



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES

(Reference: Appropriation Bill 2005-2006)

Members:

MS K MACDONALD (The Chair)
DR D FOSKEY (The Deputy Chair)
MR R MULCAHY
MS M PORTER
MR Z SESELJA

TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 2 JUNE 2005

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).

The committee met at 9.33 am.

Appearances:

Mr J Stanhope, Chief Minister, Attorney-General, Minister for the Environment and Minister for Arts, Heritage and Indigenous Affairs

Actew Corporation Ltd

Mr Michael Costello, Managing Director
Mr Mike Luddy, Chief Finance Executive
Mr Aspi Baria, Technical Specialist
Dr Gary Bickford, Principal Strategic Planner

Chief Minister's Department

Mr Mike Harris, Chief Executive
Ms Pam Davoren, Executive Director, Public Sector Management & Industrial Relations
Mr Glen Gaskill, Director, Corporate Management
Mr Neil Tothill, Director, ACT Information Management
Ms Margaret Cotton, Director, Office of Industrial Relations
Mr Warren Foster, Senior Manager, Employment Policy & Workplace Relations, Public Sector Management and Industrial Relations
Ms Susan Killion, Executive Director, Cabinet and Policy Group
Ms Sue Hall, Director, Cabinet and Policy Group, Community Affairs
Ms Cathy Hudson, Director, Cabinet and Policy Group, Social Policy
Mr Phil Tardif, Director, Cabinet Office
Mr Greg Ellis, Director, Cabinet and Policy Group, Economic, Regional and Planning
Mr Peter Brady, Senior Manager, Office for Ageing
Mr George Tomlins, Executive Director, Strategic Projects & Implementation,
Mr Phillip Mitchell, Executive Director, Priority Projects
Mr Jeremy Lasek, Executive Director, Executive Support
Mr Peter Ottesen, Executive Director, Office of Sustainability
Mr David G Butt, Director, Office of Sustainability
Dr Maxine Cooper, Executive Director, Arts, Heritage and Environment—Heritage Unit
Dr Sandy Blair, Manager, Arts, Heritage and Environment—Heritage Unit
Ms Mandy Hillson, Manager, Arts, Heritage and Environment—artsACT
Mr John Heinemann, Manager, Arts, Heritage and Environment—Resource Management
Mr Rod Hillman, Manager, Arts, Heritage and Environment, Public Affairs & Information
Ms Harriet Elvin, Chief Executive Officer, Cultural Facilities Corporation, Arts, Heritage and Environment
Mr Peter Liston, Acting Manager, Arts, Heritage and Environment—Water Resources

Mr Alan Ramsay, Corporate Services Manager, Cultural Facilities Corporation, Arts, Heritage and Environment
Dr David Shorthouse, Manager, Wildlife and Research Monitoring Unit

Mr Geoff Wells, Manager, Arts, Heritage and Environment Parks & Conservation Service, Chief Minister's Department, Environment
Mr John Wicks, Chief Financial Officer, Cultural Facilities Corporation, Chief Minister's Department, Arts, Heritage and Environment

Department of Treasury

Mr Phil Hextell, Director, Accounting Branch

Mr Karl Phillips, Financial Controller, Corporate Finance

THE CHAIR: Ladies and gentlemen, we will commence proceedings. 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. Giving false or misleading evidence will be treated by the Assembly as a serious matter.

Would each witness, on coming to the table, state their name and the capacity in which they are appearing. Witnesses will also notice that, at the side of the room, there are a number of name plaques. If you would bring the name plaque with you when you come to the table, it will assist the secretary greatly. Please clearly identify when you are taking a question on notice. It is then your responsibility to check the transcript and respond to the question. Responses to questions taken on notice are required within five 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.

Proceedings are being broadcast to specified government offices, and the media may be recording proceedings and taking visual footage. Would all witnesses and members please ensure that mobile phones are not used in this room. We will follow the order set out in the detailed daily program, starting with Actew. As chair I will try to ensure that we adhere to timeframes. I remind members and witnesses that we have limited time, so please refrain from entering into argument or debate. I keep saying that, but it doesn't seem to work! Minister, would you like to make an opening statement with regard to Actew?

Mr Stanhope: Thank you, chair. There is nothing specific that I wish to say, other than to thank the committee for the invitation to appear and to present information in relation to the matters on the agenda for today. Actew is represented by the chief executive and me. Actew of course stands ready to respond to any issue the committee wishes to address.

DR FOSKEY: Actew is responsible for working with the government to achieve a 12 per cent reduction in mains water consumption by 2013 and the 25 per cent as outlined in "Think water, act water". According to the budget papers from last year, about \$8 to \$10 million has been allocated to implementing "Think water, act water". How much of this is allocated to Actew?

Mr Stanhope: Actew will respond to that question.

Dr Bickford: Under the current financial year the allocation of funds for "Think water, act water" are from the ACT government. The ACT government has a contract with

Actew to deliver part of the work under “Think water, act water”, and that’s in the order of \$1.5 million this financial year. I might add that the program is being run by the ACT government, not by Actew.

DR FOSKEY: Does Actew implement aspects of the program, though?

Dr Bickford: Yes.

DR FOSKEY: Which ones?

Dr Bickford: Through ActewAGL, we’re implementing water conservation measures such as the showerhead rebate and indoor and outdoor tune-up programs.

DR FOSKEY: The Institute for Sustainable Futures report lists about 15 fairly straightforward least cost water demand management options, which they suggest would cost about \$40 million. Which of these measures are being implemented by Actew?

Dr Bickford: The current measures being implemented are the indoor program and the outdoor program.

DR FOSKEY: Could you elucidate a little on those?

Dr Bickford: Sure. The indoor program is an audit and retrofit program where a plumber goes into a house, looks for leaks, fixes any leaks, puts in place a showerhead if the customer so desires, and puts in low-flow devices. There’s an outdoor program where an expert in garden design and maintenance goes around to your house, looks for leaks outside and provides advice on how to minimise the amount of water you use on your garden. In our commercial program we’re working with the commercial sector. We run an audit program with them to identify any possible leaks and then work with the commercial sector to try to rectify those leaks. I think they’re the main components we’re running at the moment.

DR FOSKEY: In those cases, are there charges involved?

Dr Bickford: Correct. All these programs come with a government subsidy but also require the customer to put up some money. Typically the customer puts up about \$30, and the government puts up about \$100 for both the indoor and outdoor programs.

DR FOSKEY: Does the cost of the audit include the measures to fix identified problems?

Dr Bickford: Yes. Included in the \$100 are things like tap washers, low-flow devices and a showerhead.

DR FOSKEY: Has Actew looked at some of the work being done in Queanbeyan, which I believe exists on the same water supply, to reduce water use? I believe there is a subsidy towards buying a front-loading washing machine and—I’m not sure if they still have this—a dual-flush toilet cistern.

Dr Bickford: Yes, we have looked at the Queanbeyan program. You need to remember

that their program was different from the ACT program because it was designed to reduce flows to the sewage treatment plant. The ACT program is looking much more broadly than the Queanbeyan program. We're trying to target outdoor water use in particular, as well as trying to get more efficient water use. So we have a different focus for the program from that of Queanbeyan. We have a rebate for dual-flush toilet cisterns, but we don't have a rebate for washing machines.

DR FOSKEY: If more money were allocated, do you think you could achieve these targets—the 12 per cent reduction by 2013 and the 25 per cent by 2023—sooner?

Dr Bickford: To some extent. It's not limited just by money, though; it's limited by people's willingness to put in place the various measures. Mostly with these programs, the more money you throw at them the quicker they're likely to be implemented.

Mr Costello: The impact of the restrictions at the moment of course far exceeds any of these measures. Effectively by the year 2025—and this illustrates that it's not an easy thing to do; it's going to take a lot of work over a lot of years—we have to achieve the overall impact in a year of what stage 3 restrictions should achieve. That is not an easy thing to do, and it will not be just these matters. There are serious issues of pricing policy that I believe the regulator is going to look at, and there are quite a number of recycling matters. We're already doing quite well on recycling of wastewater on a national basis. I think it's a combination of measures, not just these measures. It will take a serious change in behaviour as to how gardens are used, how much lawn area there is and so on. All those things will combine, not just the programs we're implementing now.

Mr Stanhope: I respect the line of questioning you're pursuing in relation to the details of some of the proposals being put in place by the government. The government won't essentially buy water restrictions through subsidy schemes; they are primarily designed to raise community awareness and heighten sensitivity around the value of water as a resource.

At one level the subsidy schemes we've instituted—both the indoor and outdoor programs being implemented by Actew—are about behaviour change, education and keeping in the public consciousness the value of water, the scarcity of water and the need for us as a community to pursue the aim of water reduction. At the end of the day the targets the government has established will be met through widespread community attitudinal change. The point Mr Costello makes in relation to the current water restrictions regime is that, at this stage, we have far exceeded a reduction in potable water use through a water restrictions regime. The challenge, of course, is to embed behavioural change in the public consciousness.

Even through the situation we as a community face with the drought, there are significant behavioural and attitudinal changes occurring. At the end of the day it's through those sorts of programs that we'll make the greatest strides. I think everybody in this room would acknowledge the way in which each of us has changed our attitude to water. My own attitude has changed dramatically.

Mr Costello might correct me on this but I think the report Actew has recently delivered on a future water source makes the point that we can achieve much of the reduction in water use that underpins the water strategy but that, at the hard and difficult point—

I forget what the report says—the last five or six per cent will be extremely difficult to achieve. I think we will make very good and significant progress towards the first three-quarters. If we're to achieve that last five or six per cent, I have no doubt that very significant costs will kick in.

DR FOSKEY: How does Actew report on progress towards meeting the targets and the effectiveness of the measures it uses?

Dr Bickford: Actew is not responsible for meeting the targets; we're just implementing a program of works in conjunction with the government. The government is reporting all its activities against "Think water, act water" through its annual ACT water report. That was done last year as well.

Mr Stanhope: In 2½ years, in an environment with a water restrictions regime, there has been a reduction in water use of something like 20 per cent. Essentially, in 2½ years of a restrictions regime, combined with public education and the other programs that are being implemented, we have achieved a saving of six months supply of water.

Mr Costello: It's close to a year.

Mr Stanhope: Mr Costello says that, in 2½ years we've achieved savings of close to a year's supply of water—30 gegalitres or thereabouts. In the context of progress at this stage—but it's an unusual circumstance and certainly not sustainable and not even what we're seeking—in the first 2½ years since the launch of "Think water, act water", on that rate of saving or reduction in water use we've probably already exceeded the 25 per cent. We know that's not sustainable, though, and it is certainly not the way in which we would expect to proceed into the future. In that context, for us to say, "How are you measuring the success of your water reduction strategy?" it is probably rather complicated in an environment of a rigorous restrictions regime where we're currently meeting the 2025 target.

Mr Costello: In fact, we say that we've achieved a 25 per cent reduction, but that's measured against the average normal yearly use of about 65 gross gegalitres of water. In years as hot and dry as this we'd normally be using 75 gegalitres, or maybe as much as 80 gegalitres of water. If you measure it against the sort of year we've had, the saving is even more dramatic.

DR FOSKEY: You mean compensating for the lack of precipitation—the water that would have been used?

Mr Costello: No. I mean something slightly different. In a year as hot and dry as the last two years have been, we know from experience that the gegalitres we use are in the mid-70s, not the mid-60s.

DR FOSKEY: Yes. That was what I was saying in my rather different language. You've touched on water restrictions and so on. The climate change scientists and other experts are now saying that the models—especially the model of the impact of the ozone hole on Antarctica and consequent almost permanent El Nino effect with the coldness of the water from Antarctica as the ice breaks off—show that the east coast is going to be in a state of drought for the foreseeable future.

It's probably time to stop talking about drought. I know that there is scientific proof, but the difficulty is that it's too late afterwards. We don't have fortune tellers anymore; and we wouldn't believe them. What about looking at the idea that water restrictions just need to be the way we manage our water? You have said that is the best way to conserve water. Have you done any studies or given consideration to the possibility of the viability and impacts of permanent water restrictions?

Mr Costello: We were required to do so by the "Think water, act water" report, which said that we needed to think of new base water conservation measures. I think the implication was that we would never go back to the pre-stage 1 situation that we had three or four years ago when we first instituted stage 1; that a permanent level of restrictions would become the base for the future—the normality. We've submitted some ideas to the government on this, which will go through the governmental system in due course. At the moment, we're in a level of restrictions whereby we're above what a base level that we may introduce might be, although how much above that we are at stage 2 of a permanent level of water restrictions is another issue.

THE CHAIR: Mr Costello, could you hold on for a moment? Is the Chief Minister coming back into the room? We had this situation yesterday. If we need to suspend, we'll suspend for a few minutes until he returns. Chief Minister, do you need us to suspend for a few minutes?

Mr Stanhope: No, I don't, chair. I might just mention the incident at the Indonesian embassy. The situation is that there are essentially three ACT ministers with some responsibility for management of this issue—I, the Minister for Health and the Minister for Police and Emergency Services. Unfortunately, the Minister for Health and the Minister for Police and Emergency Services are in Brisbane and I am the only minister with direct responsibility for the management of the issue. It needs to be remembered that every aspect of the management of the issue at the Indonesian embassy is being handled by and is the responsibility of ACT officials.

We have an enormous group of officials—from ACT Policing, ACT ambulance, ACT urban fire service, ACT emergency services, a group of counsellors, ACT Health and the chief health officer—who are responsible to the ACT government; although, I have to say with some regret, one would sometimes wonder about that, in relation to some of the liberties that have been taken with an operational matter, with an ongoing serious police investigation and the extent to which that is being compromised. There are serious issues that I need to concentrate on and I am somewhat distracted. I apologise to the committee, but I'm afraid I simply cannot take my mind off the other matter.

THE CHAIR: We understand; we appreciate that. Please indicate if you need a recess and we'll break for five minutes, if necessary. I am sorry, Mr Costello; I interrupted your flow.

Mr Costello: People say that is quite an achievement! Have I answered your question, Dr Foskey?

DR FOSKEY: I believe I've lost the point at which you were. Perhaps you feel you have answered it. You are the expert on your own answer.

Mr Costello: Touché!

MS PORTER: I have a supplementary question to do with the water recycling that you've briefly mentioned during answers to Dr Foskey's questions. On page 435 of budget paper 4, under the highlights, it mentions that one of the strategic and operational issues to be pursued in 2005-06 is identifying opportunities to increase sustainable water recycling. What has been achieved in that area up to this point? What strategies is Actew going to implement in this area in the future?

Mr Costello: I'll ask Mr Baria to respond on what we've done so far, but what I can mention is something that was mentioned in today's papers. We are making an application under the Australian Water Fund, which the commonwealth government is proposing for the states and territories, which involves significant recycling. We're looking carefully at the details to get the most efficient, or the best, way to go and the best way to use it in terms of energy use. That will involve a significant increase in what is already a solid record in recycling. Mr Baria might like to mention what we have done already and where we stand in relation to others.

Mr Baria: According to a report produced by Dr Ratcliffe two years ago, as an inland city, the ACT stands almost second compared to the other Australian cities, in providing the highest percentage of effluent re-use. Effluent is re-used from lower Molonglo where it's produced. A year and a half ago, we initiated the North Canberra effluent recycling system. That takes the effluent from Fyshwick and treats it to the highest possible standard in Australia through a membrane filtration system, so that it suits class A use.

Mr Costello: It's drinkable.

Mr Baria: Because of the history behind that, where we had to meet reasonably hard environmental and health regulations, Actew felt that this was the best way to go, so we are well prepared to meet any other future regulations that come out. We initially started this system on a small scale, by investing about \$2½ million and doing 20 litres per second. All the product from that area has now been snapped up by customers we have identified. We are working with Environment ACT and ACT Health to monitor the effect of this quality of water on the playing grounds, in case there are any community concerns and so on; and we're doing extensive monitoring—to the tune of \$100,000—over that period of time. The whole purpose of this is to set the scene by which we can measure how well effluent re-use has been accepted and what we can do further.

There are plans afoot for us to expand the scheme once this monitoring program is over. As Mr Costello has pointed out to you, under the Australian Water Fund there are funds available for any innovative scheme to be put forward by any state to supply effluent re-use for any other water type. A group has been assembled between Environment ACT, the Office of Sustainability, Actew, ActewAGL and ACT Health to put together and submit a scheme that is quite ambitious but at the same time provides drought-proofing of iconic sites in the ACT. We are in discussion with the federal government about the type of proposal we'll be putting together for the ACT.

MS PORTER: Is that part of the regional and national level cooperation in water and waste water policy that we're talking about now, which is mentioned on the same page?

Mr Costello: Yes, I think so—particularly the new AWF proposal that we’re putting together now. We’re considering a range of possibilities. The Queanbeyan sewage treatment plant has reached absolute capacity. We’re talking to them. It’s possible for us, down the track—and we’re looking at the possibility of this—to take the product from there and treat it. That would solve a huge problem for them and would help us, if we can do it in an efficient way. That would mean they would then have to rely on somebody else to supply their sewage. We’re looking at a range of possibilities and we’re well ahead of target to meet the government’s target of 20 per cent re-use of waste product.

MS PORTER: With regard to domestic use, is it possible for home owners to introduce some form of recycling within their properties when they’re building new houses or retrofitting existing houses?

Mr Costello: Indeed. There are very significant changes in the way new developments are allowed to proceed and much higher requirements for water saving and water usage.

Mr Baria: There are always ways of providing what you call a double pipe or even triple pipe water supply to houses. Let’s investigate and explore the opportunities of water-sensitive urban design. In the ACT we have one large central scheme for treating water, and that’s at lower Molonglo. If we are to contemplate going forward to meet the government’s target, then we have to decide one large process by which we can utilise that. You can have a number of small ones or one large one.

At present we’re trying to concentrate on saying, “Here is very high quality water already produced from lower Molonglo.” If we can find a large use, it will have to be irrigation because we don’t have many industries in the ACT that can utilise this type of water. At present we are concentrating on trying to find some ways of using that good quality water being produced from lower Molonglo. For example, we already provide it to the BRL Hardy vineyards. At Belconnen we provide the same water from lower Molonglo to the golf course. Effluent from Fyshwick—again it is a large production and very high quality—goes there. Under the AWF fund we’ll be looking at other irrigation sites like the parliamentary triangle and so on.

MR MULCAHY: I refer to BP4, page 435 and your policy of reducing water consumption. I think I heard figures published recently of a reduction in revenues of about \$9 million—something in that order. Could you explain to the committee the basis for the projected revenue increase of about 7.7 in the next fiscal year and 12.7 in the 2006-07 year?

Mr Costello: In broad terms, not only do we get revenue and profit from water but we also get a half share of the profits of the ActewAGL joint venture. As their revenue goes up, it certainly adds to our profit. You also have to understand that, under the present system, gifted assets—that is something over which we have no control—are counted in our bottom line. We’re required by accounting rules to add them on as though they were a cash injection or a profit. It makes our forecasting very difficult. We’re given a forecast—and who knows whether it will happen? Sometimes it’s exceeded and sometimes it’s dramatically under, as I think it was this year. Gifted assets were \$6 million under. That takes \$6 million off our forecast. Those are the sorts of variables,

beyond our water revenue, that can affect our bottom line. Mr Luddy might want to add some detail.

Mr Luddy: We are under a regime with the regulator where we have CPI plus 2.5 per cent for the water and we have CPI plus one per cent for the sewerage, so you do get that sort of natural increase with inflation plus the X factor, as the regulator calls it. Also, in prior years, we have always budgeted for what the regulator has given us in the way of revenue, but we have found with water restrictions that this does affect our reporting. So, for the 2005-06 budget, we have assumed that there will be effects from water restrictions, but for 2006-07 we have assumed that it will return to normal.

MR MULCAHY: But you are projecting a significant increase in revenue in those two years and you are saying that there will be an impact from water restrictions, which, I take it, would not be a positive contributor or a major growth element of that 7.7. I am just trying to get a handle on what the main growth elements are in the revenue figures.

Mr Costello: There was an additional thing that the regulator announced about a month or so ago. When our revenue is set, which is basically a cap, what we can earn is set by the regulator on water. He bases that on a risk factor and he has a weighted average cost of capital. Included in that are various risk factors, and it's pretty low.

Mr Luddy: Seven per cent.

Mr Costello: Seven per cent is not a high return on the cost of capital. He does not explicitly include in that the potential risk of drought and water restrictions lowering the amount of water you sell. The reason he doesn't include that is if there is no drought and there are no water restrictions we will have just got a windfall profit by him making the risk factor 7.2 What he decided to do instead was to say, "If there are water restrictions, I will then retrospectively look at what you lost and I will give you a certain amount of that back, but I won't do it on speculative terms or on risk terms. I'll say if you lost \$8 million"—I think we lost more like \$9 million—"I'll give you a certain amount of that back." Not all of it. He says that we have just got to wear the cost of, I think, stage 1 and most of stage 2, but he'll give us back some of it. That's what he's done and, as he announced about a month ago, that adds slightly to the cost of water for the coming year but it will be a one off, the impact of this year. So we are retrospectively getting part of that cost back and that adds to the revenue for next year.

MR MULCAHY: What part of that projection would it amount to?

Mr Costello: About \$4 million.

MR MULCAHY: That's relatively small. I am looking here at your user charges, non-ACT government, BP4 at page 436.

Mr Costello: But remember, our prices go up by five per cent, as he announced about a month ago, which is what he set at the beginning of the regulatory term. They go up by CPI plus 2½ per cent.

MR MULCAHY: Is that on water and electricity?

Mr Costello: No, that's water. That's just water. They're separate pricing.

MR MULCAHY: What are the electricity increases likely to be? Have you done price elasticity modelling on next year?

Mr Costello: You would have to ask ActewAGL that. They do the work on that, not us.

MR MULCAHY: Right. You are not in a position to respond to matters in relation to that.

Mr Costello: I can. I can get it on notice and respond to you, if you wish.

MR MULCAHY: Could you give us that information?

Mr Costello: Yes, I can.

MR MULCAHY: What I guess is relevant to all that is what the typical average cost increase will be per household in Canberra in terms of utility usage.

Mr Costello: Overall utility usage?

MR MULCAHY: Correct.

Mr Costello: Again, I'd have to—

MR MULCAHY: You can't provide that? You've got no idea?

Mr Costello: No, I can't. I think we can provide it for water, but overall for electricity and gas—

MR MULCAHY: What is the water figure that you estimate for the next fiscal?

Mr Luddy: Do you mean the increase in the bill for the normal household? It's about 12 per cent, from memory.

MR MULCAHY: A 12 per cent increase.

Mr Luddy: Yes.

Mr Costello: But remember, about four or five per cent of that is a one-off as partial compensation for what we have lost this year. So that will go out of the system in the year after.

MR MULCAHY: Really, people are basically going to pay for the economies that were made in the last fiscal year, or the one that we are about to finish, in next year's water rates.

Mr Costello: Partially pay, yes. The alternative is to have a risk system that says, "We'll factor into your whack the risk of drought and restrictions." Like any business, there is a weighted average cost of capital. He decided not to do that because, he said, it might

lead to windfall profits. Instead, he said, “When you actually do lose money by being required by factors over which you have no control to impose restrictions”—after all, these are times when, if there were no restrictions, we would be selling far more water rather than far less—“I will partly compensate that so that your weighted average cost of capital is met.”

MR MULCAHY: The economics I understand from a business point of view. I just wonder what message it sends to the public that, if you do the right thing in terms of water conservation, you are going to pay a heavy price in the subsequent year.

Mr Costello: You paid a lesser price in the previous year because you paid less for your water.

MR MULCAHY: Because you bought less water.

Mr Costello: Yes, that’s right.

MR MULCAHY: It sends a very confused message in some respects.

Mr Costello: It does. Quite frankly, if we had our way, we would include it in the risk factor and put a factor in there for risk. But the regulator makes these decisions, not us.

MR MULCAHY: Yes, I understand that. We have had him here. Just talking to the future water options report, you’re in a position to talk about that to some extent.

Mr Costello: Yes.

MR MULCAHY: Can you inform the committee about the status of the options report—I’ve obviously got a particular interest; maybe it’s not obvious, but it is an interest—on where the dam may or may not sit in the equation at this stage? That was one of your options and I am just wondering whether you can update us as to the status of that.

Mr Stanhope: I might respond initially. The status of the report at this stage is that it’s a report to government. The government has received a report, the government is seeking additional advice on the report and the government will respond to the report in due course. I’ve indicated to Mr Harris, the head of the Chief Minister’s Department, to whom I referred the report, that I desired an early response and I believe I have indicated that I would wish to respond within four or five months.

MR MULCAHY: Is that four or five months from now, Chief Minister?

Mr Stanhope: Four or five months from two months ago. So that’s the essential status of the report. Mr Costello and Dr Bickford will respond to the details of the questions but, as far as the government is concerned, that is the status of the report.

Mr Costello: On the question of a dam, Actew as a board has decided to go ahead with getting far more out of its existing infrastructure by what we call the reticulation option. The Cotter catchment, even during these difficult times, has held up quite well in terms of flows and a lot of water on top of the environmental flow requirement simply flows

down the river. In a sense, it's like an overflowing pail and we've got a big, empty pail over the other side. We're using the reticulation system, during periods when we're not using a lot of water in the town, to send water across and fill up that dam and find storage for water there.

So, in a sense, we're storing water from one catchment in another catchment, and we're doing that at a price that certainly is a lot cheaper than building a new dam. That won't be enough, we don't believe, for the medium and longer-term future and we have therefore recommended to government the building of a weir at Angle Crossing which will have a pipeline also to Googong. If we had Googong full 80 to 90 per cent of the time, nobody would be worried about water restrictions or water shortages in Canberra.

That's our objective. We are keeping alive all the other options—the Cotter Dam option, the large Cotter Dam, the Tennent dam option and the Tantangara option—and we will be doing all the technical work that we can on them over the next period in case the government makes a different decision, or if it turns out, for example, that we are not able to meet the water targets, they're not met, or if the population explodes or those variables turn out to be somewhat different. We have factored in climate change very heavily, based on CSIRO reports; but if that turns out to be nothing like as bad as the CSIRO has told us it will be, then that will be different, there will be less need to build a new facility. If it turns out to be much worse, then we may need to proceed more quickly. So we will be in a position to proceed to bigger dam-type options, if we need to and the indicators suggest we should, and to recommend those to government. If the government decided to do it, we would be in a position to carry it out.

MR MULCAHY: It's a fact of life though, I guess you'd agree, that if you put off the big ticket decisions for 10 years or whatever they are inevitably going to cost considerably more than they would today, even though they may cost a lot in today's dollar values.

Mr Costello: Mr Mulcahy, I agree with you, but we have not put off a decision. We believe that there is quite a strong possibility that there will be no need to go beyond Angle Crossing. We do believe it will last until 2020 even if the climate is as bad as it has been for the last six years. That's the basis on which we have calculated these things. It may be that we will get to 2023 and our population will not be 500,000 but 380,000 or 390,000 instead, in which case there will be no need for an additional facility. If there is, we will be in a position to do it. I guess it is a basic rule of management that you try to make a decision when you have the best information available. In the end, there are always degrees of uncertainty; I recognise that. But we are quite confident, based on the best analysis we can get, even with tough weather. If there is no rain for the next three years, I'm sorry, you will have to look upstairs, not at me, but even in tough times, as bad as the last six years, and we have factored in worse years after that.

MR MULCAHY: I know the options as published but, within your range of thinking, have you looked at the possibility of shared construction costs with New South Wales and/or regional councils in terms of future storage needs?

Mr Costello: We supply water to Queanbeyan at the moment on the basis of the same price as we supply it to the people of Canberra. If any infrastructure has to be built just for them, we would charge them; they would have to pay for that. For example, if

a pipeline were to be built to supply water to Yass, the people of Canberra wouldn't be paying for that.

MR MULCAHY: No, I'm thinking that you may have the opportunity to joint venture your water storage needs with either the New South Wales government or collectively with regional councils—Goulburn, Yass, all these places that are afflicted. I am just wondering whether you have looked at that idea.

Mr Costello: We have. We don't have a financial need to do it. Secondly, we can supply them with water at a decent price—

MR MULCAHY: It makes it a better business proposition for you to sell rather than bring them in on the deal.

Mr Costello: It is a better business proposition for us to do it ourselves.

MR MULCAHY: If Actew Corporation, which you are running and for which you are remunerated more than \$450,000 a year, from what I read in the papers, didn't exist, what impact would that have on the delivery of utility services to the people of Canberra? Would it make any real difference if we simply had the ActewAGL entity and these other subsidiaries?

Mr Costello: You would have us and ActewAGL. Someone has to do the strategic work. Someone has to deliver the restrictions; someone has to do the thinking about what is coming down the track. ActewAGL doesn't do that. Someone would have to do it.

MR MULCAHY: But they could do it, couldn't they, really?

Mr Costello: No, they would need extra staff. We run pretty lean. There are only 13 staff in Actew, plus the drought staff task force, which is looking less temporary by the day. There are about half a dozen of those. So we're not exactly grotesquely large.

Mr Stanhope: In other words, Mr Mulcahy, should we sell the rest of Actew? Is that essentially your question?

MR MULCAHY: No, my question was: what does Actew Corporation add to the—

Mr Stanhope: The Liberal Party is interested in regenerating debate about the sale of Actew.

MR MULCAHY: No, let me help you in your confusion, Chief Minister. What I'm wondering is: what does Actew Corporation, with a very highly paid chief executive, and good luck to him, contribute to the delivery of electricity and water to the people of Canberra and future dam options?

Mr Stanhope: I just wanted to get to the nub of your question.

MR MULCAHY: That's the nub of the question, Chief Minister. I am more than happy to assist you in clarifying that issue; it is not a problem.

Mr Stanhope: It's about Mr Costello's salary. I thought we were going to engage in a philosophical debate about the full privatisation of Actew.

MR MULCAHY: I'm happy to have that debate, but I don't think this is the opportunity.

Mr Stanhope: But your point was far more political and rather shallow.

THE CHAIR: Order! Mr Seselja has a supplementary question.

MR SESELJA: I don't actually have a supplementary question anymore. It has been such a wonderful discussion.

THE CHAIR: Do you have a general question?

MR SESELJA: I do have a general question going to some other, probably more boring, matters. The estimated operating result of \$57.6 million for 2004-05 is a substantial increase, I believe, on the result of only \$11.4 million in 2003-04. Was the poorer result in 2003-04 only or mainly due to the write-off of investments in TransACT?

Mr Luddy: Yes, it was. The major thing there was the \$40 million. It was not a write-off; it was actually a write down in TransACT. We believe that TransACT is being run very well and in future years it is our hope and we firmly believe that that \$40 million will be written back.

MR SESELJA: What is Actew's current investment in TransACT?

Mr Luddy: The amount has been written down to zero in our books.

Mr Costello: But you're asking what is our shareholding.

Mr Luddy: Our shareholding in TransACT is 24.9 per cent.

MR SESELJA: You were saying in your earlier answer that you expect the investment to be recovered and the amounts that have been written down—

Mr Costello: We do expect it gradually. At least some of that \$40 million will be written back.

MR SESELJA: Over what period would you expect it to be?

Mr Luddy: It is difficult to say.

MR SESELJA: It's a medium to long-term prospect.

Mr Costello: Medium to longer term, yes. But it's certainly in a very different state to what it was 18 months ago.

MR SESELJA: In what sense?

Mr Costello: It's performing extremely well now, whereas it was struggling 18 months ago. It's going very well now. There was a change of strategy, which you would have to ask the TransACT people about, not me. I'm only talking about how it looks from a shareholder's perspective. There was a change of strategy and they took the management of TransACT on contract. ActewAGL took the management of the operation into ActewAGL for a fee and it has transformed the operation of TransACT. It's back on track.

MR SESELJA: When you say that it is performing better, is it now just losing less money or is it making money?

Mr Costello: No, it has now got a positive cash flow.

MR MULCAHY: Could I ask a supplementary question on that, because there is one thing outstanding there. I understood—I certainly had this in a briefing with ActewAGL and I believe it was mentioned in annual reports, but I might stand corrected—that at that point there was no prospect of recovering the capital investment, that although it was now trading in an operational sense in surplus, the view expressed to me was that there was not a chance of recovering that. Have you had a sudden change of heart or is it looking hopeful now?

Mr Costello: No, no. Whether we'll recover all of it, which is after all—

MR MULCAHY: No, any of it was what I was told at that point.

Mr Costello: Maybe we are just being an optimistic shareholder. But I do believe that it's going better all the time and I am hopeful that, even if it's only a small amount, a positive will appear on the bottom line in the medium to longer term.

Mr Luddy: Just to add to Mr Costello, I think that ActewAGL has done a great job. They have taken it on board and used all their management skills and—

MR MULCAHY: I'm not critical of that.

THE CHAIR: I was interested in what you were saying, Mr Luddy, even if Mr Mulcahy wasn't.

MR MULCAHY: No, I just said I wasn't critical of what they were doing. I think they've done a good job.

THE CHAIR: I was interested to hear the end of your sentence.

Mr Luddy: ActewAGL has existing skills in retailing electricity, water and sewerage, handling all those things. They have the whole broad range of skills and I think you can easily transport those skills from electricity across to all the TransACT things, so you're getting synergies, reduced costs. They can feed off all the skills that ActewAGL has.

DR FOSKEY: I am interested in a number of the highlights listed on page 235. I'm interested in finding out a bit about the ownership transfer of the Googong Dam to the ACT, if you could give us a progress report on that for a start.

Mr Costello: We keep urging progress on this and progress has been made, a lot of progress, in the last 18 months, but I couldn't swear as to exactly where it is at the moment. There were some last minute tax issues, as I remember.

Mr Luddy: A lot of the work has been done. It has progressed quite a fair way, but the ACT government is handling it.

DR FOSKEY: The dot point actually says that Actew is resolving the ownership transfer, so I've been misled a little.

Mr Luddy: It's probably a joint effort of the ACT government plus—

Mr Stanhope: Mr Harris can probably give some additional information in relation to that, briefly.

Mr Harris: Principal responsibility for negotiations with the commonwealth rests with us rather than with Actew Corporation. It requires a change to commonwealth legislation and that is being negotiated at the present time. There is goodwill on all sides. New South Wales has an involvement as well because the commonwealth legislation provides arrangements for the supply of water to parts of New South Wales, primarily Queanbeyan. Our earnest expectation was that it would have been complete by now. It's not. I think the latest date I had was the second half of this calendar year. I'm sorry; I can't be more precise than that because it ultimately rests with the commonwealth.

DR FOSKEY: I know that there are a few more complex issues concerning development around the Googong Dam, but this is not the place to pursue them. Contributing to catchment management issues is another of the strategic and operational issues mentioned. Could you clarify for me Actew's role in catchment management?

Mr Costello: We have always had a role in the upper Cotter catchment and that has been really a model for managing a water catchment. The lower Cotter catchment has never been in the forefront of our thinking because the Cotter dam itself was not something we ever used. It hadn't been used for 30 years. That has changed and our chairman has written to the government informing it that, in our view, there has been a fundamental change as to how Actew has to think about the lower Cotter catchment. That has come about because the Cotter Dam itself, either in its current form or if the government should at some stage decide to build a larger Cotter Dam, is now absolutely central to our water supply. We will be drawing on that importantly for the reticulation option. We already draw on it. Right now, we are drawing on it heavily for our contingency plan and we are able to do that, as you know, because we now have a filtration capacity at Stromlo.

So we need that catchment to be able to regenerate as fast as nature will allow human intervention to help it regenerate. I will ask Dr Bickford to talk a little bit more, but we are working very hard with the fire people, the forestry people, Environment ACT and others to complete, which I think will be done quite soon, a program to put to Mr Harris, who is in charge of these matters, for his approval so that we can get going as soon as possible on doing the things up there. The early things relate to roads, the verges of roads and to some of the creek beds, which have been filled with fine silt. We need to put some

barriers in there and so on. Dr Bickford, would you like to add to that?

Dr Bickford: I think you have covered it, unless Dr Foskey wants more.

DR FOSKEY: No. I am just interested—feel free to comment if you would—in the administrative arrangements for catchment management. They appear to me to be somewhat complex.

Mr Stanhope: As you are aware, Dr Foskey, issues around catchment management are something post-fire and as a consequence of the drought that the government is particularly sensitive to and aware of. Just on a year ago or thereabouts—I need to check the date—I appointed a catchment management group chaired by an independent chair, Professor Gary Jones. A number of land management agencies and, of course, our water utility provider, Actew, are members of that catchment management group. The work of that group has informed some of the conclusions and dealt with some of the issues that Mr Costello has just mentioned in relation to catchment management and a change of view around future importance of the lower Cotter catchment in terms of our water supply.

I understand the point you make about an apparent complexity. Mr Costello made the point just now—and I think it's fair to say—that management of the upper Cotter is probably a model of catchment management, assisted by the fact of that catchment's being exclusively a national park or nature reserve, namely Namadgi, in respect of which the potential for other uses is able to be very tightly controlled. Not so in the lower catchment, which until recently was operated as a commercial pine forest but which, as a consequence of the fire, has been severely degraded and damaged. We are now dealing with the consequences of that destructive impact as well, as Mr Costello says, as a change in view around the importance of that particular catchment to our future water supply. It is now fundamental to the strategies that Actew is implementing in relation to the reticulation of water and in relation to ensuring supply during this drought period.

That particular catchment is now much more important and is demanding much more of our attention. The government responded to that initially through the appointment for the first time of a catchment management group. I think there is scope and a need for us to consider how we now continue with a formal catchment management arrangement, whether we continue with the catchment management group or consider other options for catchment management. At this stage, I believe there has been tremendous cooperation and there have been some very good outcomes and advice produced through the current arrangement, but we are, of course, open to considering others.

Googong represents some other significant issues in relation to catchment management, being a catchment wholly located in New South Wales. Dr Bickford might be in a position to comment further on some of the issues that we face in relation to the Googong catchment. I think there is a longer term, and at one level perhaps a more challenging, management responsibility facing us in relation to Googong as a result of its location in New South Wales and the role of the New South Wales government.

I don't know that it is fair to say that there is necessarily a particular or unusual complexity around our arrangements or the administration of catchment management. It's something that we take very seriously and we have responded and continue to

respond. This was essentially at the heart of what Mr Costello was saying. Over the last few months, we have as a government and across all agencies looked very closely and continue to look very closely at future planning for the restoration and rehabilitation of the lower Cotter. Uppermost in our thinking and planning in terms of catchment management is the appropriate rehabilitation and restoration of the lower Cotter. It has now achieved a far greater importance in our water supply capacity and future than it had, as Mr Costello says, at any time in the last 30 years.

DR FOSKEY: Another highlight is your role in contributing to a satisfactory outcome for the Murray-Darling Basin water cap. Could you outline the role of Actew in this process and indicate what you would perceive to be a satisfactory outcome?

Mr Costello: Our role is really to give the best technical advice we can to government. These are, fundamentally, government decisions. From our perspective, we just want to make sure that, whatever solution is reached, sufficient water is available to meet both environmental requirements and the needs of the people of Canberra.

Mr Stanhope: I might say to be fair to Actew, and Mr Costello's response is absolutely correct, that the water cap issue is essentially in an administrative sense a responsibility of the Office of Sustainability. Questions around that are better directed to the Office of Sustainability. As Mr Costello says, the cap and negotiations around the cap are policy matters for government and we, in our deliberations and negotiations on a cap for the ACT, take advice from Actew around an appropriate and sustainable water supply cap.

DR FOSKEY: I am referring to the cap for the Murray-Darling Basin, not the ACT.

Mr Stanhope: The answer remains the same. The responsibility is that of the Office of Sustainability. But, of course, in relation to anything to do with water, water supply, sustainability and flows, the government takes advice from Actew. So the short answer to the question is that Actew provides the government with advice on these issues. These are policy issues for government, not for Actew, but we are informed by the expertise that resides within Actew.

DR FOSKEY: I want to touch on composting toilets, given their role in reducing our use of water. The Minister for Health indicated last week when I asked him in estimates that there was an increase in interest from people wanting to install composting toilets and they are dealing with the health issues—obviously there are some. I'm just wondering whether Actew has undertaken any work, as part of its role in meeting water reduction targets, to consider how greater uptake of composting toilets could occur?

Mr Stanhope: I think Actew invented a toilet at one stage, a previous regime.

DR FOSKEY: It would mean less going into the Molonglo treatment works, which I'm sure no-one would mind.

Mr Stanhope: I think Paul Perkins had a prototype model installed in his house.

Mr Costello: I'm sorry, I honestly don't know. We haven't done any work, I don't think, or I haven't.

Dr Bickford: The Chief Minister is referring to a pilot program that we had a few years ago whereby we put in place six toilets at the houses of various people—they weren't composting toilets, but they certainly were toilets that were disconnected from the sewerage system—to try to understand how well they would perform and they performed reasonably well.

Mr Stanhope: What were the performance measures, Dr Bickford?

Dr Bickford: We looked at a range of performance measures. We looked at things such as water quality, solids removal and impacts on vegetation when we irrigated from those toilets. These sorts of things are available to people to use if they so desire. They need, obviously, to meet the health and planning requirements before they put such systems in place.

Mr Stanhope: But Actew is not doing anything specifically?

Dr Bickford: We are not actively doing any particular studies on composting toilets as such.

DR FOSKEY: It's something to look at.

Dr Bickford: Perhaps.

MS PORTER: The last dot point on page 435 of budget paper 4 mentions that Actew will continue to contribute to the community by supporting organisations, events and initiatives that benefit the territory. Could you give us some information about the range of events and organisations that were supported during last year?

Mr Costello: Quite a variety. We contributed significantly to the science festival, over \$100,000, which was nearly a third of our community contribution. We think that's within our ambit of interest. We contributed to the Canberra Symphony Orchestra. We contributed to Barnardos. The National Archives had a water exhibition and we helped them with it. At Floriade we contributed to a water-wise garden. We contributed student prizes to the Australian Water Association of \$1,000. The other things tend to be rather small. We contributed \$10,000 to the Australian Red Cross. Most of the things we do are quite small. But the big things we do really are the science festival and the Canberra Symphony Orchestra, and a range of small charities and small occasions.

THE CHAIR: Was the Australian Red Cross donation part of the tsunami appeal?

Mr Costello: No, that was separate from the tsunami appeal. I'm sorry; it was to the tsunami appeal, yes.

MR SESELJA: What is the total amount given to community organisations and events?

Mr Costello: In our budget we talk about \$300,000 as being the cap. So far this year we have spent \$264,000.

MR SESELJA: Is that Actew or ActewAGL?

Mr Costello: That's Actew.

MR SESELJA: What are the criteria that you look at? How is it determined which groups you will give to?

Mr Costello: As you know, there is a very large range of groups. Obviously, we are particularly interested in science and water matters, but we also think it is our duty as a very significant corporation to contribute to charity, as other major corporations do, and to contribute a little to sporting issues, the things that interest the people of Canberra. But we have limited it to \$300,000 and this year, as I say, we have spent a little bit less than that so far.

MR MULCAHY: Do you know what ActewAGL contributes in the way of sponsorships?

Mr Costello: No, I don't, I'm sorry.

Mr Stanhope: I might just say in terms of the government's position as the shareholder in Actew, and we have a significant interest in ActewAGL, that I am constantly heartened by the corporate generosity of Actew and ActewAGL. I often refer with genuine gratitude to the fact that I believe that Actew and ActewAGL are the cream of corporate citizens within the ACT. I think it's of enormous credit to Actew and ActewAGL that they support this community in the way they do. I acknowledge again my gratitude for the way in which these corporations support our community.

MR MULCAHY: Chair, I'm wondering whether the committee could be informed of what the main impediments might be—say the top two or three—to Actew and ActewAGL achieving a higher return on assets. What are your main barriers?

Mr Costello: Our return on assets is set for us.

MR MULCAHY: One of the impediments, obviously, is the fact that the ICRC sets that.

Mr Costello: They say what we can receive and that's it.

MR MULCAHY: But within their terms there are issues, I understand, about their criteria that you may not necessarily feel entirely in accord with.

Mr Costello: You might want to join in here, Mr Luddy, but by far the single biggest issue we have is the undervaluation of our assets. They value our assets at a little under \$900 million. We think they are worth, on replacement value, about \$1.8 billion. We have had formal valuations done to that effect. But we are not alone in this problem around the country. The undervaluation of assets is the single biggest problem of utilities like ours. If we were to receive a proper return on \$1.8 billion, I must say that the price of water would be a lot higher, because it would be seven per cent of both assets, rather than \$800 million. I am not in the mind of the regulator, I'm just guessing, but I am sure he is conscious of the price impact it would have if he valued our assets differently.

MR MULCAHY: As to the regulatory environment, and I'm not just talking about the actual setting of your tariffs, I understand that there are regulatory impediments as well

that ActewAGL struggles with and may need to be addressed. I think there was a committee or an interdepartmental group that looked at some of those issues.

Mr Costello: Do you know about this?

Mr Luddy: No.

MR MULCAHY: No? There are no regulatory impediments to ActewAGL's growth that you see?

Mr Costello: I think you would have to ask ActewAGL. We fight with the regulators all the time. We are never happy with the outcome on prices. They are not happy with the valuation of assets.

MR MULCAHY: I am thinking beyond that, that there are other regulatory impediments, but there is nothing there that has been flagged to you?

Mr Costello: Mr Luddy?

Mr Luddy: I am not aware of any.

Mr Costello: Mr Mulcahy, I don't want to be misleading. I will go and ask and, if there is a problem, I will certainly respond.

MR MULCAHY: That would be helpful. I think there are issues there for ActewAGL and I don't think they are just talking about the price regulators.

Mr Costello: I regret that I'm not able to answer your question and I'll do my best to do so.

MR MULCAHY: All right. Since all of your profit of 2005-06 will be paid as a dividend to the government, and I assume future profits are intended to be paid as dividends to the government, how do you plan to retain surpluses for future expansion? Do you plan to do that or how will you tackle that? Are you simply going to do that off revenues?

Mr Costello: If we have to. For example, we built the filtration plant out of cash reserves that we had. We paid for that by cash rather than borrowing. Our dividend policy is set for us. It is 100 per cent and has been for quite a long while—many years—and that is what we are required to pay.

MR MULCAHY: Do you see that as a problem in terms of future planning?

Mr Costello: I think I should discuss that with others.

MR MULCAHY: Pardon?

Mr Costello: I'd prefer not to comment on that. What do you think, minister?

Mr Stanhope: I think that's quite appropriate.

MR MULCAHY: I'm interested in an opinion on that. You can speak freely in this environment, Mr Costello. I'm sure the Chief Minister would be happy for you to.

Mr Costello: We have the capacity to properly fund all the things we need to do in the coming years in major infrastructure through borrowings and, on those borrowings, we will get a proper rate of return from the regulator. If we were at, say, 50 or 60 per cent for borrowings on our assets, we would have a problem. But we are not; we are under 30 per cent, which is quite a reasonable level. Most utilities like us are at 40 per cent or a little bit higher. In fact, some people say that for that reason—

MR MULCAHY: You're not efficiently using it.

Mr Costello: Yes. We don't have a problem with funding what we need to do in the next five or six years. We do have a problem with gifted assets. The more development there is, the more gifted assets there are. It sounds like a bonus to us, but what happens with gifted assets is that, if there is \$20 million worth, we receive it but because it's a gift we are required to put it in our bottom line, even though we get no cash. The regulator says it's a gift and you can't have a rate of return on it.

MR MULCAHY: You mentioned that earlier. My last question is on your China venture, which seemed to be going nowhere when we spoke at the annual reports meeting. Have you written that off yet or are you going to write it off? What's the plan with that investment?

Mr Costello: Where are we on that, Mr Luddy?

Mr Luddy: The China investment has been written off and we are basically adopting a watching brief, just keeping an eye on the investment.

MR MULCAHY: My memory is that it was \$5 million. Is that correct?

Mr Luddy: No. It was only about \$363,000, from memory. Adding to what Mr Costello said, Actew is in a pretty good financial situation. We do repay debt at the level of about \$10 million to \$12 million a year. So, as well as paying the dividend, we are winding our debt back at the rate of about \$10 million to \$12 million a year.

Mr Costello: There was a series of capital contributions to the government that amounted to about half a billion dollars some years ago and we had to borrow all of that money, did we not?

Mr Luddy: Correct.

Mr Costello: That was about five, six or seven years ago.

Mr Luddy: Less than that. It was back in 2000.

Mr Costello: That came to over half a billion dollars and, of course, that changed our situation.

MR MULCAHY: But your gearing is reducing the same, effectively.

Mr Costello: No. Gearing is low.

MR MULCAHY: And getting lower.

Mr Costello: No. It won't once we have to borrow money to do these new things. We will have to raise gearing then, but at the moment it is more than manageable.

MR SESELJA: Has Actew ever sought or received any legal advice on the legality of the water extraction charge?

Mr Costello: That is a matter for the government. We are just the intermediary that collects it as a matter of convenience, but it is entirely a government matter. It's nothing we receive.

MR SESELJA: Okay, so you have never sought legal advice on it.

Mr Costello: It has nothing to do with us.

Mr Stanhope: We have. The government has and it is legal.

MR SESELJA: Are you able to provide that advice to the committee?

Mr Stanhope: I am more than happy to seek advice on whether it is appropriate for it to be released. The government has a policy of not releasing legal advice, but I am more than happy to see whether there is any reason why this advice might not be released. But I won't undertake to do so.

DR FOSKEY: I am interested in your use of sustainability indicators. I cannot see any reporting on strategic indicators here, unless I can be directed elsewhere. Indeed, there is a real unevenness from department to department in the budget documents on that. I was just wondering whether Actew has any comments to make on the sustainability indicators that Treasury set up and whether it uses any sustainability indicators itself for its own operations, given that its work impacts quite a bit on our nature environment and also uses a natural resource.

Mr Costello: In our annual report we do have a section on sustainability and the environment and every year ActewAGL, which operates all these systems, in consultation with us, issues a separate report on sustainability. In addition to that, of course, we are required to meet and comply with all the environmental standards laid down by government to its licensees and we do.

Mr Baria: ActewAGL is certified to a quality system from 9,002 as well as an environmental management system. Under both systems, they are supposed to provide, and they do provide on a yearly basis, information on how well they perform according to the standards they have set themselves. For example, they participate in national pollution inventory schemes and so forth. Actew recently cooperated with the ACT government in identifying how well we perform under the ESD reporting system as well.

DR FOSKEY: Is that available?

Mr Baria: It's not final as yet.

DR FOSKEY: Will that document be publicly available or able to be made available to the Assembly?

Mr Harris: It's an Auditor-General's report, which is in draft form at the moment.

DR FOSKEY: Therefore, we will see it.

THE CHAIR: We will adjourn for morning tea. When we come back we will go to output class 1.4. Thank you, Mr Costello, Mr Luddy, Mr Baria and Dr Bickford, for your attendance.

Meeting adjourned from 10.49 to 11.09 am.

THE CHAIR: Welcome back. Mr Mulcahy, I understand you have some questions. We are now on 1.4.

MR MULCAHY: Chief Minister and Mr Lasek, could you give us an indication of the number of people employed in the communications area of the department?

Mr Stanhope: I'll ask Mr Lasek to respond to that and to give a breakdown of the responsibilities of the people within his unit.

MR MULCAHY: That was the next question.

Mr Lasek: We have gone through a restructure in the Chief Minister's Department in the past six months, which has meant the communications area has also brought in the support and protocol area for the department. We currently have 14 staff, three of whom are directly involved in communications, and we have two staff involved in delivering major ACT government events. I, with the remainder of the staff, am involved in the support and protocol area for the Chief Minister's Department.

MR MULCAHY: That totals eight people on the protocol side, does it?

Mr Lasek: There would be seven.

MR MULCAHY: This may be related to what you've said there about restructuring and so forth. There are no figures for 2004-05 and there is near enough \$2.4 million for 2005-06. Where have the resources come from for your unit? How come we don't have anything for last year?

Mr Lasek: I didn't catch the last part of your question.

MR MULCAHY: In BP4 at page 29 there is provision of \$2.39 million for your unit, but there was no provision at all in 2004-05. I'm wondering why there was no spending for last year and, if there was none, where the resources have come from. Or are you saying it's all newly created—and it obviously isn't—for next year?

Mr Lasek: The division was previously part of the policy group area within Chief Minister's Department. With the restructure towards the end of last year, it became a division of its own. The funding was increased in a second appropriation last year of \$300,000 for the delivery of special events and enhanced events for things like New Years Eve and Christmas in the City, Canberra Day celebrations and Australia Day. My position was created in the 2004-05 year. That was a direct response to the McLeod inquiry report on the government's capacity to manage communications on a whole-of-government level.

MR MULCAHY: How many were in the former unit, as it existed, compared to the team you've now assembled?

Mr Lasek: When I arrived the communications team consisted of two people. We now have three people doing communications, strictly speaking, in that area. There's been a small increase, which, again, was partly due to the McLeod inquiry's recognition that the communications capacity of the government, especially on a whole-of-government basis, was inadequate.

MR MULCAHY: If you want to look at communications separately, if we take the former communications functions, the events functions and the protocol functions, how many people were previously employed—before the unit of 14 was created?

Mr Lasek: I've not done the tally but events is totally new. It would be fair to say it would have been somewhere around 10.

MR MULCAHY: There were 10 previously, so we've gone up about 30 per cent in numbers for that.

Mr Lasek: By about four.

MR MULCAHY: Yes, a little bit more, really.

Mr Harris: We have created a new function as well.

MR MULCAHY: Was it a new job for him?

Mr Harris: As Mr Lasek said, we didn't do events before but we do events now. The 2004-05 numbers are in Appendix B, on page 1, as part of output class 1.

MR MULCAHY: Thanks for that. How many communications staff are there across the ACT public service?

Mr Lasek: I think at last count there were in the vicinity of 30.

MR MULCAHY: Do they report through to you, in an official or unofficial fashion, on their public pronouncements?

Mr Lasek: It's more of an unofficial capacity. I have regular monthly meetings with communications managers across government. Again this was a response to the McLeod

inquiry and the need for the government to be better coordinated when dealing with a crisis situation. The incident in the past 24 hours has shown the value of a stronger communications link across government. I can now, if need be, call on a greater resource, which was already in place but wasn't particularly well coordinated previously.

MR MULCAHY: I guess you're saying, then, that you've really got 30 more people at your disposal on these projects that may come along.

Mr Lasek: If we went through January 2003 again, that would certainly be the case. I think we're all hoping and praying that that won't happen.

MR MULCAHY: In the context of crises I understand that; and hopefully we won't have those each month. As far as other activities are concerned, what's the interrelationship with the other 30 communications officers you speak of whom you meet with every month?

Mr Lasek: It's keeping each other across the issues. In a media monitoring sense, we've used the efficiencies of bringing together all the different agencies to monitor media and to strike a better deal, which we've done in the past 12 months. There's advice on issues like branding, so that people abide by the law and the legislation and receive good advice on how they should be branding their publications or advertisements—that sort of thing.

MR MULCAHY: Is there a set of instructions for you in relation to the branding as it might involve ministers, or do you have a particular set of standing instructions on how that would be handled in respect of the minister, of the relevant agencies or the Chief Minister?

Mr Lasek: It's more about the department and agencies, and how their publications should be branded.

MR MULCAHY: Do you have instructions in relation to how you should promote or present ministers in the context of departmental material?

Mr Lasek: No.

MR MULCAHY: What's the brief you have from the Chief Minister in relation to your functions?

Mr Stanhope: Mr Lasek doesn't have a brief from me; he has a description of his role and he abides by that. He is responsible to his chief executive; he is not responsible to me. I do not give him formal instructions.

MR MULCAHY: But you'd have a lot of meetings with him.

Mr Stanhope: I meet with Mr Lasek. Mr Lasek is responsible to Mr Harris.

MR MULCAHY: Mr Harris, I take it you have a brief that you give Mr Lasek as to what the expectations are of the communications side of the department.

Mr Harris: Mr Lasek was hired against a job description through a normal merit

process. To this date I'm perfectly satisfied that he is performing the duties as outlined in his job description.

MR MULCAHY: In terms of materials, and events that they're staging, they would come to the Chief Minister or to you for approval.

Mr Harris: Yes, they do. The Chief Minister has a significant interest in all of those events. There is a lot of discussion about how they're put together, what they're meant to do, who's going to be there and all those sorts of things. I have discussions with Jeremy on a regular basis about those events. There are continual briefs backwards and forwards to plan and program them.

MR MULCAHY: Given that there are 14 staff, I take it that this budget of \$2.3 million doesn't include all the costs associated with some of the events that are staged—concerts and things of that nature—and consultants. Would that be correct? Are they contained elsewhere within a budget cost?

Mr Lasek: I guess this is part of the growth of the team. Again, we've got some capacity to seek outside sponsorship. For a relatively new team we've been quite successful. ActewAGL, ACTTAB, the LDA and some commercial groups have generously offered to support our events. That means it's not causing as great an impact on the government purse strings.

MR MULCAHY: They're government agencies.

Mr Harris: That is one area where I have instructed Mr Lasek, I must admit. The instruction is, "Minimise the cost to my budget."

MR MULCAHY: Can you give us an idea of the value of the events that you're involved in managing, albeit some may be sponsored by government corporations?

Mr Lasek: It'd be pulling a bit of a figure out of the air. We've got a \$300,000 budget allocation for the major events. We've been working with the central Canberra team from ACTPLA and jointly putting together a Christmas program. All up, including the installation of the Christmas tree, that's probably in the vicinity of \$120,000. Last year we acquired a quarter of a million dollars from ACTTAB for sponsorship. ActewAGL have probably kicked in in the vicinity of \$35,000 to \$40,000. There are staffing costs associated with all of those.

MR MULCAHY: The figures you mentioned roughly add up to \$800,000. So you're expending somewhere between \$800,000 and \$1 million in events, on top of the \$2.3 million for the operation of the unit?

Mr Lasek: Yes. I think that would be good value for money.

MR MULCAHY: About \$4½ million is going out on communications activity—plus the 30 communications officers whom you meet with every month to deal with other issues.

Mr Lasek: And my team managers; all the ministerials that go through the Chief

Minister's office; and protocol for any foreign visits.

MR MULCAHY: By “ministerials”, do you mean ministerial questions?

Mr Lasek: Briefs.

Mr Stanhope: I need to make a point, Mr Mulcahy, with regard to your questions. I'm not sure it was explicit, but seven or eight of the staff for whom Mr Lasek is responsible are in the Chief Minister's support unit. I'll let Mr Lasek explain what they provide. I'm not quite sure, on the basis of the nature of your questioning, that you fully understand that half of the staff for whom Mr Lasek is responsible provide routine ministerial services and have nothing to do with communications and events. I think that needs to be made explicit.

MR MULCAHY: I guess you're talking about the protocol people.

Mr Stanhope: No. It's ministerial support. One of the functions—probably five per cent—might be related to protocol but I think Mr Lasek needs to explain what, in fact, the majority of his staff do. They provide standard ministerial support services.

MR MULCAHY: Okay.

THE CHAIR: Before we go any further, I'd like to remind people of the importance of one person speaking at a time—this is particularly for you, Mr Mulcahy, and you, Mr Smyth. As I said yesterday, Hansard has been having trouble keeping up with what's being said and who's saying what at what time. I know you're very enthusiastic to ask Mr Lasek and the Chief Minister lots of questions on this area. I ask you to curb your enthusiasm slightly and allow the question to be answered before you go on to ask the next one.

MR MULCAHY: Chief Minister, does that \$2.39 million include those other support staff, or not?

Mr Stanhope: I understand it does. I'm happy for Mr Lasek to qualify that. From the nature of some of your questions—I notice you referred to 2.9, or whatever it was. I don't know the numbers.

MR MULCAHY: It was 2.39.

Mr Stanhope: Yes. The majority of that salary, as I understand it, is for ministerial support staff—people who have no role in either communications or events. Perhaps Mr Lasek can explain.

Mr Lasek: They are incorporated in that number and they manage everything including the honours and awards that the ACT government bestows on its citizens; they're involved in coordinating national awards; they deal with the travel needs of the executives; they deal with the full range of protocol; any official visits from VIPs, foreign heads of states and other dignitaries. I may be wrong, but I believe that about 1,000 briefs go through the Chief Minister's office every six months. It's a heavy workload and they have, in the past, also been involved in the citizenship ceremonies,

which are frequent and take a lot of management.

They've also taken on the role of the ACT honour walk, which has recently been opened. A huge workload in the past 12 months was to do with the Canberra gold awards, which, I think 1,080 Canberrans were nominated for. Every one of those people needed to be written to, communicated with and invited to an event. There are also all the other functions attended and hosted by the Chief Minister and the executive. They're involved in supporting and organising those.

MR MULCAHY: Could you help me decipher the amount of this budget that relates to the staff under your supervision, Mr Lasek?

Mr Harris: We can take that on notice and provide you with a list of staff and the cost of those staff.

MR MULCAHY: Thank you. Mr Harris, are the executive staff not included in another classification? I was under the impression that ministerial staff were elsewhere in these accounts.

Mr Harris: These aren't ministerial staff; these are public servants.

MR MULCAHY: They're departmental officers who assist ministerial officers?

Mr Lasek: That's right.

Mr Harris: They assist me as well in respect of the national awards the Governor-General officiates over. I sit on that assessment committee and these staff provide me with assistance. They are public servants attached to the Chief Minister's Department. The other ministerial staff who are not public servants are in the executive part of the budget, which, to my surprise, we dealt with about three weeks ago.

MR MULCAHY: Mr Lasek stated that he meets every month with 30 communications officers, who are particularly important in a crisis situation. Are those officers all funded by the department?

Mr Harris: No, they're not. Some of them are ministerial staff and some are departmental officers. It's a combination of both, as I understand it.

Mr Lasek: They're essentially managers of communication teams across government from agencies and departments. So it doesn't involve ministerial staff but if there were issues that required them knowing information that was raised, we would of course brief them.

MR MULCAHY: There was a contradiction there.

Mr Harris: No. I'll clarify what seems to be a contradiction. The 30 staff you're talking about are departmental staff. He also meets with ministerial communications staff.

MR MULCAHY: So the 30 departmental communications officials are funded out of departmental appropriations or expenditure.

Mr Harris: I can't answer that question on behalf of every department. I can on behalf of Mr Lasek and my people, but not every department. So I can't answer that. If they are public servants you would assume that they are funded by departments.

MR MULCAHY: Do the political people—or the ministerial advisers and the communications people—have separate meetings, or are the meetings all held together?

Mr Lasek: No. Monthly meetings are held only with managers of communications teams in areas like education, health, police, emergency services, tourism, et cetera.

MR MULCAHY: They don't involve the ministerial communications people?

Mr Lasek: No.

MR MULCAHY: Thank you.

Mr Stanhope: To enable a better understanding of the nature and role of a communications officer within a department: they are the officers responsible for the preparation of departmental publications. Their major role and function is essentially that of public relations and public report preparation. Probably the central role of people within those functions is to oversight the public relations for the organisation. Part of that is to fulfil a responsibility through the agency to the minister. You need to understand the full range of responsibilities for communications officers, which is, of course, to essentially oversight the preparation of communications material.

Mr Harris: Plus whole-of-public service announcements. I have a role as the head of the public service and often have a requirement to communicate right across the public service—not just to chief executives but also to broader sections of the public service. Jeremy and his people, and his counterparts in the departments, help me to do that.

THE CHAIR: Dr Foskey?

MR SMYTH: Can I ask a supplementary on that before we go on?

THE CHAIR: No, we need to move on.

MR SMYTH: It's just a supplementary.

THE CHAIR: No, we need to move on.

DR FOSKEY: Given that the communication unit manages—

MR SMYTH: I think it's appalling the way you shut these things down. The chairmanship of this committee is absolutely atrocious.

DR FOSKEY: Excuse me, Mr Smyth. I was given the call also. I don't know about you, but I've got an awful lot of questions here.

MR SMYTH: Yes; we all have.

MR SESELJA: Similarly, we have an awful lot of questions this morning.

DR FOSKEY: And?

MR SESELJA: There's been a ridiculous amount from here. Mr Smyth has asked for one supplementary here and he's been shut down. I find that disgraceful.

DR FOSKEY: Thank you for your opinion.

THE CHAIR: Order! Order for the moment, Mr Seselja and Mr Smyth. Mr Smyth, you can place the question on notice. That avenue is open to you. I would refer you both to my letter of 25 April, which I've referred to before. That says that the members of the committee get precedence in asking questions. You know that that is the case, and that is what the standing orders say. Dr Foskey?

DR FOSKEY: Given that the communications unit manages successful programs and key ACT community events, how does it link with artsACT, the ACT Cultural Council and the art form peer assessment panels that presumably have expertise in events and festivals, particularly those involving artists?

Mr Lasek: Thanks for reminding me that, in the restructure, we absorbed one position from Festivals ACT. We now manage the festival funds, which we will be advertising in the next month or so, festival grants and so on. We liaise very closely with artsACT; they're part of the Chief Minister's Department. We get invited to meetings with them. There was a forum at the national gallery last week, funded by artsACT. I was invited to be on that panel. We work very closely in communicating arts messages through our events and festivals, and we expect that to continue.

DR FOSKEY: What guidance does the cultural council offer this unit?

Mr Lasek: Sorry?

DR FOSKEY: What guidance do you take from the cultural council?

Mr Harris: I met the cultural council last week, for the first time. We had a very fruitful discussion about the role of the council as to how it could help us and how we could help them. There is developing dialogue and contacts.

DR FOSKEY: Are there any formal connections, or do you have ad hoc meetings?

Mr Harris: No, there are formal connections. The council is supported by artsACT, which is part of arts, heritage and environment. The executive support we provide to the council is a mechanism for the council to provide direct input to me, and I have encouraged them to do so. Indeed that was part of the conversation we had last week.

Mr Lasek: The chair of the cultural council is also the chair of the festivals funding committee. So there is a close connection and we talk. There is nothing formal with the cultural council, though.

DR FOSKEY: I suppose it's those formal connections that I'm really interested in finding out about.

Mr Harris: The formal connection is from the council to the secretariat, and the secretariat is responsible to me. So there is a formal link.

DR FOSKEY: The communications unit has a relationship through that mechanism?

Mr Harris: Yes.

MR SESELJA: I understand that in 2003 there were in total 19 public relations officers across the ACT government, and that there are now 30-plus ministerial staff. Why such a significant increase in that short period?

Mr Harris: I'm not aware of the figure of 19.

Mr Lasek: Those staff are not members of the Chief Minister's Department. If there has been an expansion in those areas in other departments, you would need to ask the respective departments that question. We do not have responsibility for those staff in the Chief Minister's Department.

DR FOSKEY: Could you please advise how much of the 2005-06 appropriation for output 1.4 will be spent on each of the following four items: information and protocol services for the Chief Minister; delivery of key ACT government community events; whole-of-government communications and support; and whole-of-government emergency responses.

Mr Harris: We don't cut our budget precisely that way. I would need to take that question on notice and provide a written response.

DR FOSKEY: I would appreciate that. I think we've already explored how this appropriation compares to last year's appropriation quite thoroughly, have we not? I want to ask you about advertising. How much did the ACT government spend on advertising government programs in 2004-05?

Mr Lasek: I don't have that figure. I could get you the Chief Minister's Department expenditure, which is what we have responsibility for.

DR FOSKEY: I'd be interested in a comparison with the year before that and the year ahead of us. I guess that, if you are providing those figures, you could provide the figures for the year before the current one as well. I guess you can't give me next year's figures.

Mr Stanhope: We're happy to take that on notice, and provide what information we can.

DR FOSKEY: Which single advertising program cost the most in the past two years; and how much did it cost?

Mr Lasek: Possibly the launch of the Canberra plan in March last year, which was a one-off expenditure for a very significant major policy document for the government. I think that would have been the largest single expenditure.

MR SESELJA: How much was that?

Mr Lasek: I'd have to get you that figure; I can't recall, but it has been provided before.

DR FOSKEY: I'd be interested to know how much that was. What process does the government follow in deciding which programs it will advertise and how much funding to delegate to those individual programs?

Mr Lasek: That often happens in consultation with the chief executive, and I guess it depends on the level of impact on the community. We've been very fortunate that the local media have been very supportive in sponsoring our events. The amount we've had to spend on advertising and promotion, in dollar terms, has been quite minimal for the promotion we've received. There's no point putting on things like events or making major changes in respect of water saving initiatives without properly promoting them and getting the message out to the community. So it's often based on the importance of the program and our need to get the message out there as broadly as possible.

DR FOSKEY: The way you describe it—and this is why I need clarification—it sounds as though it's event by event. Don't you start the year with a broad budget of the kinds of things you will allocate money to? Assumedly, you have a limited amount, rather than a bottomless pool.

Mr Harris: Yes, we do. We have a schedule of regular events such as Christmas, New Year, Canberra Day and others, which are evolving all the time. If you go back two or three years, we wouldn't have had that schedule of regular events; and certainly not to the extent that we have it now. We're adding events and contemplating other ways to enliven the city as we go along. So the range of events we're looking at and the way in which we might promote them changes frequently. There is a budget allocated and we live with that budget. If we need to change that budget, then my challenge is to reallocate my budgets within the organisation.

Mr Lasek: To some extent we need to be able to be responsive to changing needs. Last year, I think it was, out of the blue a national campaign against plastic bags was launched in the ACT through the ACT government. We had the opportunity to tap into that national campaign. We needed to have the flexibility of spending—and it wasn't a lot of money—to support that campaign at a local level, just as it was being promoted in other states and the Northern Territory. Similarly with water, there's a bit of a watching brief on our situation as to whether we need to support Actew and ActewAGL in getting their messages out. If we get six months of rain—which would be lovely—perhaps we won't need to allocate as much money or put enough money aside to get messages out to the community about water use.

THE CHAIR: We might move onto the next area. Thank you, Mr Lasek. Output 1.5 is public service management.

MR SESELJA: What is the status of the new human resource information management system?

Ms Davoren: The new system is on track to go live on 1 July 2005.

MR SESELJA: Will all the modules be operational at that time?

Ms Davoren: No, the project brief was to replace PERSPECT, and what will go live on 1 July is the PERSPECT replacement. Within the context of this project, we will be able to make available some additional modules as 2005 progresses.

MR SESELJA: Sorry, I missed the last bit of that. Did you say that the rest of the system will become operational through 2005?

Ms Davoren: The initial project brief was to replace PERSPECT. Those elements of the new system will be operational from 1 July. With the new system there are additional elements not currently available in PERSPECT and we will be looking at making those available as 2005 progresses. We will be looking in the first instance at more extensive use of electronic self-serve, potentially recruitment modules, and occupational health and safety.

MR SESELJA: Has the system been trialled yet ahead of its becoming operational?

Ms Davoren: Yes. We have been going through an intensive process of testing and parallel pay runs. This has been going on from February this year and it has involved a team of HR experts from agencies subjecting the new system to different scenarios, testing, parallel pay runs, and migrating data into the new system and testing the receptiveness to that data, and that will progress through June.

MR SESELJA: Have there been any problems experienced with the implementation, in getting that up?

Ms Davoren: Implementation of any HR system is a complex project. It has been a high-pressure project and we will be very happy to go live on 1 July, but I think that it has progressed very well.

MR SESELJA: What are the plans for the evaluation of the new system once it is operational?

Ms Davoren: At the moment, we are talking with the internal audit committee in the Chief Minister's Department. We have had an internal auditor assisting us through the testing process and that internal auditor will come back after a couple of months of operation to complete an internal audit process.

MR SESELJA: Will an internal audit after two months be the extent of the evaluation?

Mr Harris: Part of the methodology is to have the auditors on the ground floor, as it were, as the project is being developed so that they can get an appreciation of the systems and what they have to do to audit those systems. That is what they have been doing. They have been on the ground now for maybe six months, four months, something of that sort, so that they actually can understand the system and what it is meant to do and then, effectively, do an audit post-implementation.

MR SESELJA: But there are no plans for an external, independent auditor?

Mr Harris: We will do a full project evaluation at some stage in the not too distant future and I wouldn't be surprised at all if the Auditor-General wanted to do a post-implementation audit at some point in time. It's the sort of thing I would expect the Auditor-General to do for a major project of this size, with its complexity and potential impact if we get it wrong. Again, one of the reasons for having an internal audit there is to give me some satisfaction that when the Auditor-General does come to do an audit the systems will be clean.

MR SESELJA: When you say a review in the not-too-distant future, would it be in 12 months, 18 months or two years?

Mr Harris: You would need to let the system run for a while to get some sort of track record and some performance that you can actually audit in a sensible way. I would take advice as to when the appropriate time would be, but I would have thought at least two cycles before you get stuck into it.

DR FOSKEY: In the interests of saving time, I will put my questions on notice.

THE CHAIR: There being no further questions on output class 1.5, we will move on to output class 3.1, which relates to corporate management.

DR FOSKEY: Why does the Chief Minister's Department provide corporate services to the Treasury? Is that an efficiency measure?

Mr Harris: It is not that the Chief Minister's Department provides it to Treasury; there is a corporate services area which provides services to Treasury and to Chief Minister's; indeed, to justice and community safety and to economic development as well. So, if you like, it is a core service area that services three or four different sections and, you are right, it is for efficiency purposes.

DR FOSKEY: Is there any likelihood of its being extended to other departments?

Mr Harris: The concept, yes; this unit, probably not. We are probably at the limit of its efficiency. Even servicing economic development is presenting some challenges, given that they are at 220 Northbourne and not as centrally located as the other three units.

THE CHAIR: There being no further questions on that output, we will move on. Mr Gaskill, you did not get to say anything, but I thank you for coming to the table. Next, we will deal with heritage and then artsACT and the Cultural Facilities Corporation. I will do my best to get through them in the next half hour.

DR FOSKEY: I want to talk about time management.

MR MULCAHY: If we don't have discussions, we can probably get through them.

DR FOSKEY: Mr Mulcahy, I would just like to say that I have only one question on heritage but heaps on the arts, and I would really like to get to the arts.

MR MULCAHY: We all would, I think. Chief Minister, output 2.3—BP4 at page 32—

allocates \$1.16 million to the management and administration of heritage legislation resources and the promotion of heritage activities. Can you give us a breakdown in funding for, firstly, developing, renewing, implementing and administering heritage legislation; secondly, managing the seven heritage assets; and, thirdly, supporting the ACT Heritage Council and managing the heritage grants program?

Mr Harris: In the interests of efficiency, it might be useful if we took that on notice and provided you with a written response.

MR MULCAHY: Okay. Can you also tell me—I think I know some of them—the seven heritage assets listed there?

Mr Stanhope: Dr Cooper will respond to that, Mr Mulcahy.

Dr Cooper: There are seven of them. They are: Albert Hall, Tuggeranong Homestead, the carousel organ, the Civic merry-go-round, Duntroon Dairy, Tuggeranong Schoolhouse and Yarralumla Woolshed.

MR MULCAHY: In relation to the Heritage Council, I have two questions. You may wish to take the first one on notice. It concerns the expertise or experience of the appointed members of the council. It may be shown somewhere else in papers that we haven't identified. The second issue is: has the Heritage Council declared any information about the nature of a place or object to be restricted as per section 54 of the Heritage Act 2004? If so, what were the reasonable grounds that the council relied upon to support such a declaration, as required by the act?

Dr Cooper: There were two questions there. As to the first one, there are nine members and the expertise of those nine members is: architecture, landscape architecture, Aboriginal community, history and community, ACT Property Council, engineering, Aboriginal archaeology, natural heritage, and historic archaeology. The second point relates to Aboriginal sites.

Dr Blair: The restricted information provisions are particularly for Aboriginal sites where they may be sensitive in their nature and easily subject to vandalism or unauthorised collection. There are often artefacts or stone tools in the landscape. They are registered so that they can be considered in development processes, but that information is restricted from the public unless the process has gone through and there is a good reason for needing access to that information.

MR MULCAHY: In each instance it was because they were areas with relics and the like; there are no other examples?

Dr Blair: It would be possible for natural sites that were vulnerable in the same way. It hasn't been used for natural sites that I'm aware of, but that would be possible.

MR MULCAHY: But you are not aware of any cases.

Dr Blair: No.

MR MULCAHY: Have you had any prosecutions under section 74 and/or section 75 of

the Heritage Act?

Dr Blair: The act is in its third month. There have been no prosecutions yet under the new act.

MR MULCAHY: What about the equivalent provisions in the preceding act?

Dr Blair: For the preceding act, the provisions were under the land act and were done through ACTPLA's compliance area. There were no separate heritage offences. They were offences under the land act through undertaking development not consistent with approved plans and things of that nature.

DR FOSKEY: What percentage cut is going to be experienced by this part of the department, particularly given the amalgamation? Could you advise me whether it includes staff positions?

Dr Cooper: Yes, it involves positions. One of the ways we are addressing it is by looking at what we have in vacancies at the moment. For instance, the vacancies we have in the heritage area have to do with processing the heritage grants. As I said when I was in here addressing environmental issues, we are looking to combine the administration of some of our grants so that we make some efficiencies there and address it in that manner. So, in terms of the heritage staff as such at the moment, no particular person in there is directly affected.

DR FOSKEY: How much has been allocated to the heritage grants program?

Dr Cooper: The heritage grants funding is \$262,000.

DR FOSKEY: How does this compare with last year?

Dr Cooper: It's comparable.

DR FOSKEY: Do you mean the same?

Dr Cooper: The same.

Dr Blair: It's a little higher because of the CPI increase.

DR FOSKEY: Is that sort of level likely to continue throughout the term of this government?

Mr Stanhope: Yes, at this stage, Dr Foskey. We believe it suits our existing priorities in the situation or circumstances in which we find ourselves. At this stage, yes, but in every budget cabinet these issues are revisited.

DR FOSKEY: I am interested in what you mentioned regarding staffing. I would have thought that the new heritage legislation would put significant demands on existing staff. I am just wondering how you are going to deal with that when you are actually looking at rationalising staff.

Dr Cooper: What I have done is to look across the entire organisation, and we do work in a cooperative manner. I acknowledge that the heritage area does have an additional impost to implement the new legislation and they are given assistance from other areas as we need to. At the moment, they have staff from other areas working in there to assist. So, in other areas, we might hold a project for a while while we give assistance to the heritage unit.

MR SESELJA: My question is probably for Dr Cooper through the minister. Are you aware, Dr Cooper, of a letter that you allegedly sent on 3 February 2004 to *[By resolution of the committee, a name was here expunged from the record]*

THE CHAIR: Order! Mr Seselja, we have already talked about not naming people.

MR SESELJA: I don't quite know how Dr Cooper is going to know which letter I'm referring to if I don't say whom it was to. I can call him something else, but I need to have a way of making Dr Cooper aware of whom I am talking about.

THE CHAIR: Could you pursue these questions on notice or maybe with a private briefing?

MR SESELJA: No, they are certainly not something you could pursue with questions on notice.

THE CHAIR: We will just have to take it out of the record, as we have done.

Dr Cooper: Madam Chair, if I could look at the letter, I am very comfortable with trying to address it at a conceptual level without mentioning names.

MR MULCAHY: Chair, I would like to move that we accept the inclusion in the record of *[By resolution of the committee, a name was here expunged from the record]* for the purpose of this question.

THE CHAIR: Mr Mulcahy, in public hearings we do not deliberate. We need to have that at a private meeting.

MR MULCAHY: It is to facilitate the giving of evidence that is being impeded.

THE CHAIR: Dr Cooper is trying to address the issue by having a look at the letter. It will probably be addressed by having her look at it, if Mr Seselja hands the letter to Dr Cooper.

Dr Cooper: Just to clarify, Mr Seselja: are you saying that *[By resolution of the committee, a name was here expunged from the record]* has got this letter?

MR SESELJA: I understand that it was tendered as part of the documents in an AAT matter. It was tendered by the heritage unit, I believe.

Dr Cooper: Okay. This concerns some allegations about staff.

MR SESELJA: That's correct.

Dr Cooper: I had those investigated by somebody independent of the unit; I considered those and I couldn't find the allegations to have substance. So I certainly did look at that issue.

MR SESELJA: I have a couple of questions following—

THE CHAIR: Order, Mr Seselja!

Mr Harris: Madam Chair, I'm a bit uncomfortable about the relevance to our budget of correspondence in the AAT environment.

MR SESELJA: It goes to how the heritage unit treats members of the public in performing its duties, so it's quite relevant.

THE CHAIR: It is not—

MR SESELJA: It is; it's how it spends public money in dealing with the public. That is fundamental to what we are looking at, whether it is in the best interests of the people of the ACT. We are looking at how this individual—

Dr Cooper: Mr Seselja, you are implying issues about members of my staff which, Madam Chair, if I could, I would like to address in a conceptual way.

THE CHAIR: Yes, in a general way, you can.

Dr Cooper: In a general way. There is a code of conduct for staff and whenever allegations are made, and I emphasis the word "allegations", I look into them. To my knowledge, my staff behave according to the codes expected of public servants, even in difficult situations where maybe the person they are speaking to is in an emotional state, and those situations are often difficult.

MR SESELJA: Sure. I have a question about the letter and a question about the investigation, if I may, that you have referred to. I won't refer to the individual's name anymore if it is not necessary. It emerged during the FOI process that the letter in front of you, which is dated 3 February 2004, was actually created on 4 February 2004. The computer file properties show that it was created on 4 February. Is it common practice to predate letters, to create a letter on a particular day and date it the day before?

Dr Cooper: I thought I heard the words, Mr Seselja, that there was a computer error in the system.

MR SESELJA: I did not say a computer error. I said the file properties from the computer show that it was created on 4 February but the letter was dated 3 February.

Dr Cooper: Yes, it was a dating mistake and, no, there was no manipulation involved at all.

MR SESELJA: Was the letter ever sent because, during the FOI process, you weren't able to provide a signed copy, and that copy only emerged through the AAT process?

Dr Cooper: We understand it was sent.

MR SESELJA: Do you have any record of that?

Dr Cooper: I would have to go back and check.

MR SESELJA: Okay, because it doesn't appear that there is through the FOI process, and I am just wondering why the signed letter wasn't put on the file.

Dr Cooper: We could go back and check, Mr Seselja.

MR SESELJA: Please. Just in relation to the investigation you referred to: what was the nature of that investigation and what record is there of the investigation taking place?

Dr Cooper: There are records kept of that by the appropriate HR area, and I feel that it's inappropriate in this forum to discuss that matter.

MR SESELJA: They were just allegations, as you said, and they were investigated. During the FOI process the only evidence that you were able to produce to this individual of the investigation was a four-line note for file from the resources management manager saying that there was no substance to them. Was that a detailed enough investigation to dismiss serious claims?

Dr Cooper: What happens is that the officers look at it and then they discuss it with me, and then we conclude in that manner.

MR SESELJA: It seems very basic given, as you say, that they were serious allegations. The allegations were of intimidation and harassment.

Mr Harris: Madam Chair, I continue to be concerned about the relevance to the 2005-06 budget.

THE CHAIR: I know. I note those concerns.

Mr Stanhope: Madam Chair, if I might say so, this is not an issue I have been particularly briefed on, but I have a briefing note with me today. I must say I wasn't aware of the allegations. They were allegations of harassment. One of the allegations was, for instance, that staff of the heritage commission of ACTPLA entered the property without authority and took photographs. I'm advised that that is simply false.

In the context of the response by the department to the allegations, I'm advised that one of the allegations of harassment and inappropriate behaviour was that members of the heritage commission of ACTPLA entered the particular property and took photographs of the work that was then under contemplation. I'm advised that in fact no member of the heritage commission or of ACTPLA took photographs. The photographs that are now provided by *[By resolution of the committee, a name was here expunged from the record]* as evidence of misbehaviour were in fact taken by a member of the heritage council who was invited onto the property by *[By resolution of the committee, a name was here expunged from the record]* who took the photographs in the presence of *[By*

resolution of the committee, a name was here expunged from the record].

The situation in our submission—and it is not just a submission; our contention and our advice; in other words, the truth of the matter—is that no heritage commission officer entered the property and took photographs; that no officer of ACTPLA entered the property and took photographs; that a member of the heritage authority did, at the invitation of [*By resolution of the committee, a name was here expunged from the record*] and in the presence of [*By resolution of the committee, a name was here expunged from the record*] take photographs of work which it was felt—

THE CHAIR: Order, Chief Minister!

Mr Stanhope: No. This has gone far enough. I think we need to get to the bottom of this and we need to know the role of [*By resolution of the committee, a name was here expunged from the record*] in relation to this; we need to know the unauthorised work that [*By resolution of the committee, a name was here expunged from the record*] has consistently undertaken on his property.

THE CHAIR: Chief Minister, I am asking you to come to order.

Mr Stanhope: I think we need to go through, item by item, the work that [*By resolution of the committee, a name was here expunged from the record*] has done on his property without approval.

THE CHAIR: Can you please not mention [*By resolution of the committee, a name was here expunged from the record*] name.

Mr Stanhope: No, I won't. This matter has now been made public by [*By resolution of the committee, a name was here expunged from the record*]. There's a campaign being pursued by the Liberal Party against my officials, much of which is based, if not on downright untruths, on claims that simply cannot be substantiated.

MR SESELJA: What is untrue?

THE CHAIR: Order!

Mr Stanhope: That officers of the office, or of ACTPLA, entered this person's property illegally—in other words, trespassed—and took photographs. They did not.

MR SESELJA: I have asked about the investigation of the claims.

Mr Stanhope: That's the investigation of the claim.

MR SESELJA: All we have is a four-line note to file. Do you think that's adequate?

Mr Stanhope: The investigation of the claim revealed that the claims by [*By resolution of the committee, a name was here expunged from the record*] were wrong.

THE CHAIR: Order, Chief Minister!

MR SESELJA: How do we know that? All we have is four lines on a piece of paper! What kind of investigation is that?

THE CHAIR: Order!

Mr Stanhope: I just told you.

THE CHAIR: Order, Mr Seselja!

Mr Stanhope: And I will go through the rest. In order to get the context, I now need to go through every aspect of the unauthorised work undertaken on this house by [*By resolution of the committee, a name was here expunged from the record*] that led to this issue receiving the attention that it now has. I'll go through all the items of unauthorised work, all of the steps in relation to which [*By resolution of the committee, a name was here expunged from the record*] behaved in relation to this property in a way that contravened his approvals. Do you want me to do that?

MR SMYTH: Yes; go for your life!

THE CHAIR: No. Come to order!

MR SESELJA: I would like to hear them, chair. I think it is in the interests of transparency.

THE CHAIR: Would members and visitors come to order, please. I take the point Mr Harris has made about the applicability in relation to the 2005-06 budget. I'm also aware—I do not need to be reminded by members of the opposition or otherwise—of the wide-ranging nature of the estimates committee process. I would bring into question how this relates to the 2005-06 budget. I also note that it is now five past 12 and that Dr Foskey has already indicated she has several questions in relation to artsACT.

DR FOSKEY: Presumably the opposition does as well.

MR MULCAHY: Chair, you asked the question but you don't know how it relates. It relates to the fact that there's \$1.39 million here in the budget that we're being asked to examine on behalf of the Assembly for the people of Canberra, and I think it's reasonable to pursue questions as to the efficiency of the department. The Chief Minister said he would like to respond and address the issues. That's a welcome offer. I think you should allow the information to be—

THE CHAIR: Mr Mulcahy, order!

MR MULCAHY: I'm still speaking, chair.

THE CHAIR: Order!

MR MULCAHY: You ask questions and you don't listen to the answers. That's what I've noticed.

THE CHAIR: I think that's a bit rich coming from you, Mr Mulcahy!

MR MULCAHY: No, it's not rich; it's been a feature of your chairmanship.

THE CHAIR: Order! The Chief Minister has to go in 10 minutes, as was made quite clear before we started the hearing. I am going to ask that all further questions on heritage be placed on notice.

MR SESELJA: That's completely shutting this out.

MR MULCAHY: That's insane. The Chief Minister has offered to put it on the record and try to address it.

THE CHAIR: Order! Mr Mulcahy, Mr Seselja and Mr Smyth, to address the allegation that I am shutting this down, I am in effect the time manager in the capacity as chair. I would also make note of the fact that, when planning and land authority were before us, Mr Smyth came in and spent at least half an hour on this particular topic.

MR SMYTH: The planning minister said it was the heritage unit's call.

THE CHAIR: No, it was on this particular topic. That was in spite of the fact that it was still of questionable relevance in terms of how it relates to the 2005-06 budget.

MR MULCAHY: Can I ask that the Chief Minister's reply be incorporated as an exhibit, if he's willing to release that document in front of him.

Mr Stanhope: I'm happy to give you all the details of the history of this, but I'm not going to provide this brief as it is.

MR SMYTH: Will this include all the details of the investigation? The FOI only revealed a 4½-line summary.

Mr Stanhope: Madam chair, you're quite right. I'm leaving in eight minutes time. I'm happy to expend that time on this matter if that's the wish of the committee. I'm happy to go through this entire matter now.

THE CHAIR: An alternative proposal would be for you to answer the questions of Mr Seselja in writing.

Mr Stanhope: I'm happy to do that.

THE CHAIR: In that way we can still cover the arts area. That was flagged half an hour ago by Dr Foskey as an area of interest which she had several questions on. She'll be forced to place numerous questions on notice in that area now.

Mr Stanhope: I'm happy to do that. I will provide, for the committee's information, details of the history of unauthorised work by *[By resolution of the committee, a name was here expunged from the record]* on his property starting from 3 February.

MR SESELJA: Is this the new rule, chair?

THE CHAIR: Order!

MR SESELJA: I wasn't allowed to mention the name, but the Chief Minister has been allowed to consistently mention his name in a derogatory way. Is there one rule for the Chief Minister and another for estimates members?

THE CHAIR: I'd ask all of you to come to order: Mr Smyth, Mr Seselja; and that of course applies to the Chief Minister as well. I've asked all of you to come to order several times. We will move on. Dr Foskey?

DR FOSKEY: I'm sure the shadow minister for the arts also has a lot of questions. I hope so, because I don't think the arts community will be very happy at being pushed back and given so little time. I'm interested in the fact that the allocation the ACT government has made to the arts in this coming year's budget is less than the anticipated expenditure in the 2004-05 budget. Could you please let me know how the cut will affect programs?

Ms Hillson: Specifically, there will be one staffing position not filled. In addition, there will be some savings made to an allocation under departmental funding—not territorial—which in previous years was called an additional budget initiative of the arts. Some of the initiatives we had proposed will no longer be funded under that initiative.

DR FOSKEY: Do you know which ones those will be?

Ms Hillson: Specifically, at this stage—we haven't decided exactly—it could be the funding towards a temporary public art event, not for this year but for next year.

Mr Harris: I think it's important to note that there's been no funding cut to any of our grants programs in this area. The efficiencies that we derive will be derived internally, as with other parts of the organisation.

DR FOSKEY: Okay; we will keep in touch on that. I refer to the development of the arts strategy—arts capital. I understand this is to be reviewed by the ACT Cultural Council this year. Is that still the case?

Ms Hillson: That's correct. They have commenced preliminary discussions—in their past two meetings.

DR FOSKEY: Are the deliberations and recommendations that will be made in this process going to be made available to the wider community?

Ms Hillson: First of all we advise the minister and we work it through from there. After the minister has, as you'd of course understand, had a chance to contribute and give us some direction it's made available to the wider community, as is the normal process throughout the entire division.

DR FOSKEY: What are the four priority initiatives mentioned? I'm talking about the three accountability indicators on page 38 of BP4. I'm just wondering if those accountability indicators are how the review will be conducted. Will they direct the review? The first point refers to the completion of priority initiatives, but we don't know

what they are.

Ms Hillson: The four initiatives are the delivery of the poetry prize, the completion of the final designs for the Belconnen arts centre and the glass centre, and the completion of the City West performing arts facility user brief.

DR FOSKEY: I'm sorry; I'm not quite sure what that last one is.

Mr Harris: It's what we might do in the arts precinct of City West with the ANU.

DR FOSKEY: That's funding just to develop a proposal?

Mr Harris: Yes.

Dr Cooper: If I can support both Mr Harris and Ms Hillson: you will notice that, on pages 42 and 43 of budget paper 4 there is \$150,000 allocated for this purpose. That \$150,000 will go to develop user requirements and what's called a functional brief for a multifunctional performing arts facility on Childers Street in City West. That's where some of that money goes. It's certainly a priority.

THE CHAIR: Dr Foskey, I'm going to allow Mr Mulcahy to ask some questions. I apologise now to Harriet Elvin. We're not going to get to the Cultural Facilities Corporation. I'm sorry.

MR MULCAHY: She will have to wait until next year! Minister, the area of film festivals is one in which I have a particular interest. We appear to be funding five different short film festivals annually, and that may be a good thing. I'm wondering what criteria you're using to determine more than one festival. I notice the fourth assessment criteria of the ACT festival fund information outlines that you must demonstrate a need for ACT government funding for an activity. Is having multiple festivals the most efficient way in which we can support young film-makers, or might it be better to consolidate some of those activities and create a larger or better resourced events?

Ms Hillson: As you're aware, these are probably approved applications from both the arts funding program and the festival fund. Short film-making in the ACT is a growing area of strength in the arts for creativity in Canberra. Demand for the provision of opportunities for the short film-makers to expose their work is obviously growing. I would see that the response to and demand for those festivals is responding to the growth in that art form.

MR MULCAHY: I assume that, when you've got four or five events, you'll reduce the effectiveness of your dollars if you're spreading them over a lot of events. Have you contemplated getting the groups together and putting on a larger and therefore better resourced event to maybe amortise the administrative costs involved for those groups in staging different events?

Ms Hillson: In making its recommendations to the Chief Minister about funding for the arts, the cultural council will next year take into account the number of applications for film festivals, and obviously we'll have a look at that issue. If more of a strategic approach needs to be taken, we will certainly have discussions with the sector. We are

already in discussion with that growing sector. We will look at that in terms of a more strategic approach.

MR MULCAHY: ELR media is the recipient of \$23,000 for funding three film festivals—the short seasons film festival, Canberra short film festival and Lights, Canberra, Action! Do you know the break-up of those funds? Do they handle the events management component of that, or is that handled out of Chief Minister’s Department?

Ms Hillson: We’ll have to take that one on notice because my colleagues who manage the festival fund have left the room.

MR MULCAHY: I refer to—you’ll have to forgive me for not remembering the correct title—the unit in Chief Minister’s Department that handles the film and television industry. I understand there’s a unit that works with that.

Mr Stanhope: That’s part of economic development.

MR MULCAHY: Was it in your area previously?

Mr Stanhope: Yes, it was.

MR MULCAHY: I want to inquire about what luck they might have had in attracting some larger expend, but I don’t suppose you have that information.

Mr Stanhope: I don’t, but I’m happy to take it on notice.

MR MULCAHY: I’m keen to know what success they may have had in the past year, and I’m interested in their prospects of attracting either larger scale commercial productions or even motion pictures that may consider Canberra as a locality for shooting.

THE CHAIR: Thank you very much, Chief Minister and officials, for your attendance today and over the past two weeks. This is the last of our public hearings. I’d like to take this opportunity to congratulate everybody on not spilling any blood! We now move into the report process.

Mr Stanhope: Thank you, Madam Chair. I thank the committee for its indulgence today.

The committee adjourned at 12.16 pm.



Ms Siobhan Leyne
 Secretary
 Select Committee on Estimates
 Committee Office
 Legislative Assembly for the ACT



Dear Siobhan

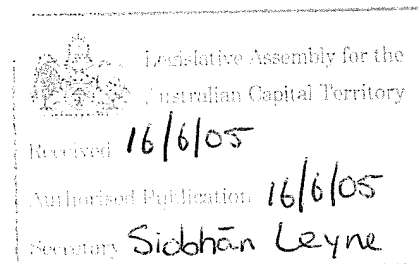
I write to seek several amendments to the evidence I provided to the Select Committee on Estimates on Thursday 2 June 2005.

- In the Proof Transcript of Evidence (Page 1118) in my first response I said that we currently have 14 staff following the Chief Minister's Department's restructure. We do in fact have 12 staff working to me as Executive Director.
- In the Proof Transcript of Evidence (Page 1118) Mr Mulcahy asked 'That totals eight people on the protocol side, does it?' I responded 'There would be seven.' There were seven employed in the protocol area earlier this year but following the restructure in CMD one staff member has retired and has not been replaced and another is now supporting the entire Executive Support division and is located within the Communications and Events area.
- In the Proof Transcript of Evidence (Page 1122) I said 'I may be wrong, but I believe that about 1,000 briefs go through the Chief Minister's office every six months.' It is more accurate to say that about 1,000 briefs are managed by the Support and Protocol area of the Chief Minister's Department every three months.

I would be grateful if you could make these alterations for the Final Transcript.

Yours sincerely

Jeremy Lasek
 Executive Director – Executive Support



15 June 2005

