irrespective of where students with disabilities were at school, they should get reasonable funding. If the government agrees with that, what is wrong with the concept of a voucher, calling it a voucher or anything else, that says, “The funding for this student with disabilities goes with them irrespective of the school that they go to,” and that is over and above the general amount of money? What is the problem with that?

Ms Gallagher: If you refer back to Connors and the actual recommendation the government accepted, it wasn't as clear as that. It wasn't just that they should be funded the same and that a voucher system should exist, essentially. On page xvi it says:

...more equitable...funding mechanism for students with disabilities in the non-government sector, recognising that in this sector funding is a shared responsibility of Territory and Commonwealth governments and of non-government school communities.

That is actually what she says. She goes on in her recommendation to clarify some of that, which is what the government accepted, which is “the same eligibility criteria as applies in the government school sector”—which is what we are doing with SCAM. We are doing that measurement with the Catholics now. It says, “Consistent with its role as one of three funding partners in non-government schooling...” At the moment the Commonwealth provide \$654 per student with a disability in the non-government system. We provide just over \$3,000, \$3,250. We fund 30 per cent. They fund 70 per cent of all funding going into the non-government system. So the obvious shortfall in students with disabilities lies with the Commonwealth. It is the funding partner that is not picking up the game here.

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I have undertaken, and the Catholic Education Office knows this, that if SCAM shows us that there is a level of need which we are not supporting through our financial commitments to those students, we will acknowledge that and we will work with that. What hasn't happened is that there has been any assessment of individual children, as we have done in the government system, in the non-government system. We are told, "There are this many children and they have all these needs and you are not funding us enough." We have said, "All right, let's have a look at those needs. Let's assess them along the lines of the tool that we use in the government system." Once that assessment has been done, I think the picture will be clearer. It may actually prove that there is too much money going in here. I doubt it in relation to students with disabilities, but there is the possibility that it will show us that. What it will show us is the true level of need.

MS MacDONALD: Has the Catholic Education Commission agreed to undertake that process?

Ms Gallagher: Yes. There has been a great deal of cooperation and, in fact, training with some moderators from the Catholic school system and that work is being done in term two.

Mr Curry: Craig Curry, executive director. We have had a working party with the non-government sector since August last year. The working party has met on at least six occasions. We started the SCAM process with students in the independent schools yesterday, and we will undertake the process for students in Catholic schools next term. We have also trained a moderator from the Catholic system to work with us.

MRS DUNNE: I go back to the minister's reply? You are saying that the ACT contributes three thousand and some hundred dollars per student with a disability.

Ms Gallagher: If you divide the amount by the number of students that we are informed about, yes, that is about it.

MRS DUNNE: How much does the government pay to the ACT government school sector for children with disabilities?

Ms Gallagher: We have just done that. It is in output 1.4. The average cost per government special education student in mainstream schools is about \$19,000.

MRS DUNNE: On what page is that?

Ms Gallagher: Page 356 of budget paper 4, if we are comparing mainstream schools. It is different in special schools, but the children in special schools would not be the children that we are seeing in the non-government ones.

MRS DUNNE: I understand that. You are saying that in 2004-05 you are expecting to pay \$20,000 per student in the government school sector. In the non-government school sector you are contributing \$3,500-odd. Minister, did you say that you are a one-third contributor?

Ms Gallagher: Thirty per cent of total government funding in the non-government

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sector. If we are looking at government funds going into the non-government sector, we provide 30 per cent of those funds.

MRS DUNNE: But you are not providing 30 per cent of the cost—

Ms Gallagher: Of the total cost, no, because there are fees.

MRS DUNNE: Can I get my sentence out, Minister? You are not providing 30 per cent of the cost of looking after students with disabilities if you are providing \$3,000-odd.

Ms Gallagher: No.

MRS DUNNE: When you say that in government schools it is costing \$20,000-odd.

Ms Gallagher: That's right.

Mr Donnelly: Perhaps I can provide some more information that might be informative to this discussion. The \$19,000 per student average cost per government special education student in mainstream schools includes both that component which is provided for special education and what you would call the base educational cost. If you look, for example, at—

MRS DUNNE: What is the special education figure?

Mr Donnelly: I don't have that off the top of my head, but, for example, government college education costs \$12,000 per student and, on a previous page, a government high school student costs on average \$10,000.

MRS DUNNE: On average, the cost for a student who does not have a disability is \$10,000.

Mr Donnelly: In round terms.

MRS DUNNE: You are saying that you will be spending in 2004-05 another \$10,000 per student.

Mr Donnelly: Again in round terms.

MRS DUNNE: And you are saying that you contribute one-third of the cost of non government schooling, so that on that analysis, Minister, you—

Ms Gallagher: No, of government contributions to non-government schools we fund 30 per cent. The Commonwealth funds 70 per cent and we fund 30 per cent.

THE CHAIR: And the rest is done by parents.

MR HARGREAVES: In fact, taking \$10,000 off, we are looking at about \$9,000 extra per kid with a disability in government schools and you are providing over \$3,000 to kids with a disability in the non-government sector, which is about 30 per cent or so.

Ms Gallagher: Yes, roughly.

MR HARGREAVES: In fact, you are right on what your undertaking should be.

Ms Gallagher: Yes.

MR PRATT: I go back to the \$10,000 base education figure. Are you able to separate the actual program cost per student? The base cost, I presume, is “a contribution to infrastructure and administration”. Have you costed it out in that way? Are you able to tell us how much it costs to put each student through their actual curriculum program activities?

Mr Donelly: Not in a separate sense from the average cost of their total program insofar as, for special education students in a mainstream school, we do not have them in school from 9.00 until 3.30 with one teacher per 21 kids in a K to 3 class and then have them in a separate class outside of those times. So what we have is an average of the total resources provided to government special education students in mainstream schools and that might come about hypothetically because in a class of a hypothetical 30 students with disabilities instead of having one teacher to those 30 students you might have two teachers and a teaching assistant, or you might have two classes to teach those students with a disability as opposed to one in the mainstream government sector. It's very difficult to separate out what is the mainstream education component of the cost of a special education student and what is the special education cost.

MR PRATT: Can you do that for a mainstream student, for want of a better term?

Mr Donelly: We can calculate the costs of a mainstream student on average, that is, the figures I quoted earlier of just over \$12,000 in a college and over \$10,000 in a high school.

MR PRATT: Can you tell me what component of those base education figures of \$10,000 for a high school student and \$12,000 for a college student is actual program expenses for those students?

Mr Donelly: How do you define a program expense?

MR PRATT: Classroom contact time and the programs run in schools versus the costs which go to maintaining infrastructure.

Ms Thomas: Anne Thomas, executive director, resource management. I think it's difficult to do that, Mr Pratt, when you take into account the fact that about 70 per cent of our education costs essentially are for staffing. The remainder, the other 30 per cent, relates to the sorts of things you are talking about, but when you look at the average cost per student, you can assume that 70 per cent of that goes on staffing of our schools and the remainder would be all those other kinds of contributors to costs, such as infrastructure, the costs of classroom materials, other programs, computers, that kind of thing. It is very difficult to tease it out much more than that.

MR PRATT: But roughly seven to three might be the measuring stick for the cost of a mainstream student for contact time, other than those administrative costs. Are we able

to find that out? I would not ask for it in three days, by the way.

Ms Gallagher: I am not sure that it would be a priority of the department to expend energy on that sort of question.

MR PRATT: I would be a lot more sympathetic; I would not ask for it in three days.

Ms Gallagher: I am not clear on what you are talking about.

THE CHAIR: Perhaps you could ask it again, Mr Pratt.

Ms Gallagher: Do you want the breakdown of the 30 per cent that is not—

MR PRATT: I want to know how much the education of a mainstream student costs, minus infrastructure costs and the costs of the teachers, of course.

Ms Gallagher: That is an education cost. The teachers teach; that is an education cost.

MR PRATT: All right, but you also run programs—for example, ICT is a program and PE is a program—and there are costs there as well, aren't there?

Ms Gallagher: Usually through teaching.

MR PRATT: But more than simply teaching.

Ms Gallagher: And equipment, yes, that's right. So infrastructure and teaching make up education costs.

MR PRATT: All right, so the programs themselves really amount to about 70 per cent of that base cost for you.

Mr Donnelly: The staffing cost amounts to about 70 per cent of that figure.

MR PRATT: I might come back later with a question on notice, but I will leave it for now.

MS DUNDAS: The value of grants going through to the non-government school education sector drops from the 2003-04 target to the 2003-04 estimated outcome on page 358. Is there an explanation for that drop?

Mr Donnelly: The estimated target, which is set at the beginning of each year, is estimated on our best estimate at the time of the number of students and their characteristics under the funding model that would apply in six months when, in this case, the 2004 school year commenced. So, on that basis, we have an estimate and some very minor characteristics of the student population must have changed to provide that \$300,000 difference.

Ms Gallagher: Is it the enrolments?

Mr Donnelly: Yes, it's most likely the enrolments.

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MS DUNDAS: Were enrolments actually down on what you projected?

Ms Gallagher: Yes.

Mr Donnelly: Presumably.

MS DUNDAS: Is that the value of the grants that you administer or the value of the grants that you just pass on from the federal government.

Ms Gallagher: That's both. It is made up of the ACT's contribution and the grants that come through us via the Commonwealth to pass on.

MR HARGREAVES: It's only \$300,000. Does that mean our share of that \$300,000 is only about \$100,000?

Ms Gallagher: Yes. There are only two years there.

MR HARGREAVES: It is only one year, actually; it is for 2003-04, and the drop is \$300,000 give or take \$20,000.

Ms Gallagher: I see; you are talking about the drop.

MR HARGREAVES: Our share of that is a third; is that right? So, as far as our budget is concerned, it is really only \$100,000.

Mr Curry: In fact, none of that drop relates to ACT government funding. That drop is Commonwealth funding.

MR HARGREAVES: That is even better.

THE CHAIR: I think you now have Mr Geoff Joy's letter.

Ms Gallagher: No, I don't have it.

THE CHAIR: Take a look at attachment A of this one. I am interested in a couple of things there. He refers—at about halfway down the page, the third dot point, of attachment A—to applying appropriate ACT school standard costs as the index per capita cost grant supplementation, rather than the ACT CPI, as recommended by the Connors inquiry. That is something they wanted and they got nothing. He said that the ACT CPI was reduced from 2.5 per cent to two per cent. You confirmed earlier that the two per cent applies across both sectors. Why is it two per cent, not 2.5 per cent?

Ms Gallagher: My understanding is that this was a decision that we just carried on from the previous government, which is that decisions about indexation are made on the CPI and the CPI is two per cent.

THE CHAIR: That was a Treasury decision which you are saying applies to—

Ms Gallagher: Across government, yes.

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THE CHAIR: Is it two per cent for all of your departments?

Ms Gallagher: Yes.

THE CHAIR: Okay. As to the early childhood initiatives, they wanted to ensure per student recurrent funding equal to additional funding for early childhood initiatives allocated to government schools.

Ms Gallagher: Yes.

THE CHAIR: And they wanted capital support provided for classes in Catholic schools to allow a reduction in class sizes for kindergarten to year 3, but there is nothing in the budget there.

Ms Gallagher: There was some money, actually. I am just having a look at this now.

THE CHAIR: I appreciate that.

Ms Gallagher: There was some money in terms of carrying on the initiative that was funded in last year's budget to support early childhood initiatives. The initiative that was funded in last year's budget was not necessarily to reduce class sizes. That was to be determined by the non-government schools, so that is incorrect.

THE CHAIR: But you are helping them to reduce class sizes; you are giving them some funding.

Ms Gallagher: There was some money provided in last year's budget to assist—

THE CHAIR: How much was it?

Ms Gallagher: There is over \$400,000 this year. There was \$370,000 last year and it will continue at about \$400,000 until 2006-07. So I think that zero dollars figure there is incorrect.

THE CHAIR: It is probably not going to get them very far, but you have something there. My next question relates to the interest subsidy scheme which your government abolished when you were the minister. What is being done with that money? Is that money being redirected to the non-government school sector? If so, how and how much?

Ms Gallagher: The fund was oversubscribed at the time of the decision to close the scheme to new applicants. As you would be aware, our obligations under the interest subsidy scheme remain until about 2018-19 and all those obligations will be met; but, because the fund is oversubscribed, there is no money coming out of the fund to reinvest in the non-government sector. I have said a number of times, and I will continue to say it, that when that money does become available, and it will become available progressively in bigger lumps, it will be redirected to the non-government sector. I sought the advice of the Ministerial Advisory Committee on Non-Government Schooling about ways they would like to have that money reinvested. They responded with an interest subsidy scheme as their major area of need, but they did have some other suggestions in terms of

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increases to per capita grants and support for students with disabilities, so there will be a range of alternatives there when that money does become available. Rob, do you have some of the details?

Mr Donelly: I can speak in broad terms about expectations. While we have a scheme which is now closed to new applicants, there are still some projects which are not yet complete in terms of building works and therefore some non-government schools, depending on whether their building works are on target, early or late, will draw down respectively more or less. Of course, interest rate movements, if they should happen, would also have an impact on the amount of money available in the scheme. But in round terms we expect very little to be available from this year's scheme, 2003-04, or from next year, 2004-05. We would expect, all other variables being equal, in the region of \$300,000 to become available from 2006-07 and progressively larger amounts thereafter.

MR PRATT: Minister, are you attracted at all to any of the grant schemes which I understand run in other jurisdictions?

Ms Gallagher: In terms of an interest subsidy scheme?

MR PRATT: Not an interest subsidy scheme as such.

Ms Gallagher: Different models exist in some jurisdictions that are modelled around interest subsidy.

MR PRATT: Yes. I think there is one in Western Australia that is quite attractive to many educationalists. Have you taken any notice of that? Is that a possibility, or are you going to move entirely away from those sorts of loan-grant systems?

Ms Gallagher: We closed the interest subsidy scheme based on advice obtained through the education funding inquiry. There are a number of reasons why. One of the reasons is about the questions: is the best way for ACT public money to be used to primarily refurbish some already quite elite facilities—that is how the majority of the money was being used—and is that the biggest area of need in the education system as a whole?

It is also to do with the fact that we have declining student enrolments across the territory and that school infrastructure will become an increasing pressure on government. Whether or not \$2.9 million per year should be spent on improving facilities in the non-government sector, when we have a student population that is declining and will continue to decline, is a question I and the government considered—and also about the share of where that money went.

People will argue, “You could have made the scheme more equitable; you could have made sure that there was a cap on it”—that everyone got more of a share of the pie. There were four or five schools that did extremely well out of that scheme and will continue to do extremely well out of it as we pay off our responsibilities, but the majority of schools didn't do so well.

The whole basis of the interest subsidy scheme is that it works to the benefit of schools when they borrow large sums of money. Smaller, less well-resourced schools, aren't in a

position to borrow the sorts of money that would benefit them under the interest subsidy scheme in respect of the interest the government pays on loans, so it was very difficult to make a scheme like that equitable.

Instead, one of the areas I was attracted to was to increase per capita payments and share them across every student in every non-government school, so that every child got a share of that \$2.9 million. That would deliver, I think, a more equitable increase. If schools want to bank all that money and build themselves a new hall, we would have no problem with that. That is the decision we have taken. I'm not looking to re-establish any kind of interest subsidy scheme in the immediate future in the ACT.

MR PRATT: Getting away from the argument about an interest subsidy scheme—that is not what I'm concerned about—I take your point on the needs question. There is no question that there has been an inequitable arrangement in the history of this. When will a decision be made about how these growing funds are going to be returned to the non-government sector?

Ms Gallagher: It is a pretty easy decision to make when the time comes. There is no pressure at all at the moment because there is no money to give back.

MR PRATT: Yes, but surely schools want to know your vision—your plan for the future—so they can put their minds at rest and start thinking down the track.

Ms Gallagher: That is right. I've given a very firm, solid commitment that all money received will be reinvested in the non-government sector. In the end it will probably come down to two areas—either increasing per capita payments or supporting students with disabilities. It could be both, according to what the school determines. The money will go back but, at the moment, we have no money to give back.

MR PRATT: You will be coming out with a plan on this issue as soon as possible?

Ms Gallagher: Yes.

MR HARGREAVES: On the interest subsidy scheme, the school society of St Clare of Assisi at Conder would be looking forward to some sort of scheme in 2005-06 and beyond, and schools like Girls Grammar and Marist would be looking forward with dread to the time it occurs, and that is a shame. You mention that there is \$2.9 million in the scheme at the minute.

Ms Gallagher: That is per annum in the total scheme, yes.

MR HARGREAVES: There are projects which have been approved, and you've got a list of those.

Ms Gallagher: Yes, there are a number of them.

MR HARGREAVES: I wonder if you'd be kind enough to let the committee have a copy of the list indicating which schools are receiving what amounts of money for what projects. Is it possible to chart that?

Ms Gallagher: Yes.

Mr Donnelly: That can easily be done on notice.

MR HARGREAVES: That would be lovely. I don't want it now!

MR PRATT: I refer to the two per cent index based on CPI that we've looked at as a basis of education costing. Do you know what the education index component of CPI is? Is it really two per cent or is it a good deal higher than that? I have heard an argument put forward that the CPI reflection for education may be upwards of five per cent.

MR HARGREAVES: While you're thinking about that, maybe somebody can let us know who sets that rate.

Ms Gallagher: The two per cent?

MR HARGREAVES: Yes.

Ms Gallagher: That is set by Treasury.

MR HARGREAVES: By the ACT Treasury or by the Commonwealth Treasury?

Ms Gallagher: I think you're referring to the AGSRC, which the Commonwealth base their indexation on.

MR PRATT: Yes. That is an Australia-wide analysis of what CPI is made up of.

Ms Gallagher: That is around six per cent.

MR PRATT: Does that two per cent benchmark reflect a decrease in expenditure?

Ms Gallagher: No. It is still an increase.

THE CHAIR: Minister, you mentioned enrolments earlier. These figures from the Catholic Education Office may be a little different from some others but they state for government schools \$36,876 and for non-government schools \$23,758. I assume that is reasonably accurate—60.8 per cent for government schools and 39.2 per cent for non-government schools.

You talked about static enrolments and I certainly agree. We've had about 60,000 students in all sectors for 20 or more years—it has hardly moved. Yet there seems to be a continual steady, if slow, increase in the number going to the non-government sector. That is getting close to 40 per cent now. The government sector seems to have come down a little bit over the last five or six years. Is that a concern to the government?

Ms Gallagher: It is not a major concern at all. I think it is reflective of the diversity of education offered in the ACT. The fact is that our relative wealth, compared to the rest of Australia, is quite high and parents want to pay for education. There is certainly a percentage that can afford to do that quite reasonably. I'm not saying everyone can who makes the choice to go to the non-government sector. It is also largely commensurate

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with metropolitan areas around Australia. In New South Wales, while the overall percentage is low, in rural towns where there is a public school there is not usually a private school as well.

I see it as reflective of national trends, the fact that we have a very good system that operates here and the fact that many of the non-government schools have expanded over the past few years. If you take Burgmann for example, they're adding additional years as they grow. That allows for students to stay within that system and for more to come in to start high school or a particular year. So there are increasing places in the non-government system which students can occupy. I think in the last census we saw that there was a drift of about 30 students in high schools to the non-government sector from the government sector. That is probably the smallest decrease we've seen in recent years but it is certainly nothing I'm getting overly concerned about.

MR PRATT: So you maintain that that movement is a reflection of a growing choice range?

Ms Gallagher: And capacity—and ability to pay.

MR PRATT: Rather than a dissatisfaction with the calibre of education or other factors in the government school sector?

Ms Gallagher: I would argue that. You would have to argue the opposite if you want to change my mind.

MR PRATT: I won't try to change your mind!

Ms Gallagher: As an example, in 2003 Blue Gum School commenced year 3; there was year 4 in 2004 and there are plans for year 5 in 2005. Last year Burgmann commenced year 7, this year they commenced year 8 and there are plans for year 9 next year. Trinity school took on year 11 and 12. Radford has years 5 and 6 and the Montessori school has year 6. The Emmaus Christian School commenced years 9 and 10 over the past two years and the Good Shepherd Primary School commenced years 5 and 6 in 2003. When I see that number of schools expanding I don't see any reason to get too anxious about the figures we're seeing. Satisfaction levels in the government system are going really well too. I think we have a very strong, good cooperative education system here in the ACT. Parents have choice and many like to exercise that choice. That is something the government supports, with over \$35 million going into the sector.

MR PRATT: You say you're not anxious about that movement.

Ms Gallagher: No.

MR PRATT: But shouldn't you be anxious when you see that the reasons given by many families for making that choice, often at financial hardship to themselves, are that they are particularly concerned about the state of values education and the culture in schools with regard to values and discipline? You see that statement regularly.

Ms Gallagher: Where from? I don't see it regularly—in fact, I see the opposite.

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MR PRATT: I had it said to me about the Catholic school system only recently.

Ms Gallagher: I see it regularly in your media releases. That is about it. You're about the most regular commenter on lack of values in public education—and it is one that everyone has taken significant offence at.

MR PRATT: Then you're not looking!

THE CHAIR: Let's not get argumentative—both of you. Questions and answers, please!

MR PRATT: You're not looking at the feedback from the community.

Ms Gallagher: This is just an argument.

MR PRATT: All right. We'll have to beg to differ, Chair.

Ms Gallagher: Just in closing, I challenge you, Mr Pratt—and I've challenged you once before: find one government school in the ACT that is not teaching values. Find one and then tell me about it.

MR PRATT: My rejoinder to that, Minister, would be that there is a lot of feedback from the community that people are concerned that many of the schools are not keeping up to scratch with values, discipline and pastoral care.

MS DUNDAS: What values would you like to see taught by government schools that aren't already there?

Ms Gallagher: It is a load of rubbish!

THE CHAIR: All right. Have we got any questions, ladies and gentlemen?

MR PRATT: I'm not answering questions, Ms Dundas.

MS DUNDAS: You're not backing up your statements, either!

THE CHAIR: Let's not get into an argument. We're asking questions and trying to get answers.

Ms Gallagher: I look forward to finding that school, Mr Pratt. I look forward to your advice on that.

THE CHAIR: Okay.

MR PRATT: Open your eyes, Minister!

THE CHAIR: Are there any more questions?

Ms Gallagher: My eyes are open. I visit a number of schools.

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THE CHAIR: Okay; thank you.

Ms Gallagher: In fact, I probably visit many more schools than you do. So come up with a school and then we can have a discussion about it.

MR PRATT: Give me a visit program.

THE CHAIR: Thank you, you two! Order! I have one question. How many people are there in the non-government school office at present?

Ms Gallagher: Two.

MR HARGREAVES: Empire building, according to Mrs Cross.

Ms Gallagher: There may be some need to keep a check on that as the new education bill comes on board. We'll keep monitoring that because there are new requirements of the legislation.

THE CHAIR: That is a drop, isn't it, over the last couple of years? I know the department was always keen to have a very small non-government sector education office.

Ms Gallagher: I'm not aware of any drop.

THE CHAIR: They've got two staff. I seem to recall there being about five and then four.

MR HARGREAVES: That was in 1996.

THE CHAIR: That is right, Mr Hargreaves—you worked in the department.

MR HARGREAVES: I did indeed. It was in 1996 and we were all in short pants!

Ms Gallagher: Mr Curry advises me that they are looking at increasing that through internal funding, in light of some of the requirements of the education bill.

THE CHAIR: There is to be one other position, Mr Curry?

Mr Curry: An additional position, yes.

THE CHAIR: Who is there presently—you?

Mr Curry: No. There is a SOGC position and an ASO6 position—and we're looking at putting in a SOGB position in addition to that.

MR HARGREAVES: That is a 50 per cent increase!

THE CHAIR: From two to five it would be, but it is still 40 per cent down on 1996, Mr Hargreaves, when you were around!

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MR HARGREAVES: It is a great idea! A 50 per cent increase—wonderful stuff!

THE CHAIR: We will move on now to 4.2, early intervention programs.

MR HARGREAVES: There is nothing specific about the numbers; the numbers seem to be pretty static. At one stage somebody raised the issue of institutions like the Lanyon youth centre and various other youth centres. I'd be interested to know what relationship exists between the schools and those youth centres in respect of early interventions. Often those centres, such as the one at Lanyon, are where kids at risk of poor educational outcomes and other matters, such as nutrition and whatnot, are revealed.

Ms Gallagher: This probably doesn't deal with this output class. This deals with ages up to six.

THE CHAIR: No. These are only up to six years old.

MS DUNDAS: I thank Mr Hargreaves for asking such a complex question!

THE CHAIR: Mr Hargreaves, thank you for assisting Ms Dundas with that very interesting question, which probably related to a much older age group.

MS DUNDAS: I'm interested to know what is happening in relation to this measure of the number of eligible children attending an early intervention program. The footnote seems to indicate that the measure is just a measure of throughput, which is an increase of 100 on the targets and outcomes as set in last year's budget. May I have a fuller explanation of the number of children using these programs? It is obvious that there is an increased demand. Why?

Ms Calder: Robyn Calder, director, Department of Education and Training. In budget 2002-03 there was a budget initiative which provided additional funding for early intervention programs and that contributes to the higher level of programs and number of places available in that for children. That is essentially the reason we have increased the performance rating from 350 to 450 and there is a measure of the number of children that receive services through early intervention programs in that financial year period.

MS DUNDAS: Obviously that increase in funding was because there was an increase in demand. If you can fill 100 places at the drop of a hat then obviously the children were there waiting for these. Are you still experiencing levels of demand that are not being met?

Ms Calder: The number of children currently going through the program is reflective of the performance measure we have got there. We have no children on a waiting list for early intervention programs at the moment and a small number of vacancies in some programs across the service.

MS DUNDAS: Do you have any analysis of why there was that initial increase or that initial demand?

Ms Calder: In 2002-03 there was some split of services with CHADS going to Therapy ACT. I think there was recognition of the demand that, at that point, wasn't being

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fulfilled and some new budget funding that came in to do that, which allowed us to expand programs in a number of sites.

MS DUNDAS: So what is your relationship with Therapy ACT?

Ms Calder: Therapy ACT provides professional services to early intervention programs. So the teachers and assistants are employed by the Department of Education and Training and the counselling staff, support staff, come periodically to various programs to support the children and families.

MS DUNDAS: This is not just an educational program, though?

Ms Calder: The professionals who come are speech therapists, occupational therapists. They are working with the children, alongside the teachers, to provide the early intervention support.

MS DUNDAS: For children in kindergarten?

Ms Calder: Children from the ages of two upwards. We have children from the age of two in playgroups and from the ages of three in early intervention programs until they either transition fully to mainstream pre-school or they transition into the school system.

MS DUNDAS: So how often do you work in playgroups?

Ms Calder: Playgroups are run at various times through the week.

MS DUNDAS: So the department runs the playgroups specifically for early intervention programs?

Ms Calder: Yes, that's correct. Early intervention units are essentially pre-school programs that we are providing in an intensive way with a smaller number of children so there is a higher student to teacher, sort of children to teacher, ratio.

MR HARGREAVES: You said there are a number of locations. Where are they?

Ms Calder: We have early intervention programs and playgroups north side, south side and central—everywhere from Chisholm, Monash, Richardson, Rivett, Waramanga through to Higgins, Kaleen and Giralang.

MR HARGREAVES: How did you choose those locations, those suburbs, specifically? Just because of available accommodation?

Ms Calder: Two reasons. To try and get equitable access across Canberra, as best we could, and also to look at the infrastructure available to us in existing pre-schools so that we could put together dedicated sites for the use of these children and teachers, given the particular resources and environments they might need—for example, children with autism who need a general level of stability and understanding of what is happening; and we can keep those rooms looking like they did the week before and not have to change them for any other purpose.

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THE CHAIR: Are there any more questions on early intervention programs? If not, we will move on to pre-school education. You do that, too, Ms Calder?

Ms Calder: I do that, too, Mr Stefaniak.

THE CHAIR: Can you, like your predecessor, Jill Farrelly, sing “Miss Polly had a Dolly”?

Ms Calder: Definitely not.

THE CHAIR: Because I was about to burst into song. We won't do that.

MR HARGREAVES: Well, Ms Farrelly doesn't burst into songs.

THE CHAIR: She used to. Ms Calder doesn't want to, so that's fine. Now pre-school education: I see the numbers are slowing. I seem to recall that several years ago we had about 3,900 or 3,800 young people in pre-school education. I take it we are still educating about 90 per cent of that age group in pre-schools?

Ms Calder: There are a couple of factors for the decline. We have had a demographic shift with a number of four-year-olds, which is decreasing, as the minister's early advice in regards to schools. We have had a number of independent pre-schools open up in the ACT in the last little while. Canberra Girls' Grammar School is the most recent of those and has opened a pre-school, and obviously that is attractive to the market that might continue on at that primary school.

Ms Gallagher: And I guess the other issue is child care.

THE CHAIR: How many students would be accessing the independent pre-schools or accessing child care where they also learn what we teach in pre-schools? Could you get that on notice? I don't necessarily expect you to have it now.

Ms Calder: I don't know if we can measure it.

Ms Gallagher: Just children who might be in long-day care or informal care or family day care. There is a whole range of nannies, private relationships. It would be quite difficult to get.

THE CHAIR: Can you give me an approximation? You could probably certainly know how many were in the—

Ms Gallagher: You could probably look at the census to say how many four-year-olds are there in the ACT and then take away how many are attending pre-school and then we'll get to that.

THE CHAIR: That would be actually a very interesting figure, because I seem to have in my head that about 90 per cent go through pre-school. I would be interested to see whether that 3,000—close to 3,700—correlate with that and whether we have still got 90 per cent actually in pre-schools.

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Ms Thomas: We certainly have had a drop from the 90 per cent because of the number of new pre-school programs that have opened and the child-care centres are now employing qualified teachers. So we would certainly have had some drops on that figure, but that raw figure can certainly be calculated.

MS DUNDAS: Does your area or the Office of Child Care actually do a registration process? Who has independent pre-schools and the child-care agencies employing teachers? Are those teacher programs actually monitored?

Ms Thomas: The Office of Childcare licenses and regulates all children's services in the ACT, which includes child-care centres, family day care, school age care. Each of those types of care has licence conditions that they need to meet to deliver the safety, protection and education of the children in their care. Those services are visited around four times a year to ensure that they meet those licence conditions, and where in fact they don't, they are issued appropriate notices to comply.

MS DUNDAS: Just to get it onto the record: that includes independent pre-schools?

Ms Thomas: That includes independent pre-schools.

MR HARGREAVES: Is that your area, Ms Calder? Do you look after that?

Ms Calder: The Office of Childcare has moved into the new Office for Children, Youth and Family Support.

MR HARGREAVES: Do you know if there are teachers at the child-care centre at Brindabella Business Park?

Ms Gallagher: It is not a requirement of their licensing condition for child care to have teachers employed, but that doesn't mean that teachers aren't employed.

MR HARGREAVES: When we license those things, presumably the teaching programs are looked at.

Ms Gallagher: Qualifications are part of the licensing regime.

MR HARGREAVES: I am just wondering what sorts of things we look at in respect of those sorts of things. I wasn't sure whether it had a pre-school component or whether it was just pure child care.

Ms Gallagher: They do have a pre-school component in child-care centres but you don't require a pre-school qualified teacher to teach that. You require—what is it?

Ms Calder: A diploma. A qualified childcare worker at diploma level is the minimum requirement for a pre-school unit in a child-care centre. The other predominant issue is around staff ratio, so that we have the right number of children to the right number of qualified staff in those centres.

MR HARGREAVES: And that the centre is actually physically able to cope with that particular number of kids.

Ms Calder: Physical size of the centre and space.

MR HARGREAVES: And the environment around it, too. I was wondering whether or not that environment which is checked out also includes aircraft noise monitoring. I don't know. We might ask that at another forum.

MS DUNDAS: So what is going to be the relationship of pre-school education with the Office of Child Care now that it will be in a completely different department?

Ms Calder: I think because over recent years it actually has been working quite closely together, there will continue to be a working relationship between both the Office of Child Care, who license children's services, and pre-school education. There are a number of child-care centres that still utilise government pre-school programs. And so at a local level there will continue to be the relationship between the centre and the pre-school program and the teachers involved there. So I am expecting that there will continue to be quite a strong relationship, and certainly that would be of interest to a wide range of the stakeholders involved.

THE CHAIR: How many pre-schools do you have where there are fewer than 17 students?

Ms Gallagher: Quite a few.

THE CHAIR: How many?

Ms Gallagher: I think 10. There are a few.

Ms Calder: There would be a few pre-schools that would have fewer than 17 enrolments in this year. We would have to take that question on notice to get the exact details.

THE CHAIR: If you could.

Ms Calder: But it would be around 10 to 12 pre-schools.

Ms Gallagher: We looked at this last year, because when the census came in there were a number, according to the guidelines in place—I think this could have been in your time, Mr Stefaniak—that should have closed. I took the decision that they shouldn't, pending some really intense discussions with the pre-school community about how to manage what we are seeing now, which is decreasing enrolments, particularly according to demographic change.

So we have got a pre-school bursting with 100 at Amaroo and, say, the Causeway had five or six—really big differences. Many of the pre-schools that had small numbers I felt deserved some special attention because of the role the pre-school played in their community. Some other small pre-schools were in Duffy and I felt that because of the bushfire there was some reason not to just say, "Well, you've got 17 so you've got to close."

THE CHAIR: What about suspension?

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Ms Gallagher: Well that's right, it was suspension. But I think they are the guidelines, that they suspend the ones—

THE CHAIR: Initially, to see if you can build them up.

Ms Gallagher: I wasn't convinced of the rationale behind the arbitrary number. There is an argument that says that when you fall below a certain number a pre-school program can't be delivered because it enrolls particular educational concepts for children like sharing and—

THE CHAIR: That's right—they don't get the same interaction. I think it is 12 or 14.

Ms Gallagher: Yes, that's right. And if you have low numbers, the actual work that the teacher has to do to keep those children engaged. When you have got 14 children working on a project it is different from having eight children working on a project—you have to keep thinking of projects.

THE CHAIR: Yes, that's right.

Ms Gallagher: I felt we needed to have a bit closer look at it and at what point does pre-school education become compromised.

THE CHAIR: I thought there was fairly strong data on that. I think you are right when you say 14. I can't remember if it was 12 or 14 but there seemed to be a fair bit of empirical data indicating that if you do drop below that point the educational outcomes and the social outcomes are somewhat compromised and the children don't get the same benefit, and can't get the same benefit. So you are having a re-look at that. How long is that going to take?

Ms Gallagher: We are just about to commence the review of the strategic plan for pre-schoolers and I just signed off a brief today about that—about a way forward, where I think we do need to have a discussion about how pre-schools may be suspended in the future when enrolments get low and how we deal with that. I just felt in relation to some of those pre-schools that had low numbers that the benefit of having the pre-school option open to those families in those areas outweighed any analysis that the pre-school program was compromised.

Again, only a couple were under 10, from memory. Many of them did cluster around just above 10, 11, 12—so in areas where there were a number of pre-schools that were reduced from running two pre-school programs of 25 classes to just becoming a part-time pre-school, in effect. So I felt that was easier and fairer to achieve that if those pre-schools became part-time. The parents lost a bit of a choice about what stream their children took, what days they went to pre-school, but the pre-school was still in their community. It is a tough discussion. I think it is up there with closing schools or suspending schools. We just needed to talk and to be involved in how we proceed, and I would have to say that I haven't had one complaint about not closing a pre-school.

THE CHAIR: Is that why you have done that minister? You always get a backlash, I suppose, if any sort of school or pre-school closes. I am a bit concerned here that you

have got two under 10—(a) in terms of the educational benefit to the children but (b) in terms of surely there might be alternative arrangements made for those kids to go to the next nearest pre-school; it is almost like providing at government expense private nannies or something.

Ms Gallagher: Well, no. I looked back at what had happened when pre-schools had been suspended in the past and there was evidence to say that even when a taxi service was offered, children didn't attend for one reason or another and that could have been that parents, if they didn't have transport, didn't like putting their children in a taxi to send them off. It was a difficult decision—one that I had many briefings over and discussions with the department—and when I looked at all the facts in place, I hadn't had the opportunity to have a discussions with all of the stakeholders. I want to work forward on a way of agreement with everyone that is involved and to do that I need to have discussions with them.

THE CHAIR: It is difficult.

Ms Gallagher: Yes, I agree it's difficult but that work hadn't been done. The census doesn't come in until September. I think there is about a month period in which you have got to make decisions about teachers and where they are placed, and that didn't allow the time to close the number of pre-schools that should or could have been closed according to the guidelines that were in place.

MS DUNDAS: Minister, a discussion was held in estimates last year when, I recall, this initial decision was made not to suspend a number of pre-schools. Why is it only now that we are actually moving down the path of the review? You are talking today about a moving forward program but you have had an entire year to monitor how pre-schools have been going and what the future will hold.

Ms Gallagher: Yes. The work plan is before me now and I think it will be finalised around November. Those discussions will be had before that. So the discussions about closing aren't linked to the strategic plan that I talked about. I have had some discussions with the pre-school society, individual pre-schools, and the AEU who have been doing a lot of work around pre-school education in Australia and the role that it plays. So they are not necessarily linked. I think some of the discussions with the strategic plan will inform some of the decisions that are taken about pre-school education, but it certainly hasn't been that we have been doing nothing about it.

MS DUNDAS: Well then, what have you been doing for the last year specifically in relation to the schools that were suffering from low enrolments?

Ms Gallagher: This wasn't the subject of estimates last year because the census didn't come in till September and I made decisions about not closing in November.

MS DUNDAS: Must have been annual reports then, Minister. I apologise.

Ms Gallagher: So, as I said, those discussions with me have been happening. A lot of work has been going into the children's plan in the first half of this year, into putting the children's plan together, which again has facilitated some discussion about the role of pre-schools. So, there has been quite a bit of work done.

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MS DUNDAS: Sorry, I apologise, Minister. We must have had this discussion at annual reports and that is why I recall it, which was at the beginning of—

Ms Gallagher: This year.

MS DUNDAS: this year, which is why I was concerned about the timeframe. But you have had now four months to look at this issue.

Ms Gallagher: No, we have been moving on it.

THE CHAIR: You are hardly likely to make any difficult decisions, though, in September just before an election?

Ms Gallagher: Look, I wouldn't necessarily say that. The decisions about pre-schools—

MR HARGREAVES: I don't think you can, Minister, can you? It's a caretaker period. You're not allowed to do that.

Ms Gallagher: Well, perhaps. I don't know how that works, actually.

THE CHAIR: I don't actually think this probably comes up to caretaker provisions.

MR HARGREAVES: It's a major policy decision. I don't think you are permitted to under the act.

THE CHAIR: Well, there is a challenge for you, Minister.

Ms Gallagher: Yes, it is a challenge. The schools that were small I felt needed the benefit of having pre-schools open this year for those families. It wasn't a political move in any way because it was actually what I thought was best for the families using those pre-schools. In some ways, the major concern I had was for the teachers and I sought advice from the department about how the teachers felt about teaching small pre-schools, because it does have an impact on their workload. I also discussed with the AEU as well about whether their teachers would be satisfied teaching small pre-schools, which they were.

THE CHAIR: That is certainly a factor. Could you get on notice for the committee a list of all the pre-schools where there are fewer than 17 kids. Is there anything more on pre-schools?

MR PRATT: Minister, I am looking at a report about the AEU report, the national study into pre-schools, and the good news is that this report says that ACT kids are amongst some of the luckiest in the country because of the high standard of pre-schools here compared to other jurisdictions. But the bad news is that only 79.2 per cent of our kids have access compared to other states. Are you looking at trying to do something in future budgets to increase—

Ms Gallagher: Is that about who has access or who accesses those things? Yes—who accesses—everyone has got access to it; but who accesses? We did just cover this—I am

not sure whether you were in the room. We spoke about some independent pre-schools opening and also the role that child care is playing. Yes, we are doing something about it. We are looking and trialling extended hour pre-schools. At the moment you get 10½ hours a week and it's usually spread over three days—9 to 1, 9 to 1, 12.30 to 3.30. Looking at how that is convenient for families, I think it does put pressure on families who work to actually take their children to and from pre-school. In Ngunnawal or Amaroo there was a trial of a 9.30 to 3 model. It changed over the two weeks—

Ms Calder: So in one week we would actually offer three longer mornings, in the next week we would have only two mornings and the following week it would reverse, so that we would actually get the 10½ hours—21 hours over a two-week period—as well as the longer days that the minister has expanded on.

MR PRATT: And what was the outcome of that exercise?

Ms Calder: Quite positive feedback, particularly over the longer day period; understandably some hesitation from some teachers with regards to whether the children could cope with the 5¼ hours period.

MR PRATT: And they can, can't they?

Ms Calder: But certainly there is a great deal of support for that from parents in particular. We have expanded that program in this year from the two pre-schools to five and that will certainly be one of the discussion points through the development of the strategic plans—whether that would actually meet—

MR PRATT: So the major concern you have found or the major barrier existing is the hours more than any other component of—

Ms Gallagher: I think it is a barrier, particularly for work. I think it is convenient for families that may have a parent at home but some parents are not at home and are working. Many child-care centres around Canberra do offer transport to and from pre-school, if they have three or four four-year-olds that want to go. But, yes, I do think it is a barrier. Also there is the fact that you have to pay for child care while your child goes to pre-school. Pre-school is free. You are asked to pay a voluntary contribution but you are paying for your spot.

I guess some of the idea of trialling longer hours is that if you can have a 9.30 to three day, that might fit in with some other children; or it's more of a whole day and you might not have to pay for a whole day at child care, so you could have two days at pre-school and then pay for three days in child care, and that may have some benefits too. But I certainly think the hours are a barrier.

MR PRATT: Do you agree with the other issue raised in that report about the part-time approach component of teaching in some schools? Do you agree with that finding in the AEU's report, that some teachers are saying that because teaching is a much more casual thing they would be more interested in soldiering on in this business if the hours were longer? Would that improve recruitment of quality pre-school teachers?

Ms Gallagher: In the ACT there have been some issues when full-time pre-schools have

reverted to part-time pre-schools. If they are running two classes or two streams through the pre-schools, that is a full-time pre-school. If numbers decline, particularly below 25, then it becomes one pre-school that teachers may have to teach at different locations in Canberra. I am aware that that has been an issue. Specifically about the hours, our teachers are permanent in the pre-schools so I don't think there is an increased casualisation there.

MR PRATT: Okay. I thought that report was referring to the ACT and the feedback from ACT teachers but I will stand corrected if that is not the case. That's not the case?

Ms Calder: I certainly—

MR PRATT: That's not the case?

Ms Calder: I certainly know that the AEU report you are referring to talks about that issue much more from any other states in regards to—

MR PRATT: So it's nationally as opposed to—

Ms Calder: Yes.

MR PRATT: So it's not a problem here?

Ms Calder: The pre-school teachers we have are permanently or contractually employed by the department, and each year as pre-school sizes vary they are dispersed across the pre-school sector in terms of what their current employment status is. So if we have a full-time teacher and their pre-school falls back to part-time then they are either re-allocated to a full-time pre-school or they have a broader system in the department of education in primary schools that they can be absorbed into in those early years.

THE CHAIR: Do they teach over two sites?

Ms Calder: We have a number of pre-school teachers who currently teach over two sites—for example, where we offer a long-day program on a Monday and Tuesday in one location, we offer it on a Thursday and Friday in a nearby location. So we have a very small number of teachers—I think only two—who actually teach across two sites through the week.

MR PRATT: Two. It's not an issue then, is it?

Ms Gallagher: Ms Thomas has just advised me that the attrition rate in pre-school teachers is extremely low.

MR PRATT: That's good. Just going back to your review on the hours issue, what do you intend to do there? Are you simply looking at how you might better deliver the service or will you leave it up to individual pre-schools to determine their own hours?

Ms Gallagher: No. That is a decision, I think, for the system as a whole. It may be more relevant to have long-day pre-schools in particular areas. There is some quite significant variance between, I guess, pre-schools around the ACT. As I have said, as children grow

up there are high concentrations of young working families in other areas.

But I think it's a decision for the government in the end about how we deal with this across the system. It is relevant in terms of part of the strategic plan because if it was to be implemented in a number of pre-schools, even 20 or 30, then there would be additional costs because there are some staffing costs—you pay for relief, for lunch breaks and things that we don't have now. So whilst we can trial it with a number to see how successful it is, if a decision came to have a policy about this or to change the hours of pre-school to a larger extent or even to increase the hours of pre-school then that would be a decision for government and would have significant costs attached to it.

MR PRATT: When would you intend to finish the trial?

Ms Gallagher: Well, the trial was going last year and, as Ms Calder said, it has been extended this year. But it will certainly feed into the review of pre-schools this year. And whoever might have the honour of having the ministry after November would no doubt take that into consideration for the next budget.

MR PRATT: Of course they would. Thank you, Minister.

THE CHAIR: Are there any further questions on pre-schools? There being no further questions on pre-schools, thank you very much. The pre-school and early childhood people are excused. We will come back at a quarter to four with output class 3, vocational education and training and CIT.

Ms Gallagher: You don't want to come back earlier?

THE CHAIR: All right.

Ms Gallagher: I wouldn't mind getting out just before six. My child care finishes at six. I am only five minutes away but I—

THE CHAIR: I am sure we will do that, Katy. All right, can everyone come back at 25 to four. But only, Minister, if you and Ms Calder sing not only "Miss Polly had a Dolly" but the other great favourite of pre-schools, "Incy Wincy Spider".

Ms Gallagher: I am quite well versed, as most parents are.

Meeting adjourned from 3.21 to 3.35 pm.

THE CHAIR: We're now discussing vocational education and training services, output class 3.1. People should also have regard to the statement of financial performance on page 359. We will start off with a few questions. What percentage of vocational education and training programs are now provided by private training providers, Minister? Would you state your name please and the capacity in which you appear?

Ms Houghton: I am Anne Houghton, director of training and adult education. The number of programs can change daily. If you look at the national training information service, you will see that there's a huge range of courses and people coming in and out of them. What we can provide for you, as of today, is detail of the curriculum hours—that's

one measure—but what I think you're looking for is that we have 100 registered training organisations. If you count government departments and instrumentalities you're really looking at about 60 private training providers out of that 100, so they have that percentage of the business.

With apprenticeships and traineeships, for example, the major provider provides most of the apprenticeships, but a fairly low number—round about 19 per cent—of the traineeships, so it's a mixed bag. I'm happy to take a question on notice but you have those parameters.

THE CHAIR: If you could.

Ms Houghton: As I said, it changes daily, depending on your definition of what is private or public, and what area you're talking about—apprenticeships and traineeships or courses and hours. I'd be very happy to find that information for you, Mr Stefaniak.

THE CHAIR: Thank you. How much is allocated to contestable training hours this coming financial year?

Ms Houghton: The user choice area has had an injection of \$2 million this year and each of the next three out years, so we're looking at a demand-driven system running at between \$8 and \$10 million. It is all contestable.

THE CHAIR: What's the break-up of figures at present? How much of that contestability is run by, say, the CIT and how much is run by other providers?

Ms Houghton: It does vary depending on the invoices. In the latest figures that we have the accounts for, out of about \$8 million, CIT gets \$4 million out of the user choice funding. But it varies with accounts and we've had quite a few large bills come in at the end of the financial year. The private training providers collect, on average, 25 per cent of the user choice funding, CIT about 40 or 45 per cent, depending on the money, and the others are groups like emergency services and other government departments. They can be classified as private training providers, which they are as registered training organisations, or as government instrumentalities.

THE CHAIR: Right.

MS MacDONALD: Regarding the funding, you've got \$8 million in the increase in the take-up of traineeships and apprenticeships, plus the \$1.5 million all up over the next four years. That's an additional \$9.5 million in the next four years. Have we had that amount of funding going into traineeships and apprenticeships previously?

Ms Gallagher: I don't believe so. This is an increase to meet some of the demand that we're seeing in take-ups.

Ms Houghton: It has been a difficult year to budget for, when we're trying to manage the crest of a wave. We've had to look to our administrative budget. We've had to seek some cooperation from our providers, to get the accounts in and absolutely accurate. I've had to go back to the department and, in his time, Trevor Wheeler increased TAE's allocation to cover the increase in numbers. We have been managing cash for the last

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eight weeks. I'm hoping to bring it in on time but, if you get an invoice that you don't know about, it's very difficult to say that we are doing exactly this amount of business for this much money.

However, I think that most of the \$2 million allocation will go to directly funding the training of apprenticeships and traineeships. I think I'll be in a much better position to answer your questions next year, and not doing this moving money and trying to watch it on a weekly basis. We're actually having weekly budget meetings at the moment.

Ms Gallagher: There was a problem when we weren't meeting some of the targets set under the ANTA agreement. There was a range of reasons for that, about which you'd know more than anybody. The ACT government put a lot of effort into promoting apprentices and traineeships. It's worked very well. We have the growth money and more, and we need to meet that demand now.

MS MacDONALD: I've noticed in the last few days—in fact, since Friday, when you were last here talking about education, Minister and Ms Houghton—that there's been a bit of a change in the ads that you have been running on television for the new apprenticeships. Those ads have been going for a while, and maybe they were saying this beforehand, but I noticed in the last few days that they are making the comment quite explicitly in those ads that the federal government is paying for the training. Do you want to make a comment about that at all?

Ms Houghton: That isn't true, if you use the narrow definition of training. What the Commonwealth does is pay for the employer incentives, which do get people into the market. It makes the space for the young people to get a job and then we pay for the training. You might say that the ANTA funding provides some of that money, but certainly the Commonwealth doesn't pay for the training as such. It's ACT government money in the main that's paying for the training, through training and adult education branch.

MS MacDONALD: If you calculated a proportion, how much would the federal amount be, with this new allocation of funding, versus the ACT amount? Are you able to give me that?

Ms Houghton: I think that I'd better take that on notice, because whether I include CIT—

Mr Donelly: Ms MacDonald, are you speaking specifically about the extra \$9.5 million over four years?

MS MacDONALD: Yes, but more about the \$8 million than the other \$1.5 million—for the traineeships and apprenticeships.

Mr Donelly: My understanding is that that money is entirely funded by the ACT government with no Commonwealth contribution. The only increase in Commonwealth contributions we expect for ANTA funds is in relation to indexation.

MS MacDONALD: Okay.

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MS DUNDAS: One way that the ACT government supports people taking on trainees and apprentices is through payroll tax refunds. Treasury has taken my question on this on notice but there's a footnote on page 93 that I'll draw your attention to.

Ms Gallagher: Of BP4?

MS DUNDAS: Yes, and I note again that Treasury has already taken this on notice. The note refers to the fact that a large number of requests for training and apprenticeship wages were found ineligible for a payroll tax deduction, and so Treasury managed to hold onto a lot more money than it first anticipated.

The reasons for that are yet to be discerned but it seems to indicate that, if we have businesses being found ineligible for training and apprenticeship wage claims on payroll tax, they've obviously done something wrong. What kind of information is provided to employers about the benefits they can access and how they can make sure that they access those benefits in the right way?

Ms Houghton: It is an arm's-length role for the department because this sign-up is done by the new apprenticeship centres. These are funded by the federal Department of Education, Science and Training. Although we have a memorandum of understanding so that we don't contradict each other and don't go onto each other's turf, that area of the business is done through the new apprenticeship centres. They organise the subsidies and give the information directly to the employers. They do seem to have very good brochures and leaflets.

I would be happy to research that matter and get a copy of those to you so that you can look at that payroll tax exemption information. What I've read is that it's quite up-front and available on application. It's a surprise to me, I have to say, that people are ineligible. It might be that the New South Wales group training-type companies working in the ACT may not be eligible. It's not something that's come to our attention. We certainly haven't been asked to do anything about it.

MS DUNDAS: So what support do you then provide employers?

Ms Houghton: The Commonwealth provides all the incentives and they range from just \$1,000 in some cases up to \$5,000 or \$6,000 if they're taking on a young indigenous person or a disabled trainee or apprentice. It's not a fixed amount that depends on where the funding is going. Where the Commonwealth is trying to encourage traineeships, incentive innovation payments are made. It's quite a complex scale and it's on the web.

Ms Gallagher: There has been quite a bit of work done nationally to streamline and improve the employers' access to information about and their understanding of the entitlements/subsidies that exist, because there was feedback that the information available can be confusing to begin with. In fact, there are a lot of online resources now. There was a website launched—yes, training.com. I've got a backpack with that on it. It is a very good website to look at if you're an employer. It takes you through some very easy steps—I found it easy anyway. So there is acknowledgment at a national level that more needs to be done to assist understanding of the options that exist and the subsidies that are paid.

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MS MacDONALD: Regarding the VET report—the Assembly’s inquiry into vocational education and training and the government’s response to that—would you tell us how the implementation of those recommendations which the government agreed to are going and how much of that is being drawn on?

Ms Houghton: Certainly. After the report, we noted all the recommendations and set up a working group to go through them. We’re working under the auspices of the Vocational Education and Training Authority and we report to the authority on progress every month or every meeting—we had one last week. Well over half are completely finished. We have a draft report for the annual report. We’re working under that sort of format.

We’re really pleased with the things that are in progress. You would recognise that a lot of the things that were recommended had already been put in place by the time we got the report. From my point of view, probably three or four recommendations won’t be completed by the time we have to report in the annual report.

MS MacDONALD: Which three or four?

Ms Houghton: One of those is that we want to have a more client-friendly entrance to training and adult education. We’ve had several lots of plans drawn up but the department has other pressures. The funding that was, I understood, to do that has had to be reallocated to do the Swanson Plaza work for the child protection workers, and that’s a higher priority at the moment. We’ve had an area allocated to our court unit which requires a secure entrance. My staff aren’t qualified to deal with the clients who could come to the court unit, so the court unit is going to have to stay closed and locked up, so we’ve had another set of plans drawn up.

We’ve got the painting, we’ve got the furniture and there’s the will to do it but, with the setbacks and the variations that we’ve had to address over the year, I don’t know that I’ll be able to put in the annual report that we have that friendly, open access that we’re looking for.

MS MacDONALD: Yes. I think that’s something that we can all understand and probably all live with, as long as we know that it’s going to happen. It was a very strong recommendation of the report that there be something other than just a telephone with a list of numbers next to it for people when they walk in. Whether they are employers, apprentices, trainees or somebody trying to get information generally, they need to see a face.

I know that this information will be in the annual report but we won’t be getting the annual report for a few months yet.

Ms Gallagher: I have a suggestion. When we report back about the implementation of the recommendations of the status of women report, we do that periodically and we put it up on the web so that people can track the implementation. Perhaps it would assist if a similar sort of a tracking were provided for this report.

MS MacDONALD: That would be helpful.

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MRS BURKE: Minister, or a member of your department, I note the total number of hours under programs available for competitive purchase. You may need to take this on notice or, forgive me, the information may already be somewhere here, but what are the current programs that are available for competitive purchase and what courses are not included in that? Given the increase in 2004-2005, does that mean that there are more programs? Can you explain that a bit?

Ms Houghton: What I could do is give you the broad approach: we fund what our research tells us is needed for the territory. Every six months, we collect the data from the ABS, Treasury, the national system and the very good information that comes from the Commonwealth. We put it together in this half-yearly outlook, which guides the Vocational Education and Training Authority as to the areas that we need to fund. It's not everything that we fund, but it is a very comprehensive list of skill shortages that should be covered.

We haven't yet had to take any qualifications off the list. We are funding what is in the half-yearly outlook as an area of need that was requested by employers and employees. It's very comprehensive, covering something like 800 qualifications. I'd be happy to get you that list.

MRS BURKE: Would that be somewhere in the annual report? I'm wondering what you're going to be providing in the current 2004-2005 year.

Ms Houghton: It's a little bit fluid to put in the annual report, but do you want a total number of qualifications or do you want a breakdown?

MRS BURKE: I'd just be interested in the categories of programs that you've classified as available for competitive purchase.

Ms Houghton: Yes. It is very comprehensive.

MRS BURKE: You've talked of skill shortages and I presume that includes emerging and new industries and so forth?

Ms Houghton: Yes.

MRS BURKE: Can you expand on the increase there and your rationale behind that target a little?

Ms Houghton: Some areas need more support, need a push and have higher costs because of they are starting off, and they're usually funded by what we call our special purpose programs. That is one of the criteria for accessing that additional amount of money.

Again, it is competitive but it is not restrictive, as you might find user choice funding is. It gives us the flexibility to pay more to develop the area we want to get into to support the equity groups, so it's a two-pronged approach. We've got the skilling—ACT money funding a very wide and inclusive apprenticeship or traineeship program—and then we've got the special purpose programs, which we can use in more targeted fashion. It is a proper competitive process done under the procurement guidelines.

MRS BURKE: Again, you'll be able to give me a bit of a breakdown of that?

Ms Houghton: Absolutely. That will be on the web, but I'll just check for you.

MRS BURKE: If there's a web link, I'm happy to do my own research. I have one more question. I hope that you will be able to give me more of an explanation of the rationale for the change in measures on BP4, page 360, between "Number of training commencements under programs available for competitive purchase" and "Total reported number". At note 4 you've given a short explanation but I wonder if you can give a bit more of an insight into how that came about. What pushed you to make that new measure?

Ms Houghton: Probably the biggest push was self-interest. We had commencements that were reported to us.

MR HARGREAVES: It works for me.

Ms Houghton: That's right. We had commencements that were reported after the close-off period for the report, so we've made it that we can report the real activity, not just the activity that happened to hit our desks at that particular time. We're hamstrung in our reporting by the National Centre for Vocational Education Research. They audit our figures. We must collect data in a common way across Australia.

MS MacDONALD: Sorry, was that NCVET?

Ms Houghton: Yes.

MRS BURKE: Have they driven the change in this measure? Or is it self-interest or both?

Ms Houghton: It's self-interest, in that we didn't feel what was happening was reflected in the numbers, so we looked at it. No change is detrimental. It's being able to capture the activity accurately.

MRS BURKE: So it is a more transparent and hopefully a more accountable measure?

Ms Houghton: Yes, absolutely.

MS MacDONALD: Regarding Mrs Burke's first question about the six-monthly outlook, you get information from a number of sources. Is one of those sources still ACTETA?

Ms Houghton: Yes. We've just finished that first round where they've done the training needs analysis. We have a draft. It still has the word draft on it. There's a process in which we have to go back to the executive officers who supplied the information, just to drill down or to clarify any points. In fact, I was at the ACTETA meeting last Thursday and we all agreed that it was a good report. We can finally see that this information is matching up with the hard statistics we get from the AVA and from the Commonwealth. It's a two-pronged approach: you have the hard facts and then you have the

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on-the-ground, real ACT information coming through ACTETA.

MS DUNDAS: I was going to ask you about the training pathway guarantee initiative. How is that going to be delivered?

Ms Gallagher: I will talk in general about the initiative. It's going to be offered to any year 12 school leaver, so it's targeted at people who have finished year 12 who don't go onto further education or training. It will be available to them for six months after they leave school.

MS DUNDAS: You have to complete year 12?

Ms Gallagher: That's the idea, because we don't want to be attracting young people away from doing year 12 by offering it at year 10.

MS DUNDAS: So year 10s won't necessarily be eligible?

Ms Gallagher: That's not to say that, if there were an exceptional circumstance or an individual who really would benefit from an option like this, the department wouldn't consider that.

MS DUNDAS: I'll let you continue, but I need to clarify what you've already said. Completing year 12—does that mean obtaining a year 12 certificate?

Ms Gallagher: Yes. They've left school in year 12.

MS DUNDAS: Okay, so it's quite possible that they've done year 11 but they haven't finished year 12?

Ms Gallagher: Yes, sure. I don't want to have a system that sort of attracts people away from finishing year 12. The ideal is that they would have a certificate. They don't have to have a university admission but—

MS DUNDAS: Yes, there is a difference there.

Ms Gallagher: Yes, but it would be ideal.

Ms Houghton: We started with an idea—and it came from the statistics—that there were 200 or 300 missing in our count of the year 12 leavers. Some go to university, CIT and into traineeships and apprenticeships, and we can count them. We all know that some go overseas and do a gap year, so best estimates were that there were 200 missing. We've really dug deeper and what we think we need to do is a destination survey three or four months after April of the year that they finish year 12 to find out what has happened to some of those.

What's coming out is that we will probably pick up the disappointed: not those who are at risk but those who perhaps did not get into university or graphic design, and have been so disappointed that they've dropped their bundles and are at home doing video studies.

MRS DUNNE: Yes, I relate to that.

MS DUNDAS: Whose parents let them do that?

Ms Houghton: That's right. Or the marginally employed—they have enough employment so that they don't feed into the very many programs that are available for youth at risk or people who have been registered for three or four months.

We think we're looking for that small group and we feel that, by doing this survey, we'll be able to offer them—we can't compel—a range of training providers specialising in this area. They've told us that they'll be offering courses that will assist if people need life skills. If they've totally lost their confidence, they can have a life skills course. Maybe they need pre-employment skills: now that they're not going to do this, perhaps they could go into the building industry, but they need some pre-apprenticeship type training to then get into accredited training.

This program will give us more flexibility for an area that we really haven't researched in the past. I'm quite excited about this program and our training providers are too. We'll put it out to tender and experts will be doing this training.

MS DUNDAS: Will it all go to tender as one lot?

Ms Houghton: It will be a select tender for people who are expert in providing this sort of counselling and assessment, and then channelling people into training.

MS DUNDAS: I'm sorry. I meant will the training component, the vocational courses, be tendered out?

Ms Houghton: I've got a diagram: to my mind, we have to capture or collect the information. We have the destination survey, the youth centres and anywhere we think we could find this marginally employed or disappointed group of students. We have a process of getting experts to do the assessment and we'll be paying for that assessment. That involves looking at their training needs and putting them into the right programs, because you can't just say—

MS DUNDAS: So the training of every individual will basically go out individually to tender, whether or not that's at CIT or with another RTO?

Ms Houghton: That's right.

MS DUNDAS: Sorry, that wasn't clear to me.

Ms Houghton: Sorry. We think there are seven or eight training providers that can do the assessment and channel people into the right training for their particular needs.

MRS DUNNE: That hits a chord with my personal experience. How do you tap into the people who are doing video studies?

Ms Houghton: We are looking to do a ring around, eventually, of every year 12 student. However, that's a very expensive option so, in this year, what we'll do is exclude those who are offered a UAI, exclude those we know are at CIT or in traineeships, and then we

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are going to ask the Board of Senior Secondary Studies to facilitate ringing the young people at 6 o'clock at night and talking to them in the form of a destination survey.

MRS DUNNE: "What are you doing now?"—that sort of thing?

Ms Houghton: Yes, and "Do you know that you can access this range of providers that we've set up specially for you and it's a one and only opportunity?" That's the thought at the moment.

MRS DUNNE: I think that's very commendable.

MS MacDONALD: That'll be the point at which you discover whether or not they need to do some sort of communication course as well.

Ms Houghton: Absolutely. It can be just a confidence thing.

MS MacDONALD: Sorry. A serious question about it is, though, will they still be eligible to do it if they have, say, part-time employment in Woolies? There's nothing wrong with stacking shelves at night-time, but it's not necessarily what you want to do for the rest of your life.

Ms Houghton: Exactly, but there are a lot of training opportunities in places like Coles and Woolworths and the fruit and vegetable managers are probably paid more than all of us.

MS MacDONALD: I'm not talking about people who are doing a traineeship through Coles, Woolies, Myers, David Jones or any of the large retailers who do have retail traineeships available. Those people wouldn't be isolated anyway because they'd already be in the system going through a traineeship, so you'd be able to exclude them from the beginning. However, those people who are doing 10 hours a week stacking shelves in order to pay board to their parents would be eligible to go through this.

Ms Houghton: I haven't got the rate yet. We haven't worked that out, but I think that marginal employment, as you said, is enough to keep the parents quiet—

MRS DUNNE: Off your back.

Ms Houghton: but the students are not progressing. We do think it will be the marginally employed who will benefit.

MS DUNDAS: The economic white paper talked about this in some detail as an initiative to provide support to all school leavers and guarantee that there would be 12 months of vocational work available. While this is a very commendable initiative, it doesn't appear to live up to the promise in the economic white paper, which was a lot broader and dealt with everybody.

Ms Gallagher: This is drawn from the economic white paper. It is the first year but, on the evidence with which we've worked, this will provide support. There are a lot of variables in determining this group. It is meant to be a safety net for those young people who will be eligible. Our understanding is that this will allow for the young people we're

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trying to target to have access to training.

As I and Ms Houghton have said, though, this is an area that hasn't been very well researched in terms of exact level of need, so we are working with some presumptions whose accuracy will be demonstrated as this program is rolled out. The funding that's been attached there is as appropriate as we can get it to ensure that that group of 200 to 300 has a place.

MS DUNDAS: In terms of the implementation of the economic white paper, we might have to wait another few years to see how this is operating before it is expanded further?

Ms Houghton: It was difficult to find this niche. If young people register as unemployed, as soon as they've been on that list for three months, they have access to a wide range of training. We didn't want to duplicate Job Network. We found Job Pathway, through which, if people were found to be at risk while they were still at school, they became immediately eligible for training and mentoring. We looked at the youth at risk programs and found a report that says there are about 111 youth at risk programs so, though this might look very small, it's plugging the gap that we could find in the current arrangements.

MS DUNDAS: I very much appreciate that that is what this is doing. I think we all agree this is commendable and I don't think it should change. It's just that the economic white paper was looking at something a lot broader that wasn't just plugging the gaps, it was providing this to people who might have had other opportunities as well. That was about diversifying the skills base so that even those who were getting UAI's, but weren't necessarily seeing university as the best option for their skills, were able to access some kind of training to support themselves.

It's more of a question about what the economic white paper was talking about than what this program is talking about. Do you see it as one part of what the economic white paper was promising, the first step, or something altogether different?

Ms Gallagher: I think it's a first step.

Ms Houghton: You'd be surprised at how much is out there for young people. If we can just find them, there is an enormous range of very highly qualified people ready to take them on in training. We believe that this is the only area, the only small group, that really does not have access to training after leaving school.

MS DUNDAS: Then maybe the economic white paper was selling something that didn't exist.

Ms Gallagher: I don't have the words in front of me.

MS DUNDAS: Neither do I but—

Ms Gallagher: I'd like to look at the words because there is a training guarantee for many young people in Canberra with the options that exist. There is not a training guarantee for a particular group and that's what we've been trying to provide. It's not at all inconsistent with the white paper.

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MS DUNDAS: Well, then the white paper was making a promise to deliver something that was already happening. That might be the other concern.

Ms Gallagher: The commitment was to ensure that everyone had access to training, which is what we're doing.

MS MacDONALD: Would it be possible to get that consolidated list of the programs that already exist, and the paths that they take, from your assessment? I think this applies to any government: governments have programs in operation but getting that information out to the wider community is always a struggle for everybody. If we could get the consolidated list—

Ms Gallagher: Are you talking about job—

MRS DUNNE: The range of pathway options.

Ms Gallagher: Yes, okay. Ms Houghton's taking on quite a bit of work here. I'm starting to get nervous that she's going to be doing a lot, but if that's easily accessible—

Ms Houghton: Do you mean programs, for example, Job Network and Job Pathway?

MRS DUNNE: Yes.

Ms Gallagher: The career education initiative funded in last year's budget is also pulling together a lot of that information. They're about to have a conference which people have had a flyer about, so perhaps we can draw on some of their information. I got a flyer in my email today.

MS MacDONALD: I don't know. I don't know what's in my email any more. Ms Houghton, I thought you might be able to have that at hand because you had been looking at it in terms of where you needed to plug the holes. If it's going to add a huge amount of work, I'm not looking to do that.

Ms Houghton: A lot of the research was done for the youth consultation paper.

MRS DUNNE: I'd really like to see the list that you're compiling because my experience is that governments create programs and somebody else comes along and says, "What we need is a program that does this," and you end up with a whole lot of programs with slightly curtailed eligibility criteria, and then you've got gaps that you have to plug. After every five or 10 years you have to go back and say, "Let's start from tors and build them up again."

Ms Gallagher: Yes, I understand.

MRS DUNNE: In a former life I went through this process in the now non-existent Commonwealth Employment Service. We got to the stage of saying, "Let's implement this," and everybody went, "But that might look like we're taking away programs." So they didn't do it.

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Ms Gallagher: The problem is that, once you get a diversity of options, to consolidate back means that someone loses out.

MRS DUNNE: You have to make sure that people know that they're not losing out.

Ms Gallagher: Yes.

MRS DUNNE: There are hundreds of programs that people might access. Sometimes you might go looking for a program and think it's too difficult and that you can't do it, whereas one or two programs that are flexible might better serve people.

Ms Houghton: That's why we've put in an assessment component and we're paying for one-on-one assessment. If these people identify that yes, they'd like to take this offer up, the first step is an assessment because they obviously haven't been able to do it on their own and they need professional help.

MRS DUNNE: Sounds like a program I designed at the CES about 12 years ago.

THE CHAIR: Mrs Burke, you've been waiting there patiently.

MRS BURKE: Thank you, Chair. Under quality/effectiveness, Minister, while 80 per cent is not bad, obviously there's room for improvement. We are looking at three categories: apprentices satisfied, employers satisfied and users of accreditation. It's a three-part question. What are you doing in each of those categories to ensure a better output? I am concerned about the outcome for people on apprenticeships and traineeships when they end up being people in business. What are you doing to improve satisfaction with those outputs?

Ms Gallagher: I can answer in general. As you know, Mrs Burke, a lot of effort goes into the quality assurance of the training that's provided and into monitoring that training. Considering the numbers going through, there will always be a percentage, of both apprentices and employers, that may, for one reason or another, be unsatisfied with their training or their apprentice or with the fact that apprentices are taken out of the workplace when they are needed in the workplace to do their training.

There's always going to be an element that will have an impact on those satisfaction targets. The third measure of quality has been raised because of improvements in this measure. All of us would like to see it higher than 80 per cent, but 80 per cent is still pretty good.

MRS BURKE: Yes. Apprentices talk about their satisfaction, or otherwise, with their training; employers talk about the outcome of that training. There's obviously an intrinsic link somewhere. What are we doing to rectify training to industry? What is it that we could do better that we're not doing now? Have you already identified that, or are you in the throes of doing so?

Ms Gallagher: In my dealings with industry and training organisations in the ACT—and many of them are the same; I mean, employer associations would be providing the training—I have seen that a lot of cooperation goes into the discussion of needs in training. Industry likes to see more training modified to accept that input, if it's

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legitimate. There seem to be very close relationships between the construction industry training council and the building training industry fund, and the MBA and the HIA, in terms of talking about needs and what the training offers.

MRS BURKE: Do you think they're keeping pace with legislative requirements? Is the training perhaps not keeping pace with legislative requirements?

Ms Gallagher: I'm not aware that it's not. VET is a very flexible system, where training can be adapted quite quickly. In some ways a criticism of the growth in VET is that it has happened so quickly. But we've got some new legislation in place—not that new now. So, unless I was given a specific example, talking in general terms, I couldn't say that it hasn't kept pace.

MRS BURKE: It was just an observation. We often see business moving ahead much more rapidly than training and educational arenas can keep up with, because of the nature of the beast. I realise that it's hard to have a crystal ball saying what training is needed.

Ms Houghton: There have been some good examples. We're very fortunate in Canberra that we know each other within that sort of regulatory training environment. In fact, with the new security regulations, they actually came and spoke to us first. We showed them the training package, so we were able to get that written up so that it can be implemented within existing training funding. So that's been a good thing. We've been speaking with people from the real estate area. Again, it's a small town. People know, for example, that regulations for cleaners have an impact on training required at the certificate 2 level.

I hope we have been consulted on where we need to be consulted. In the last 12 months I've got three examples of where we were consulted before there were changes to requirements and we were able to match the training. We use some of the money from that fund that I told you about—special purpose programs—if we need to get those qualifications to workers.

MRS BURKE: Are the industry training advisory boards still a useful conduit to that process?

Ms Houghton: They certainly are. They're the ones that came to us with the idea. Real estate, cleaning—all those came through the ITAB work.

MRS BURKE: So they've come back into their own again, as it were?

Ms Houghton: They never left.

MRS BURKE: They had a wobble there for a little while.

Ms Gallagher: They lost all their Commonwealth funding; that's what the wobble was.

MRS BURKE: We won't get into that debate now, Minister. Following up on quality/effectiveness, Minister, you talked about process improvements in relation to the percentage of satisfied users of accreditation and registration services. Can you tell me what some of those process improvements were?

Ms Houghton: That is my former area. So, if I may—

MRS BURKE: How did I know that, Anne?

Ms Houghton: That's right! There have been spectacular results. The service they're doing is auditing training providers against national standards. It's a compliance audit, and the people are saying that they are satisfied with the way it's done, that they think it's necessary and that it's raising the standards. On those three measures, it's outsourced—it's not my office ringing up and asking those questions. We put it out to tender, and it's done totally independently, by telephone. So, when you think that we actually don't deliver the training and that our measure is the quality of the training and the satisfaction with the training, it's an excellent result.

MRS BURKE: Self-praise is every recommendation.

Ms Houghton: Absolutely!

MR HARGREAVES: Especially when you're right.

MS MacDONALD: Ms Houghton, there's been ongoing discussion within the sector, and I should preface my question with that comment. I note that under the quantity measures where you've got the number of training commencements, the measure has been changed but you're increasing the target. Do we keep any data on the number of traineeships completed?

Ms Houghton: Absolutely. It's audited by the NCVET. We have commencements, which are a very rough figure because a lot happens: young people don't like the traineeship or apprenticeship and they don't go on with it. We have an in-training number, which we monitor quarterly and are audited on, and then we have a completion number. The completions are something we would like to improve, but you're dealing with young people, and the middle of a second year of an apprenticeship is a very hard time for young people. Even with the best encouragement they often intermit.

THE CHAIR: They what? What do you mean?

MS MacDONALD: They attend and then they don't attend.

Ms Houghton: They want to move around and stop. They change employers, so they have to have a new contract. So the commencements look quite bad sometimes, but often they tell a good story. Trainees might have had three stop-and-starts, but they often come back and finish. I would say completions are our biggest challenge but, given the market we're working with, we do pretty well.

MS MacDONALD: Is there a consideration to put the completions rate in the performance measures?

Ms Houghton: The minister might want to consider it, but it's a fluid, uncontrollable measure. I don't really see that it reflects the performance of the department.

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MS MacDONALD: Well, that's true.

Ms Houghton: I'm not shying away from my responsibilities in that, but it is down to the young people and their employers, and it's quite a dynamic relationship.

MS MacDONALD: I don't think you include the completions in the annual report, or do you?

Ms Houghton: It's just raw numbers, but they're audited, NCVER figures, which you can get from the NCVER print-outs that come out and are published every year. It's probably better that they're not reported singly. We're seen in the context of the other states and territories, and we more than hold our own.

MS MacDONALD: I know a program was being run by ANTA in the last couple of years to get people to stick with it. In fact, it may even have been three years ago, when I was still working in the sector. In what other ways do you encourage people to stick with their traineeships and apprenticeships and their training generally?

Ms Houghton: The registered training organisations are our main strategy because they support the young people and deal with the reality of a young person's situation. We rely very heavily on the registered training organisations. We have some wonderful people at training in adult education. If a young person rings up and says that such and such is happening in their workplace, I really hate it. We've got the networks; we'll try and find them other apprenticeships.

You can ring up the ITAB network and say, "Great kid here. Want to keep him in the trade. What can you do?" It's a real community, which does try to support young people. But if they've made up their mind that they don't want to be a motor mechanic any more, you recognise that that's it and you can't change their mind. You just say, "Well, you know what you have to do. Sign off the form," and they go in as a non-completer unfortunately. But there's a story behind every statistic.

MS MacDONALD: Yes. It's not meant as a criticism at all, and I hope you realise that. I know that there are lots of issues and there is a story behind every non-completion.

THE CHAIR: Any further questions on 3.1?

Ms Houghton: Could I just say one more thing? I have missed telling you something. Very recently, we've been giving RTOs a completion payment for the extra work they've been doing to increase our completions.

MS MacDONALD: That's certainly a big incentive for the RTOs to keep people in.

Ms Houghton: Yes, we're constantly looking at it. That is really something that I should have mentioned. It's a new initiative: a completion payment.

THE CHAIR: Mrs Burke, you have another question.

MRS BURKE: I am interested in the general overview of how user choice arrangements are going within the sector.

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Ms Houghton: We're very pleased with them—in fact, they're wicked, wonderful!

MRS BURKE: See: self-praise is every recommendation again.

Ms Houghton: You've got the numbers, haven't you?

Ms Gallagher: No, I've lost those pages.

Ms Houghton: Do you want to hear the good news? This is fantastic.

Ms Gallagher: I've got them now. These are the numbers that have increased. We've had an increase from 4,100 in March 2002 to 6,096 in March 2004 in the number of new apprentices and trainees. Those figures are really good. The increases—and I think we've discussed this in the Assembly, Mrs Burke—have been in automotive, building and construction, business and clerical, communications, community services, health, education, finance, banking and insurance.

MRS BURKE: So the Commonwealth/territory advertising is working then?

Ms Gallagher: I think so. It's going very well.

MS MacDONALD: There have been a number of changes in the way Training and Adult Education is set up. Can you provide an organisational chart of how TAE is divided up these days and who's got responsibility for what?

Ms Houghton: We've got a wonderful website, which has greatly improved. You'll find it on there, but I'm happy to send it.

MS MacDONALD: I'm happy to go and look at the website if it's on the website.

THE CHAIR: Anything else?

MRS DUNNE: Just briefly, Mr Chairman: I think the award for the candid answer of the session goes to Ms Houghton.

Ms Houghton: What did I do?

MRS DUNNE: We appreciate that it was mainly self-interest. We do appreciate it.

Ms Houghton: I need counselling, I can tell you.

MRS DUNNE: No, it was refreshing.

MRS BURKE: That's good. Honestly.

THE CHAIR: That's excellent. Congratulations, Ms Houghton, on getting the candid answer award. You join a dynamic duo from ACT Forests with the two awards given by the committee so far, so you should feel truly honoured.

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Let's move on to output class 3.2: Canberra Institute of Technology. Officials who have got nothing to do with this but had things to do with 3.1 and are no longer required by the minister are excused.

MS MacDONALD: Thanks for all the time you've spent here. Minister, does Ms Houghton need to stay for this bit?

Ms Gallagher: No, it's to do with the CIT.

MRS DUNNE: So it's output class 3.2?

THE CHAIR: Yes, output class 3.2.

Ms Gallagher: Which is CIT.

MRS DUNNE: Which is CIT.

Ms Gallagher: Yes, but it's purchase of VET services.

THE CHAIR: CIT is also in BP4 on page 485. In addressing your comments, we will deal with output class 3.2 on page 361 concurrently with the CIT statements on page 485. I've got a question in relation to the output class, under timeliness, on "Results for completed students entered onto the Institute's Student Information Management System within 8 weeks of the end of Semester." 98 per cent drops down to 92 per cent, and then it's up to 98 per cent. Note 1 reads:

These targets have been revised due to the impact of the 2nd Appropriation Act and 3rd Appropriation Bill.

Similarly, the note to the next results of completed student studies entered into the management system within eight weeks says that it's been reworded to incorporate more accurate terminology. Your target for 2004-05 is again 98 per cent. Are you confident of meeting that, given that it was only 92 per cent and 95 per cent, respectively, this year?

Mr Veenker: My name is Peter Veenker. I am Chief Executive, Canberra Institute of Technology. We've just completed the annual report for the last calendar year, and we were operating at about 93 per cent. The target of 98 per cent will stretch us, but I think it's a worthwhile target.

THE CHAIR: In both instances? For the second one you've got an estimated outcome of 95 per cent. How's that travelling?

Mr Veenker: At about the same level.

THE CHAIR: 93 per cent?

Mr Veenker: No, about 95 per cent. Again, the target has been increased dramatically based on previous years, but they're worthwhile targets in terms of responding to student need. Therefore, we're quite happy to try and achieve those.

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THE CHAIR: Last year it was 87 per cent and 95 per cent, respectively. The bottom one was the same—87 per cent, which was the estimated outcome—so you’ve improved on last year.

Mr Veenker: Yes, and we think we can continue to improve.

MRS DUNNE: Targets are something to aim at.

THE CHAIR: Yes, that’s true. It’s good to see you’re aiming high, Mr Veenker. Any other questions initially on 3.2?

MS MacDONALD: I will direct this question to the minister, and she can decide where it needs to go. Under the quantity measure, in relation to the “Number of annual student curriculum hours purchased from CIT”, the target for this year was 3,735,000 hours. The estimated outcome actually exceeds that by 50,000 hours. Then the target for “Number of course enrolments by students publicly funded” was exceeded. That was 13,960, and the outcome was 14,800. The targets for 2004-05 are the same as they were for 2003-04, which were exceeded, and the same thing happened last year, in that they were exceeded last year for both—

MS DUNDAS: By 65,000.

MS MacDONALD: Yes. Why haven’t the targets been increased?

Mr Veenker: I’m happy to respond to that. The targets are very much in response to what is purchased in terms of the expected overall training that we would like to service in the ACT. By the same token, we can’t predict the last amount—exactly how many students are going to turn up. Wherever possible we will stretch the boundary. On the calendar year that’s just concluded, we went over by one per cent. You’ve got to have some tolerance in terms of the overall targets because we rely very much on demand, which we won’t really know until people come through the door and enrol.

MS MacDONALD: I appreciate that, but what effect does that have on your staff?

Mr Veenker: We don’t ask staff to over-deliver, and I say that over and over. The target that you see there is the amount of money we get. If we go over that a little bit, we are getting more out of that dollar; however, we are not pushing that with staff. Where we think we can accommodate it, we will allow it to happen, without compromising quality. Sometimes that means the difference between 15 and 18 in a classroom.

MS MacDONALD: Could there be an instance, though, where, as a result of many more numbers walking through the door than were anticipated, large numbers of people miss out on doing that course?

Mr Veenker: There are situations where we aren’t able to accommodate the full demand. There are certain criteria, depending on the type of course, for how we select. We try and use them as best as we can on people who are likely to be successful in enrolling in the course, and we also counsel students who miss out on their first choice to look at alternatives as well as other tertiary providers. But there are waiting lists on some courses. That’s correct.

MS DUNDAS: May I follow up on that?

THE CHAIR: Yes, go ahead.

MS DUNDAS: Looking back over past budget papers, it seems that you are always overtrending in terms of the number of hours purchased and the number of hours that are eventually provided. Just how sustainable is that?

Mr Veenker: It's not. That's why I think that the one per cent above target last calendar year was pretty close. That's in our annual report, which, of course is not here at the moment.

MS DUNDAS: I've got my copy.

Mr Veenker: So you'll find that we're getting better at matching what we've funded to what we can actually deliver. By the same token, I find that staff, from time to time, will take that extra enrolment if they think they can deliver a reasonable quality program to them. That doesn't compromise other things.

MS DUNDAS: You've indicated that you don't believe it is sustainable, but it is something that we see.

Mr Veenker: Not at a high level.

MS DUNDAS: Well, the CIT has been forced to do it at around 50,000. It was 50,000 this year, 65,000 the year before, and, I think, 34,000 the year before that. That's quite a substantial amount of time to be consistently over. Even if it adds up to only one per cent, there will be demands over a period of time on the CIT, especially when the growth capacity funding—sorry, I don't find it here in the budget. How is CIT looking to trend into the future if it can't continue to meet demand and actually respond to growth?

Mr Veenker: If there are areas that are high demand and we think they're very much part of the overall training plan in the ACT, we will make sure in the future to alert TAE to those particular areas and see whether any supplementation is available. But you're right: we can't continue to over-deliver at high levels. But we think we can cope with the one per cent.

MS DUNDAS: I have looked at this budget quite hard. Minister, what do you see is the overall funding increase to CIT?

Ms Gallagher: Part of the Skilling ACT money, we imagine, will go to the biggest training provider in the territory, which is CIT.

MS DUNDAS: That needs to go through a tender process; that's not guaranteed funding.

Ms Gallagher: That's right, but CIT will get some of that money. The other initiative is the reduced casual teaching initiative, which will enable about 15 casual teachers to be made permanent. The other thing to keep in mind in this is that significant costs in relation to CIT are through the teaching workforce. We've already offered between

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15 and 18.8 per cent pay increases to teachers at CIT—an additional cost that's been funded through this budget. There are moneys there for CIT.

MS DUNDAS: Are you still asking the CIT to meet productivity savings?

Ms Gallagher: No, there are no savings for CIT.

MS DUNDAS: There were in previous financial years.

Ms Gallagher: That's right.

Mr Veenker: That's correct.

MS DUNDAS: I'm just checking that there were none for this year.

THE CHAIR: I've got a question, and then Mrs Burke has. At page 361, at "Average Government payment per annual curriculum hour", there is a \$13.7 target and a \$13.50 estimated outcome this year, but it rises 90 cents to \$14.40 for 2004-05. What's the reason for that?

Mr Veenker: An increase in teaching salaries, predominantly.

THE CHAIR: What's the national average now, Mr Veenker?

Mr Veenker: On the last lot of figures I saw, which actually compared jurisdictions, I think the ACT were the second lowest, but very close to the average. The average would be in the vicinity of \$13 to \$14.

THE CHAIR: So we're round about the average now.

Mr Veenker: We're round about the average—just slightly under.

THE CHAIR: I take it that Victoria is still the lowest.

Mr Veenker: Yes, Victoria's the lowest.

MRS BURKE: That was actually my question, but I've got another one to ask—a pretty general one. Minister, are you aware of the federal ALP decision, in response to the federal budget, to abolish TAFE fees for all students? If so, have you spoken to your federal counterpart?

Ms Gallagher: I've had a quick look at what federal Labor is proposing in relation to vocational education and training, but I haven't had a discussion with Jenny Macklin about it.

MRS BURKE: Are you going to find out if that's true? I'd be very interested because I am wondering how it's going to affect the ACT.

MR HARGREAVES: Mr Chairman, I think there's a little bit of irrelevance here.

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Ms Gallagher: I mean—

THE CHAIR: She's answering it; let her answer it.

Ms Gallagher: It's not all students; it's school students going to TAFE.

MRS BURKE: Thank you.

THE CHAIR: Occasionally, I hear concerns from students who have had courses changed—somewhat pulled out from under them—including, in a couple of instances, certain subjects they wanted to do that they couldn't that extended their course. I've occasionally written to you about that. In the financial year we're now in, how many instances have there been of students who have been enrolled in a class and then the class was cancelled because of lack of numbers or some sort of change at the CIT?

Ms Gallagher: I don't know the exact figure. A couple have written to me in relation to that, who I've responded to. I've always been satisfied with the response given by the CIT and the advice to me about that and am certain that those people's training hasn't been compromised by it.

THE CHAIR: What steps do you take there? It was a bit of a rare phenomenon. I had only come across it in about the last 18 months. Nevertheless, it was a little disturbing and it seemed to cause considerable dislocation to the students, to their courses and to their hopes.

Ms Gallagher: The process for me is that I forward the correspondence to CIT and ask for advice on the issues that are raised in the letter. Do you want to add to that, Mr Veenker?

Mr Veenker: I can add a little bit. Chair, you may be referring to some engineering courses at Fyshwick—

THE CHAIR: It could have been. There was something at Reid, as well. It's pretty rare, but—

Mr Veenker: The Reid ones might be to do with scheduling and numbers. The Fyshwick ones were to do with upgrading some equipment, which we needed to do to make sure that it fully complied with all the future standards. The standards had risen, and the renovation and refurbishment associated with that took a little longer than we had anticipated. It was beyond our control. We did offer those students alternatives, and I don't think that they would have been adversely affected.

THE CHAIR: I understand what you say about the Fyshwick ones, but what about the ones at Reid? I recall a couple there.

Mr Veenker: The only ones I'm aware of at Reid are probably to do with hospitality and tourism. It may have been the range of electives that were being offered and moving those around.

Ms Gallagher: Chair, can I just add something in answer to Mrs Burke?

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THE CHAIR: Sure.

MRS BURKE: I've got you thinking, Minister.

Ms Gallagher: No, I'm going back to your question about school students. When I said I hadn't had discussions with federal Labor, which I still stand by—

MRS BURKE: You didn't have an indexed memory.

Ms Gallagher: I was informed by federal Labor, prior to the announcement, that that was what they were suggesting. I just want to clarify that. There was one phone conversation.

MRS BURKE: You got your memory back. Thank you.

Ms Gallagher: There's a lot of information in this head, Mrs Burke. Sometimes it takes a while to filter through.

MRS BURKE: I understand.

THE CHAIR: Thank you, Minister. Mr Veenker, you've been passed a note.

Mr Veenker: Yes.

Ms Gallagher: I was passing a note about what it meant; I wasn't passing a note about the phone call.

THE CHAIR: Do you want to share the contents of your note?

MRS BURKE: Sorry, you received a phone call.

Mr Veenker: I could.

MRS BURKE: You said you received a phone call.

Ms Gallagher: In relation to the question you asked and I answered, I hadn't had a discussion—and I didn't get a note about this! I had a phone call from Jenny Macklin—

MRS BURKE: From Jenny Macklin's office, or from her?

Ms Gallagher: a day prior to the announcement that that was what they were planning.

MRS BURKE: I'd have hoped they'd let you know.

Ms Gallagher: Yes.

MRS BURKE: You didn't go any further with the discussion? There will be no impact?

Ms Gallagher: Well, we did have a discussion in a way—I mean, in the way that she

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informed me. I asked a question, and I remember saying to her, “That sounds like a good proposal.” It’s in line with our training pathway guarantee for school students, or those that have just finished school, that we offer them training, and in this case training at a reduced cost.

MRS BURKE: Back to my question, have you assessed how the ACT will be—

Ms Gallagher: In the conversation we had, it was very much that it is the Commonwealth that is making this promise of additional funds to this sector.

MRS BURKE: Labor, though, has said yes.

Ms Gallagher: Federal Labor has, and it costs those. They were fully costed in the announcement.

THE CHAIR: It is hypothetical.

MRS BURKE: Okay, thank you. Thank you for your recall.

THE CHAIR: Thank you, ladies. Dr Veenker?

Mr Veenker: I’m referring to a note that was passed to me by Rodney Brightman—

MS MacDONALD: He’s going to share the contents.

Mr Veenker: Well, I was asked to by the Chair.

THE CHAIR: Exactly. Proceed, Mr Veenker.

Mr Veenker: Rodney Brightman investigates complaints. He was saying that what you refer to in relation to the programs has been resolved.

THE CHAIR: Any more questions. Ms Dundas?

MS DUNDAS: Again, course completion by students is up significantly on what was targeted, and that is a good thing. But, again, it appears to be an unsustainable thing in that what the CIT is consistently delivering is a lot more than what it is being paid to deliver. What is happening with that increase in course completions?

Mr Veenker: My colleague can also expand on this. The completion methodology for measuring, which we rely on from NCVER, changed and therefore our performance was enhanced by the changed methodology. I don’t know whether Shane Kay, who is our finance manager and also looks at performance measures, is able to answer that.

Mr Kay: Shane Kay, Acting Senior Finance Manager, CIT. The course completions target of 3,000 used to be based on students applying for their completion—for their award. It was changed around last year and now it is all system generated. If you’re doing a certificate IV and you get to a certificate II level—part-way through it—the system automatically recognises that you’ve completed that. You keep going along, so you’re getting these multiple exit points through your course.

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MS DUNDAS: To obtain an accurate picture of how many courses and how many people CIT is dealing with, is the number of course enrolments by students a better indicator?

Mr Veenker: The best national indicator for comparison is clearly the nominal hours. The people affected by it are the total enrolments. Mr Kay was alluding to the revised methodology. A lot of our courses are nested. When my son completed an associate diploma—an advanced diploma—in hospitality, there were a whole lot of other certificates that he completed as part of it.

MS DUNDAS: He got other qualifications.

Mr Veenker: He completed four courses, when in fact his target to start with was that advanced diploma. That is why the numbers look higher—but that is part of the way of measuring it.

MS MacDONALD: You will have to wash your mouth out now, Mr Veenker, because you said the words “associate diploma”. We don’t have those anymore.

Mr Veenker: Yes. I’m sorry. It dates me, doesn’t it?

MS DUNDAS: I want to continue with the discussion in relation to what the CIT is being asked to do, its capability and the provisions you talked about, Minister, in respect of increased support for CIT through funding for casual teaching, wage and superannuation increases.

Ms Gallagher: It is an additional \$2.9 million this year.

MS DUNDAS: That is for teacher capacity but, when teachers are already working above and beyond that capacity, it doesn’t support growth.

THE CHAIR: Will it cover the wage increases?

MS DUNDAS: It meets current demand. Is there a plan to allow CIT to grow into the future, considering the demand out there for vocational courses? The Australian Education Union has a document that indicates that, anecdotally, in excess of 800 people make up those figures of unmet demand. They applied to do courses but were put onto informal waiting lists or told that the courses were full.

Ms Gallagher: I guess there is only so much you can do every budget year. One of the things I’ve done since becoming minister is stop the efficiencies that have been required over a number of years. That slashed CIT’s budget by about \$10 million. That has had an impact on the CIT—there is no doubt about it—and one that I didn’t think was in any way sustainable. In this year’s budget we have provided some additional support. I’ve just received a brief from the CIT about being involved in a strategic plan for the direction of the CIT this year. All I can say is that you can only do one bit at a time.

I think there is need for continued extra support to the CIT. It is our premier training institution in the ACT and you need to recognise the work being done there, especially

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considering the cuts we've seen. I guess part of the work of the states and territories, in discussion with the Commonwealth around the ANTA funding, is to make sure that through that ANTA agreement there are appropriate levels of support for our TAFE colleges and CIT colleges.

That is slightly under threat, I think, from the Commonwealth with the promotion of user choice and the continued desire by the Commonwealth to see that accelerated. I will continue to support and advocate for the CIT. People can say, "You have not done enough." You could probably argue that in relation to the CIT with this budget, but we're certainly heading in the right direction. But that is not to discount the stress that has been placed on this organisation over a number of years.

THE CHAIR: Do you still have growth through efficiencies through the ANTA agreement?

Mr Veenker: No.

THE CHAIR: When did that go out—a couple of years ago?

Mr Veenker: It went out last year.

MS DUNDAS: In respect of user choice, the AEU informs me that the ACT allocates the highest percentage of public recurrent funding to private providers. That means that we are supporting private providers, but that is funding that could be going to public providers because it is public money. Are you looking to reassess that mix?

Ms Gallagher: I'm aware of the concerns of the AEU but I'm not satisfied that the level of user choice is to the detriment of the CIT at the moment. From current discussions with ANTA on the ANTA agreement, there is a desire by the Commonwealth to increase and continue to increase user choice arrangements. I am concerned about that. I think we have a pretty harmonious relationship here in the territory, where all RTOs know each other and work well with the CIT and the department. I would be arguing against—and all the other state and territory ministers are too—any increases in user choice that will impact on TAFEs—and in our case, CIT—around the country.

MS MacDONALD: I refer to page 490 of budget paper 4 under the minor new works. The first work that is referred to is, "Construct covered walkway from car park to main student entry." I'm assuming that is the Reid campus.

Mr Veenker: Yes, it is.

MS MacDONALD: Which car park are we talking about? Are we talking about the one across Constitution Avenue or are we talking about the one that abuts whatever building it is up near hospitality and all that?

Mr Veenker: I don't think it is across Constitution Avenue, because we don't control that car park at all. It is to do with the covered car parks around our buildings. I'm clarifying this, but I think it is near the hospitality and tourism area.

MS MacDONALD: There has been an ongoing issue for a number of years with the car

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parks across Constitution Avenue. The students are in competition with public servants for that car park and are paying the same. That was a bit of a grievance for them because of the fact that they had to pay for parking; and that they were in competition with people across the road; but mostly the fact that the car park was unsealed. That car park is still unsealed, isn't it?

Mr Veenker: Yes. It concerns us too because I think the students had a legitimate complaint. On a number of occasions we have spoken to urban services, which controls that car park, about the state of the car park and we've had some positive results. The lighting in the car park has improved and the number of times the car park is graded has increased but, nevertheless, it is an unsealed car park. Compared to the standard of Bruce, it is different. Again, the land is not something that CIT is directly involved in.

MS MacDONALD: In the discussions with urban services, has there been any suggestion that they might seal it? It turns into a quagmire over there when it rains.

Mr Veenker: Yes, we have asked for that. We don't have a forward estimate as to when they are able to do that.

Ms Gallagher: Ms Dundas, perhaps I can provide you with a bit more information that I've just been given. In relation to user choice, CIT have 77 per cent of the user choice market for apprentices and only 19 per cent for trainees.

THE CHAIR: That is down.

Ms Gallagher: With regard to the low level qualifications, private RTOs are providing the majority of the training there but, overwhelmingly, the CIT has over three-quarters of the market for apprentices.

MS DUNDAS: Thank you.

MS MacDONALD: Again on capital works, I note that you're upgrading the student recreation space in D, E and A courtyards at Bruce. That must be the courtyard in-between those buildings. Are you looking to future budgets to do any more upgrading of the student area at CIT Reid campus? An issue that came up in the inquiry into vocational education and training from the student association was that they didn't believe there was enough outdoor student seating at Reid campus.

Mr Veenker: The Reid campus has been under active consideration. This is minor works but we expect major capital works to take place at Reid, which will result in a new building being constructed there where the beauty therapy area is now. The building is somewhat dated and is not worth refurbishing. That will trigger a range of other activities to further upgrade that campus. But certainly in the strategic planning process, from the feedback we're getting that the minister alluded to earlier, the students want to see the level of the campus amenity upgraded and we are working on that.

MS MacDONALD: Pardon the slang, but it is a bit daggy there at the moment.

Mr Veenker: That is right.

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Ms Gallagher: I must be out of it. I was there the other day and I thought it looked pretty nice.

Mr Veenker: The area you were in is nice!

MS MacDONALD: You've done a lot of work around the cafeteria and also in the area the design people moved to. When they moved over from Watson campus there was a lot of work done.

Mr Veenker: The piazza area is nice.

MS MacDONALD: Yes, the piazza area is great.

MR HARGREAVES: Is the tally room going to be all right?

THE CHAIR: Whatever.

MS DUNDAS: That raises an interesting point. Having a quick look over the budget papers, with regard to the funding you get from government and non-government, do you get paid for the use of the space Elections ACT take over for this tally room?

Mr Veenker: Yes. I understand they do pay us.

MS DUNDAS: Is it substantial?

Mr Veenker: They ask to use it and we invoice them for the space.

MS DUNDAS: Looking back over the 2002-03 budget, I couldn't see it reflected. I was curious.

MRS BURKE: I'd like to go back to BP4, page 338, if I may. Minister, you've touched on this briefly. I'd like to go back to that, just to elaborate on the decrease in the Commonwealth grant of \$2.536 million. I guess I want to know what the real costs and impacts of the ACT not signing to that ANTA contract are, particularly in relation to CIT in this matter. What will convince the ACT to sign the contracts?

Ms Gallagher: It is my understanding that this \$2.5 million goes straight to CIT—it is not a decrease. It is a decrease from the department's figures but not to CIT. It is going straight to the CIT, rather than coming through the department. You're asking two questions here.

MRS BURKE: I've just asked you to explain that, and you have, but what is the impact?

Ms Gallagher: In relation to the other question, the ANTA agreement has been rolled over for a year. My understanding—and I'm just waiting to be corrected on this—is that it will potentially cost us indexation.

MRS BURKE: Which is?

Ms Houghton: I am just catching up on the first one. The first was the flexible learning

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leaders, was it?

Ms Gallagher: Yes. It is going straight to CIT.

Ms Houghton: It went straight to the flexible learning leaders.

MRS BURKE: I was going to ask you about flexible learning.

Ms Houghton: Your question about the ANTA agreement was: what will it take for us to sign? Was that your question?

Ms Gallagher: What is the cost of not signing it?

Ms Houghton: We ended up with slightly more money this year than we got last year because, although they took away indexation on the smaller part, they kept the indexation on the base funding. You will have seen a lot of rhetoric in the press releases about the ANTA agreement—money missed out on, et cetera. That was welfare reform money, some of which hasn't even been passed by the Senate, so it is not available. It is not as if they took money from us, they just didn't give us money that they were planning to give us under welfare reform. What they've done is put that money out for tender through brokers, and ACT people are competing for that welfare reform money.

MRS BURKE: That was their default position though, wasn't it? Because of not signing they then said, "We'll go out to tender."

Ms Houghton: Yes. The penalties were there but they certainly haven't affected us. We ended up with slightly more money this year than we got last year. Having said that, we will have to go in and negotiate for far more funding.

MRS BURKE: That is later on this year? Is that right, Minister?

Ms Gallagher: There is to be a meeting next Friday to continue negotiations on this.

MRS BURKE: You alluded to appropriate levels of support. Can you elaborate on that a little bit more? What would eventuate from your signing the contracts?

Ms Gallagher: There are some issues around user choice that I don't think are too big to work through. I think there would be agreement reached on that with the Commonwealth. The national construction code I think is going to be a cause of all jurisdictions to resist. I was pleased to note that the national construction code has been referred to COAG. Ministers have been arguing that it should go to COAG because, in a way, training ministers are being asked to implement an IR agenda that hasn't been passed through the Senate.

Training ministers were under advice from the industrial relations minister—that was me talking to myself on that issue; it involved not only other training ministers but also premiers and chief ministers—that it was a reason not to sign. We have discussed it at the industrial relations ministers meeting, because the national construction code is now in the education quadrennium funding agreement. I was pleased to hear that it has been referred to COAG. There may be some move on that as well, but that is one of the

sticking points.

The other one is around growth money and funding. I've gone through some of the figures and we are seeing considerable growth in this area here in the ACT. The offer from the Commonwealth is the money it currently offers on indexation. In the agreement there is, quite rightly, a responsibility to promote and encourage training. The argument of the states and territories is that the money isn't there to support that growth, or any growth that occurs; and we are seeing growth. One of the options put by the states was to have a review clause in the agreement. The Commonwealth disagrees around the growth issue. It thinks that the amount compensates for growth, although it thinks that growth is going to occur at a lesser rate than the states and territories.

MRS BURKE: Who is being more realistic?

Ms Gallagher: Both. I think with figures—

MS DUNDAS: Lies—damn lies and statistics!

Ms Gallagher: The Commonwealth produces figures that the states have a problem with and the states produce figures that the Commonwealth won't agree with.

THE CHAIR: It's good to see that nothing changes!

MRS DUNNE: It sounds like the health care agreement !

Ms Gallagher: We have more growth, I think in the ACT, than even the figures the states are running with, and it is more controlled around the other states. So there is certainly considerable growth happening. There is a disagreement about that. There was a view that we could have a clause in the agreement that said that, if we can see this growth and the growth does eventuate, we reopen discussions.

MRS BURKE: I've noticed that. You'll be pushing really hard for that, won't you, given what you've said today?

Ms Gallagher: We've pushed for that and, so far, the Commonwealth hasn't agreed to have a review clause in there. That would have progressed the agreement but I guess it was a compromise situation: we could accept the money but we wanted to have an avenue open to us to say that there is more activity happening here than what has been funded for, and we want that recognised. The Commonwealth didn't agree to that at the last meeting. That would have been at the December MINCO. We are meeting next Friday to talk about it again.

THE CHAIR: You mentioned earlier that the percentage of apprentices now trained by the CIT is 77 per cent and the percentage of trainees is 19 per cent.

Ms Gallagher: I shouldn't volunteer information to the committee, should I?

THE CHAIR: That has come down. I seem to recall that, several years ago, about 90 per cent of apprentices were trained by the CIT and I think trainees were about 40 or 50 per cent—it was a much lower figure. Mr Veenker, are those figures trending

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downwards in terms of the percentage that CIT is doing?

Mr Veenker: Our apprenticeships were always round the 90 per cent, so it has trended down slightly. I think that is probably because of the user choice, with some good RTOs coming in. Some of them are associated with the MBA and the CITEA. They take some of the apprentices from us.

THE CHAIR: And the trainees?

Mr Veenker: The trainees have always been a relatively smaller number.

THE CHAIR: I seem to recall that being 40 per cent or something.

Mr Veenker: I'm not sure if it was 40 per cent; I've always thought it was lower than that.

THE CHAIR: It might have been about 30 per cent?

Mr Veenker: It might have been around 30 per cent. If trainees choose through user choice, that is fine; but we think that in many respects there are some other good providers that can cater for that very well.

THE CHAIR: How many students are there at CIT now?

Mr Veenker: In the vicinity of 19,000 enrolments.

THE CHAIR: Has that number been reasonably static?

Mr Veenker: Stable, yes.

MS DUNDAS: Referring to page 361, the government payment for output has dropped by \$90,000 in respect of the target and the estimated outcome. Where did that \$90,000 go? Be a better way of putting it is: why didn't the CIT see that \$90,000?

MRS DUNNE: This is not a quick question!

MR HARGREAVES: It was a quick question; but it is not a quick answer.

Mr Kay: I'm not 100 per cent positive because this page is produced by the department itself. My recollection is that our funding changed a bit because of some indexations we'd built in earlier, which turned out to be a little bit different at the end.

MS DUNDAS: You were factoring one level of indexation and the department was factoring a different level of indexation?

Mr Kay: Yes. It was something to do with the third appropriation bill which went through.

MS DUNDAS: It is interesting to see an appropriation bill that takes money away!

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Mr Kay: There are a whole lot of different figures underlying all this. This is just a summary figure.

Ms Gallagher: Ms Dundas, we might get back to you.

MS DUNDAS: I'd be quite happy for it to be taken on notice.

MRS BURKE: It is in your statement of intent at page 15. It is an extraordinary receipt—very extraordinary. Is that what—

MS DUNDAS: No. I'd like to say that this happened last year as well.

MRS BURKE: Maybe it is from last year. No—it is not shown.

MS DUNDAS: In respect of the target shown in the budget papers and the estimated outcome.

Ms Gallagher: We'll find out for you.

MS DUNDAS: For two years there has been a drop in the amount of money CIT is getting.

Ms Gallagher: Can we take that on notice?

MS DUNDAS: Yes, please.

MRS DUNNE: What are extraordinary receipts?

MRS BURKE: That was my question. Page 15 of the statement of intent.

Ms Gallagher: I don't have the statement of intent.

MRS DUNNE: They're also on page 487 of BP4.

Mr Kay: Extraordinary receipts refers to the insurance money we got after the bushfires. Weston campus had some damage.

THE CHAIR: I refer to capital works. The departmental works always seem to be \$2 million. Has that figure varied in about the last nine years? I'm rather glad you're going to have some major works soon!

Mr Veenker: The major works are funded through a separate arrangement.

THE CHAIR: Is \$2 million ample?

Mr Veenker: We have learned to cope with it!

THE CHAIR: You've learned very well! I recall that CIT used to have, and probably still has, some excellent training arrangements for foreign, or international, students.

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MR HARGREAVES: They're called international students now!

THE CHAIR: How many students from overseas are at the CIT now?

Mr Veenker: It has been fairly constant around the 600 number for the last two years. There was a little bit of a hiccup with SARS prior to that, but we're tracking reasonably well again this year. As to the other initiatives: for example, Inspiration Design in Singapore, which is a five-year contract, concludes shortly.

THE CHAIR: Is the director still the same person—Chok Ling Tay?

Mr Veenker: Yes. Chok Ling Tay is renegotiating that with us now.

THE CHAIR: In those offshore arrangements where the CIT provides the training, has the number of students increased? Has the amount of revenue coming to CIT increased, or is that fairly static too?

Mr Veenker: The inbound or domestic students accrue a huge benefit from studying here. They certainly meet all the costs associated with their being here. You could argue, depending on how you put it together, that there is margin in there for us. When you deliver offshore it is far more complicated. It is fair to say that the five-year arrangement with the Inspiration Design School in Singapore probably broke even at best.

THE CHAIR: Would you be renewing that, or is that something you might let go through to the keeper next time?

Mr Veenker: The benefits that accrue to CIT are real because CIT students are able to visit that provider in Singapore. So there are unquantifiable benefits that are not in dollar terms. Nevertheless, the arrangement we would be looking for would be that the Singaporean students who would be working in that provider would need to finish their programs in Australia. That would mean that it would be more worthwhile for us.

MRS DUNNE: You're in the process of building some student accommodation out at the Bruce campus.

Mr Veenker: That is correct.

MRS DUNNE: Student accommodation seems to be a constant problem. Do you have plans for anything further in the future?

Mr Veenker: As part of the master plan redevelopment at Reid, we would like to look at some student accommodation in the inner city because, like the Bruce campus, that campus is extremely popular with all our students, including regional and international students. The second accommodation building at Bruce will be finalised in the next couple of weeks. That means 48 beds in total: 24 are already being occupied in one of the buildings.

MRS DUNNE: Given the proximity of the CIT Bruce campus and UCan, have you thought about some sort of accommodation joint venture with UCan?

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Mr Veenker: We work closely with the University of Canberra and we were able to access some of their student accommodation. We're always willing to talk about any future development, but I think the next one will probably be inner city, around Civic. We certainly cooperate closely, and Team Canberra is working very well.

MRS BURKE: I refer to BP4, page 487. I'm just wondering if someone could talk me through the "investing receipts" line there. It looks like there is a 70 per cent decrease in investing receipts for 2004-05 and then, into the out years up to 2007-08, it is flat at \$846,000.

Mr Kay: That is the \$2,834,000 going down to—

Ms Gallagher: No. It is \$7,163,000.

MRS BURKE: Cash flows from investing activities.

Mr Kay: Our cash flow is primarily based around the purchase payments we get from the department, which occur regularly throughout the year. At times we have some things that run a little bit behind and the money stays invested in CIT's accounts.

MRS BURKE: Like what? Can you explain what they might be?

Mr Kay: We might have had some money that we've drawn down for a capital project and it hasn't been completed yet—it has slipped a bit or whatever. Some of the funds we hold as investments. As we spend those funds they come out as this line here. The investments have been cashed in.

MRS BURKE: It is money given for courses, but then you put it in as an investment?

Mr Donnelly: Rob Donnelly, Director of Budget and Facilities with the department. The line we're referring to here effectively represents the capital works program for the CIT. Obviously the ACT capital works program is appropriated on a year-by-year basis. So you'll note that the \$2 million fall from 2004-05 to 2005-06 is exactly the \$2 million in this year's ACT capital works program. The residual \$3,670,000 is our estimate of the Commonwealth capital contribution for the CIT.

MS DUNDAS: My question relates to the interest line, which is a couple of lines above that. The note indicates that there has been an increase in interest because you were holding onto cash while waiting for the completion of major project work. What major project is that? I'm referring to the note under "interest" on page 488.

Mr Kay: My recollection is that that was the student accommodation project. We'd put aside a fair bit of money for that.

MS DUNDAS: That won't be completed in the 2003-04 financial year?

Mr Kay: We're expecting it to be finished around the end of the year but, in budget terms, we thought the payment would be going out next year.

MS DUNDAS: There is a decrease in "other revenue" because you're no longer holding

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responsibility for the communication and leadership program under the Australian Flexible Learning Framework, which is an ANTA agreement. How did CIT go in the management of the communication and leadership program?

Mr Veenker: The arrangement is that this is a national initiative and therefore CIT manages it on behalf of Australia. Therefore, to some extent, the revenue inflows and the expenses are distorted. We're putting them through our accounts but they are for activities that go beyond CIT direct activity.

MS DUNDAS: You're still managing that program?

Mr Veenker: Yes. It is worth our while to do it. We do get a management fee.

MS DUNDAS: Why is there a decrease in other revenue? Is that because the federal government is paying out less through that program—so you're not having more coming in to go out?

Mr Kay: No. We're expecting the project to finish.

MS DUNDAS: I guess that is what I was trying to get at. The program will conclude in this financial year?

Mr Kay: There is a similar fall in the other expenses line as well.

MS DUNDAS: You said it was worth CIT's while to manage that program while it was up and running. Can you tell us now, as the program is concluding, why it was of such benefit to CIT?

Mr Veenker: I think our staff being able to manage it and participate with the other states and territories in an active way has really helped us with flexible delivery. As a consequence CIT has been able not only to benchmark very effectively but also to implement a lot of flexible learning initiatives because of that project. But they are projects that have a finite time associated with them. We certainly would be interested in being in a position to manage other projects in the future.

MS DUNDAS: That will be through a tender process by the federal government?

Mr Veenker: It is not always under our direct control and it often involves ANTA—the Australian National Training Association.

MRS BURKE: On page 41 of your statement of intent—and I know the minister doesn't have that but it may be a question for somebody else—you state that the GST/FBT risk is low, and you say that the criteria are not in any order of priority. I'm wondering what reason you would give to perhaps not have your FBT/GST externally reviewed? Why have you not had that done?

MS MacDONALD: Is that the way it is done by all the other areas? That is what I've noticed in all the other ownership agreements.

MRS BURKE: If we can have an answer from Shane, that would be good.

Mr Kay: As far as I'm aware, a lot of other agencies have the same arrangements as we have. We've got CPA-qualified accountants who can go through objectively and review these things internally and provide advice.

MRS BURKE: You don't deem there to be a need to have it externally audited, therefore?

Mr Kay: We haven't so far—no. We keep our accounting staff professionally trained and up-to-date with all the latest changes in the taxation laws regarding FBT.

THE CHAIR: We will now go to CIT Solutions.

MS MacDONALD: I note in the highlights on page 491 for CIT Solutions that one of the highlights is, "Completing an organisational restructure to achieve quality commercial outputs and required range of services to CIT." How is this going to be run? What is going to be involved?

Mr Veenker: The company is looking at repositioning itself in some areas. It wants to make sure that it is a provider of first choice for government training here in the ACT—because we see that as a huge opportunity—and perhaps pull back on some of the other activity it has been involved in.

MS MacDONALD: You're not going to get rid of the bagpipe training, are you?

Mr Veenker: No. The Adult and Community Education area has been very popular. That is an area where we see a huge responsibility for providing courses, especially with the ageing population we have and their appetite for that type of course. We are restructuring some of the activities we are involved in in New South Wales. That means there is a decline in some of the activity in New South Wales—targeting the ACT more.

MS MacDONALD: How long will the review run for? When will it start? When is it aimed to be finished by?

Mr Veenker: The restructure is virtually complete.

MRS BURKE: I was just looking at the objectives on page 491 of BP4. You talk about developing customised solutions and programs which are sensitive to client needs—that is something I'm interested in, as I said earlier—at competitive prices. Can you tell me how you're doing that and how that process is going, to date?

Mr Veenker: The area we're particularly interested in is responding to large employer groups like government departments, to be able to offer training that is needed, but in such a way that there is minimal disruption to the employee and the employer. Therefore the flexible delivery strategy is often employed. Accrual accounting is a good example of that, as are the training modules in procurement—those sorts of things. It is a matter of working closely with what we see as our local market.

MRS BURKE: That is right. As I say, elaborate on that if you will. How do you do that? How do you make sure that you are meeting client needs? Do you have regular

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meetings? How do you structure that?

Mr Veenker: The programs are different from mainstream CIT activity. Apart from the Adult and Community Education area, where students come to you and participate in a program, this is often where you would enter into a contract with an employer. Therefore the feedback loops and the standards and satisfaction arrangements are built into the contract.

THE CHAIR: There being no further questions, I thank the officials. Thank you, Minister.

The committee adjourned at 5.29 pm.