



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2006-2007

(Reference: Appropriation Bill 2006-2007)

Members:

MS M PORTER (The Chair)
DR D FOSKEY (The Deputy Chair)
MR M GENTLEMAN
MS K MacDONALD
MR S PRATT
MR B SMYTH

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 20 JUNE 2006

Secretary to the committee:
Ms S Lilburn (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 that have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

APPEARANCES

ACT Insurance Authority	128
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The committee met at 9.33 am.

Appearances:

Stanhope, Mr Jon, Chief Minister, Treasurer, Minister for Business and Economic Development, Minister for Indigenous Affairs and Minister for the Arts

Department of Treasury

Grimes, Dr Paul, Chief Executive Officer
Smithies, Ms Megan, Executive Director, Finance and Budget
Bulless, Mr Neil, Director, Budget Management and Analysis Research
Holmes, Ms Lisa, Acting Director, Budget Strategy and Reporting Branch
Hextell, Mr Phillip, Director, Accounting Branch
McDonald, Mr Tom, Director, Legal and Insurance Policy
Broughton, Mr Roger, Executive Director, Investment and Economics Division
McAuliffe, Mr Patrick, Manager, Central Financing Unit
Cartwright, Mr Garry, Manager, Superannuation Unit
McNamara, Mr Jason, Director, Economics Branch
O’Dea, Mr Danny, Manager, Macroeconomics and Budget Forecasting
Dowell, Mr Graeme, Commissioner for ACT Revenue
Bain, Mr Glenn, Manager, Policy and Systems
Ahmed, Mr Khalid, Executive Director, Policy Coordination and Development Branch
Vanderheide, Mr Michael, Head, Shared Services

ACT Insurance Authority

Matthews, Mr Peter, General Manager

THE CHAIR: 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. Do you understand that?

Mr Stanhope: Thank you.

THE CHAIR: Treasurer, would you like to make an opening statement?

Mr Stanhope: Chair, I thank you and the committee very much for the invitation to attend today. I, Dr Grimes and all the officials from Treasury here today stand ready to respond to the committee’s questions and any inquiry which you may make of either myself or my officials.

I did not propose to make an extended opening statement. I think that, in the context of the debate which we have had in the Assembly to date in relation to the appropriation bill and other items associated with the budget, there has been a significant opportunity for members to agitate and debate issues in relation to the budget. We members have had that opportunity.

I see today very much as an opportunity for members of the Assembly to seek further explanation and exploration of issues that are incorporated within the budget papers. The under-treasurer and all those officials here from Treasury stand, as I said, ready and very willing to respond to all questions on the budget.

THE CHAIR: We'll start with some overview questions and then we'll go on to the output classes. We obviously have limited time this morning. If we can remember, we'll try and not spend more than about 20 minutes on each of the output classes once we have got through the overview questions, if that is all right with members. Yes. We'll see how we go. I have a general question to kick off with. Treasurer, what has been the response of the international credit rating agencies, such as Standard and Poor's, to the government's budget so far?

Mr Stanhope: The response has been pleasing. It is has been very much what I would have hoped for in the context of the effort which the government have put into this budget and the decisions that we have taken, it is certainly an outcome that we were to some extent hoping for that I believe is justified by the nature of the budget and the direction set in this budget.

There has been some debate on the issue of Standard and Poor's and the ACT's credit rating. As you and members would be aware, we now have had for I don't know how long but certainly as long as I can recall an AAA credit rating here within the territory. We were very determined to ensure that we maintained that credit rating. I think it is particularly important for the territory that we jealously guard the AAA credit rating.

Standard and Poor's has in recent times, as it does regularly in relation to all jurisdictions, expressed a view, or an opinion, around issues in relation to individual jurisdiction budgets, finances or bottom lines that it believes worthy perhaps of some cautionary suggestion or remark. Certainly Standard and Poor's have done that, whilst at the same time always taking the opportunity to emphasise the underlying strength of the ACT balance sheet, of course, in the nature of a rating agency pointing to issues or aspects of the balance sheet or the budget position that perhaps to them represent issues that need to be addressed.

In the context of this budget, it needs to be accepted and acknowledged I think by all members—indeed, I am sure the community acknowledges—that the steps the ACT government has taken were responsible and were to some extent designed to ensure sustainability of our budget position now and into the future.

I have, or perhaps the under-treasurer has, direct access to the statement which Standard and Poor's issued on the day of the budget. There is something a touch grudging around some of the commentary, but one would be, I think, surprised if a rating agency were anything other than cautionary in its language. Standard and Poor's on, I think, 6 June commented on the fact that the budget was consistent with an AAA rating and that the outlook for the ACT budget was stable.

Standard and Poor's commented that the government has—and this is what I mean about grudging—at least partially grasped the nettle. As far as Standard and Poor's were concerned, there was a view that the budget might have been a little tougher, or a little

more rigorous, a view perhaps not shared by the Canberra community, and which and certainly appears not to be shared by some others within the Assembly.

It is a response which acknowledges that the budget and the decisions taken in the budget were consistent with an AAA credit rating. It acknowledges that the position is stable and goes on to acknowledge, which Standard and Poor's always has, that the ACT—and these are the words of Standard and Poor's—"typically meets or surpasses its financial forecasts". Essentially it is a report or a response from Standard and Poor's that, to the extent it confirms our AAA credit rating—and we can't do better than that—is the sort of response which of course we welcome.

MR MULCAHY: Do you acknowledge that, as recently as eight weeks ago, because of the pattern of expenditure versus revenue that has been a feature of your government, Standard and Poor's indicated that, if the pattern of management continued in this fashion, you would no longer be consistent with maintaining an AAA rating?

Mr Stanhope: I would have to perhaps refer back to public statements that Standard and Poor's have made. I do recall a statement earlier this year from Standard and Poor's. I don't know the exact words, but Mr Mulcahy refers to it directly. Most certainly, I don't disagree that, in comments that were made earlier this year, the remarks might be characterised as cautionary in relation to the task facing the ACT.

In the context of those comments, in the context of the budget and in the context of the question you ask, of course governments respond to emerging situations; governments respond to the situation as they find it and see it; and we responded. As a result of the response which the government took in this budget, most particularly in relation to expenditure, the concerns expressed, or the cautions expressed, in a hypothetical sense by Standard and Poor's were addressed.

That is the point I make, and that is the point of the comments which Standard and Poor's made on budget day to the extent that they were earlier in the year, I think, responding to suggestions being made by Mr Mulcahy and others, and responding directly to media requests for commentary as a result of a position being put by the opposition. They said, "Well, yes, if this happens or if that happens or if the government takes no corrective action, then of course there are certain implications." But the government did act and the government did respond, as good governments do, and as this government did.

We see a change in the language from eight weeks ago to today because the government responded as a good government will in relation to the issues facing the community. We now find Standard and Poor's acknowledging that this budget is consistent with the continuation of an AAA credit rating. I think that is the very point of the budget, and it is the very point of the position which Standard and Poor's now take on the ACT's budget.

MR MULCAHY: How is it, though, that you allow your government's management to be in such a situation that you have a credit rating downgrade threat before you actually get into action and make reductions in new outlays? How could that situation arise and be so serious—the only government in Australia facing a credit downgrade risk as a consequence of your four years of administration?

Mr Stanhope: We were not facing a credit downgrade risk. Standard and Poor's certainly made some cautionary remarks.

MR MULCAHY: It was in their report.

Mr Stanhope: Once again, I don't accept that ours is the only government in Australia in relation to which cautionary remarks were made by the relevant rating agency. That is not something that I am prepared to confirm as the fact. But certainly cautionary remarks were made and I think that puts a government on notice. This government was on notice. But, having said that and having acknowledged that, the process that led to the budget that we delivered this month was a process which commenced immediately post the last budget.

To suggest "Shock-horror, Standard and Poor's have made some cautionary remarks about the ACT's underlying budget position; shock-horror, let's immediately respond" is not a reflection of the way in which this government has responded. It is not consistent with the steps we have taken over this last year that led to the budget which was delivered just two weeks ago.

MR MULCAHY: So is it a coincidence.

Mr Stanhope: It is not a coincidence. Well, it may be a coincidence but it certainly is not an issue of cause and effect that a Standard and Poor's cautionary remark or note in relation to the ACT's budget position led to the budget as we see it.

As you know, I began the process of commissioning a functional and strategic review. I began that process in terms of my initial conversations and the taking of advice in August last year. That is when the process which I set in train, which led to the structure and formulation of this budget as we see it, commenced—last August—with the functional review being formally announced in November.

That certainly predates any of the commentary which has been referred to today and previously around the attitude of Standard and Poor's. In fact, the Standard and Poor's commentary in relation to the ACT budget postdates both the commencement of the process for the establishment of the functional review and, I believe, its public announcement.

MR MULCAHY: I suggest you read the December 2004 report.

Mr Stanhope: We are not talking about December 2004, we are talking about this budget and we are talking about the commentary of Standard and Poor's post last year's budget. The first commentary that I am aware of post last year's budget on the current or underlying position of the ACT's budget postdates the public announcement of the establishment of the functional and strategic review. So, to some extent, Standard and Poor's in their commentary may have been responding, in fact, to decisions which I had announced.

I am sure Mr Mulcahy and other members join me in the pleasure that the ACT government has in that our AAA credit rating has been retained, which is a significant achievement by this government after delivering five consecutive budget surpluses,

including the second largest surplus in the history of ACT self-government.

DR FOSKEY: Is the maintenance of the AAA credit rating the prime objective of this government in presenting its budget?

Mr Stanhope: No, it is not the prime objective. It is a very significant and important—and should not be understated—external indication of the status of the financial position of the territory and it has significant potential implications for the territory.

DR FOSKEY: The other objectives?

Mr Stanhope: To ensure the continuation of the delivery of the highest quality government services delivered by any government in Australia. That is our task and our target and this community's expectation. And it is something that we in government have now achieved consistently across the years.

That is our target and our expectation. It is what I think each of us would acknowledge—that we are in the business of politics and in the Assembly to deliver, consistent with our particular philosophy and priorities, the highest quality government services in the nation, and we do that. We aim, and this budget seeks to ensure, to deliver consistently the highest quality government services in a sustainable way.

DR FOSKEY: It seems that the functional review is apparently at the basis of the budget. Given the community reaction to the budget, I would just like to know—and this is a perfect opportunity to find out—how it is that releasing the report would make the budget initiatives more difficult to pursue or to gain support for.

Mr Stanhope: I have responded on a number of occasions to the suggestion that the functional review is a public document intrinsic to the budget, and should be released. I have responded always and consistently that the review of the functional and strategic group is a cabinet document. It was commissioned explicitly for the purposes of cabinet. It is in the gift of governments, or of cabinets at least, to dispense with cabinet rules in relation to cabinet confidentiality. That is a fact.

It is a cabinet-in-confidence document of itself. As a result of that particular status, it is not a document that can be released even by ministerial fiat but it is in the gift of cabinet to relinquish the classification. This is a document which was commissioned explicitly for the purposes of cabinet consideration—in a budget context, admittedly.

There are very good reasons for maintaining the rules which apply to cabinet and the processes of cabinet. All governments do it. All governments do it and have maintained an approach to cabinet confidentiality for a very good reason: it significantly enhances the quality of government information and government decision making. I have taken a decision that it applies in this case.

We can go through, one by one, decisions which cabinet has taken whilst we have been in government and decisions by every other government in the territory since self-government. We can say, “Well, it would be a significant enhancement to public debate if those sets or series of cabinet documents were released.” None of us is that particularly lilywhite or innocent in relation to these things. I remember well following

exactly the same course which others in this place have followed in relation to the functional review when it came to the hospital implosion. I dutifully lodged my FOI requests for all cabinet submissions and documents relating to the decision taken by the previous government around the implosion of the hospital.

I dutifully, and not unsurprisingly, lodged FOI requests for all documents and documentation relating to all decisions taken by the previous government in relation to Bruce Stadium and its redevelopment. I dutifully lodged FOI requests, and asked questions in the Assembly and at estimates, for all cabinet documents relating to decisions taken by the previous government in relation to the Hall-Kinlyside land development scheme.

I received no cabinet documents in relation to the hospital implosion, I received no cabinet documents in relation to the redevelopment of Bruce Stadium, I received no cabinet documents in relation to the development of Hall-Kinlyside. The answer which my predecessors gave—including some sitting in this room, in relation to my FOI requests—to the motions which I moved in the Assembly and to the questions I asked in estimates was, “Well, there are very good reasons why cabinets treat cabinet-in-confidence documents as cabinet-in-confidence, because it enhances the quality of information and the quality of decisions taken by governments and cabinets.”

I rest on the explanations given by Mr Stefaniak, Mr Smyth, Mr Humphries and Ms Carnell in this place in relation to the status of cabinet documentation and the role of accepted national and international rules in relation to the operation of cabinets, and I maintain that position today.

MR MULCAHY: Can you just tell us what Mr Greg Smith was paid to co-author the report?

THE CHAIR: Excuse me, Mr Mulcahy, Mr Smyth has the next question.

MR MULCAHY: It was supplementary to the question.

THE CHAIR: Yes, but Mr Smyth has the next question.

Mr Stanhope: I will ask Dr Grimes to respond after this question, Mr Mulcahy.

MR SMYTH: In your speech you used some quite interesting words in the first couple of pages: “It is a very different budget; it looks at the crippling impost we will leave those who come after us; it is a budget of maturity and wisdom; in many ways it might be the most significant budget; the truth is not always comfortable; and the truth is that, since self-government, ACT governments have consistently spent more across the board on services than governments in the rest of the country.” You have been in charge since November 2001. When did you come to the revelation that we were spending more than we earned?

Mr Stanhope: It is not so much a question of spending more than we earned; it is the source of the moneys which we take, as you very well know. It is implicit, of course, in the different accounting standards and the basis on which we account for moneys which we receive, whether they be moneys from land sales or moneys, for instance,

serendipitously received from a booming stock market through our superannuation investments.

MR MULCAHY: The commonwealth.

Mr Stanhope: I think they are a different classification of receipts. We have all known that. You have known it and we have known it. To the extent that you, in government, utilised land sale receipts for recurrent expenditure, a position which you have, after we introduced it, now embraced, the general finance sector won't be a feature of future budgets. You did it in government, as did we. You utilised land sale receipts for the purposes of covering your recurrent expenditure, as did we.

MR SMYTH: No. What I am asking about is why you spent more across the board on services.

Mr Stanhope: We basically inherited from you a level of government service expenditure to meet government service commitments which—

MR SMYTH: We had a \$2 billion budget, and you have got a \$2.9 billion budget. You are the biggest spender.

Mr Stanhope: Let me answer the question. We employed exactly the same process for the payment of government services and delivery of government services as did predecessor governments from the outset of self-government. It is unsustainable. We all know it is unsustainable. ACT government receipts from land sales have declined just in the last year or two after a significant spike. Into the future, of course, we know that, as our population growth continues to grow—but at a lesser rate—ACT government receipts from land sales will, over the next 20 to 30 years, potentially—

MR SMYTH: Sorry, my question was about spending.

Mr Stanhope: Let me answer this question. That is what I am talking about. I am talking about the decisions we took—

MR SMYTH: Why didn't you rein in your spending earlier?

Mr Stanhope: Mr Mulcahy understands this. It is a pity you didn't include him on the estimates committee.

MR SMYTH: Why did it take you five years to start to rein in your spending?

THE CHAIR: Mr Smyth, let him answer the question.

Mr Stanhope: It is quite possible that in 30 years time or thereabouts, ACT government receipts from land sales will be minimal—not that land is necessarily running out. The ACT population will continue to climb, and I think climb quite steadily, but it will peak. Expectations, as illustrated through work undertaken in the spatial review, suggest that our population might in fact peak within the next 40 years and then actually enter a period of decline.

MR SMYTH: Madam Chair, he is not answering the question. The question is: why did he allow spending to blow out by 45 per cent in four budgets? That is the question. It is not about where the money came from, it is about where you have sent it.

Mr Stanhope: I beg your pardon. Mr Smyth wanted me to talk about the gaps which we have been required to fill since—

MR SMYTH: No. When did you come to the realisation that you are spending 20 per cent more than anybody else?

Mr Stanhope: You just asked which gaps in expenditure did we fill after coming into government. Let's start with the unfunded nurses wage claim of 2001. The previous government, before losing office, had offered the nurses a pay rise. Can you believe this? Can you believe the arrogant disregard for the budget and for the people of Canberra and the nurses of the ACT in offering a pay rise of around about 15 per cent, a couple of months before an election, which was completely unfunded? How about that—to offer a 15 per cent pay rise a couple of months before an election in an EBA negotiating round and to not fund it.

MR SMYTH: We had allowances in our budget, as well you know. Why has it taken you six years to realise you have been spending too much on services?

MR GENTLEMAN: Where were they going to get the money from?

Mr Stanhope: Well, where were they going to get the money from? We have now this beating of the breast: why did you allow an increase in expenditure, say, for nurses? To some extent, with that first issue we faced when we came to government, we inherited from Mr Smyth a 15 per cent pay offer which we met, but which they didn't fund. They made the offer without funding it and we came to government. I think they knew they were going to lose that election. They offered 15 per cent in a pay rise which was unfunded.

I am interested that Mr Smyth wants to know the answers to the gaps which we inherited and which actually explain to some extent some of the significant increases in expenditure which are a proud record of this government. The next issue we faced after the 15 per cent unfunded nurses pay rise was the commission of inquiry, or royal commission, into disability services which was conducted by Commissioner Gallop. It was a royal commission.

MR SMYTH: Again, Madam Chair, the question is why did he allow expenditure to grow by 45 per cent, not a litany of things he thinks he has fixed.

THE CHAIR: I think he is answering the question.

Mr Stanhope: As a result of that royal commission into the gaps in disability services under the Liberal government, we have increased expenditure on disability. I am answering the question directly.

MR SMYTH: No. He is not allowed to debate it.

Mr Stanhope: You asked explicitly for the reasons for increased expenditure by this government.

MR SMYTH: Yes. Why did you wait five years to rein in your spending? Do you want me to make it simpler?

Mr Stanhope: We had the 15 per cent unfunded nurses claim.

MR SMYTH: Why did you wait five years to reign in your spending, even though Ted Quinlan was telling you in November 2002?

Mr Stanhope: We then had the Gallop royal commission into disability services, and gaps in service delivery in relation to disability services. As a result of that royal commission, which identified those amazing shortcomings in relation to Liberal Party commitment to disability services within the territory, we increased funding for disability services by 19 per cent a year. We then, after a year in government, had the enormous scandal of the underfunding of child protection within the territory.

MR SMYTH: Again, Madam Chair, he refuses to answer the question. You should bring him to heel.

Mr Stanhope: We have increased expenditure on child protection by 16 per cent a year as a result of what we inherited from Mr Smyth and the Liberal Party.

THE CHAIR: Mr Smyth, you asked about the amount of money That is been spent—

Mr Stanhope: This was the explicit question asked by Mr Smyth.

MR SMYTH: No. I said why did he allow it to grow by 45 per cent if he knew he couldn't afford it.

THE CHAIR: You have changed your question several times.

Mr Stanhope: We have the 15 per cent unfunded nurses claim, we have the Gallop royal commission into disability services, which highlighted the appalling shortcomings of the Liberal Party in government in relation to disability services, which led to a 19 per cent per year increase in disability services. We then have the issue in relation to child protection. We have increased the number of child protection workers from 40 to 120. We have now, in this newfound Liberal Party commitment to frugality a desire to return to a situation which led to the Gallop royal commission into disability services. We would have the Liberal Party tell us today that they would not have increased the number of child protection workers from 40 to 120.

MR SMYTH: No, we are not saying that. So nurses, Gallop and child protection add up to \$900 million?

Mr Stanhope: The fact, of course, is that in government these are the areas that the Liberal Party deliberately underfunded whilst devoting themselves, of course, to other issues which were not priority issues. We will go through them. There was the 15 per cent unfunded nurses pay—

MR SMYTH: How much was that?

Mr Stanhope:—the Gallop royal commission into disability services, a 90 per cent increase in funding—

MR SMYTH: How much was that?

Mr Stanhope:—the Vardon inquiry into child protection—

MR SMYTH: So that adds up to \$900 million?

Mr Stanhope:—which revealed the fact that we were employing at least 80 child protection workers fewer than were required, as a result of which we have increased expenditure on child protection by 16 per cent a year.

MR SMYTH: \$900 million.

MR GENTLEMAN: Chair, I am having trouble hearing the Treasurer's answers.

Mr Stanhope: Mr Smyth is talking over me because he doesn't like these answers. He asked a question about the gaps which we met. He asked a question about the specific gaps and these are specific answers as to the specific gaps. Then, of course, we get to the Emergency Services Authority. Mr Smyth may have been the minister responsible for the Emergency Services Authority. We have had to increase the expenditure of the Emergency Services Authority by 46 per cent. Emergency services expenditure has increased by 46 per cent since we came to government—I think an extra \$22 million a year in a recurrent sense on emergency services—as a result of the enormous gaps in coverage. If you go there now, we are still playing catch-up in relation to the infrastructure and the communications capacity of our Emergency Services Authority. So there has been a 46 per cent increase in emergency services. Of course, we have constantly this refrain about the GST and the black hole. Which of the extra \$300 million a year on health services, direct expenditure, would the Liberal Party suggest we should not have expended?

MR SMYTH: No, the question is: why did you let it blow out?

Mr Stanhope: Oh, Mr Smyth doesn't believe that we should have increased expenditure on health care, despite the fact that he went to the last budget on an additional \$120 million. Go back and look at some of the Liberal Party promises prior to the last election in relation to health expenditure. The Liberal Party promised an extra \$120 million, I think, first up in relation to health and now castigates this government because it actually did put its money where its mouth was. You need to sit back and look at those areas of expenditure, the gaps that have been met that the Liberal Party now say they would not have met if they were in government. Of course, you have to go straight to the items of significant expenditure, namely, health and education. But you need to put this in context. We are looking here for context in the overarching picture. There must be acknowledgment by the Liberal Party that they believe that the people of Canberra do not deserve the extra \$300 million a year which we are expending on direct health care delivery.

THE CHAIR: Treasurer, I think you have made your point. Mr Pratt, you have the next question and then Ms MacDonald.

MS MacDONALD: Chair, I want to make a point quickly. So that we can understand what has been said when we look at the *Hansard*, I suggest that Mr Smyth stop talking over the top of witnesses and also that Mr Stanhope try not to antagonise Mr Smyth, but it is hard not to do so.

Mr Stanhope: Chair, I seek your forbearance. Mr Mulcahy asked a question, perhaps disorderly, about the cost of the functional review, which I am happy for Dr Grimes to respond to.

THE CHAIR: After that we will go to Mr Pratt and then Mr Gentleman.

Dr Grimes: To respond to Mr Mulcahy's question on the cost of the functional review, we are still finalising our accounts for this year, of course, but our estimate is that the costs of the functional review will be about \$350,000. Those costs will be funded within the Treasury budget.

MR MULCAHY: My question, though, was about how much Mr Smith was paid.

Dr Grimes: I don't have those figures immediately with me. I will just check to see if someone has those figures. The advice that I have at the moment is that it would have been less than \$90,000. The amounts for consultancies will be published in the Treasury annual report at the end of this year.

MR MULCAHY: About \$350,000. I thought Mr Costello was being donated by Actew Corporation, so who has picked up all the rest?

Dr Grimes: The other costs are for other consultants who were engaged to provide specific advice to assist the review in its work on the strategic and functional review.

MR PRATT: Chief Minister, you have talked about the realisation that we needed to restructure and hence the Michael Costello review. When did you become aware of the need to restructure, given our shrinking resources, as you have previously outlined, and why did it take you five years to get to the point that you commenced that review?

Mr Stanhope: I can't just conjure up mushroom-like a particular moment in time when I said, "Today's the day," or "The time has come," or "I believe there is a position that we need to address." As you are aware, in any activity or pursuit in life we receive and assimilate information, views and advice on a range of issues constantly. It is not correct to say that I commissioned the functional and strategic review to see what it might say on issues around which I never thought and didn't have a view, or an opinion in any event. The strategic and functional review simply confirmed much of my thinking and the thinking of my ministers, thinking indeed which I have no doubt that all previous ministers in all ACT governments have done in relation to issues around particular levels of expenditure which are a feature of governance within the ACT.

We look annually, as I am sure previous governments did, at national benchmarking and

the levels of expenditure for, say, health care and education in particular as those two items, as you are aware, between them consume about half of the ACT budget. I remember quite acutely Mr Moore referring constantly, in his management of the department of health, to national benchmarks and the need for the hospital to seek to operate within a narrower band to better associate with national benchmarking for health care delivery. So there was no one moment in which I or my government, or indeed any previous government, had a spark of intelligence or a light bulb flashing which said, “Goodness me, average health expenditure in the ACT is 20 per cent above the national average. How are we going to sustain that expenditure now and forever?”

My previous government and all other previous governments had maintained that level of overexpenditure by using land sale receipts to cover it—that is what we have done—and we have relied on the Australian accounting standards system to deliver surpluses. We have not had the rigour of the general finance sector in relation to recognition of our underlying budget position as a result of the utilisation of, particularly, land sale receipts to cover recurrent expenditure. These are historic issues.

There are the historic issues in relation to the level of overexpenditure. Since self-government it has averaged out at 20 per cent above the national benchmark. All governments have covered it to one degree or another more or less depending on the gaps in service delivery which they were prepared to support as the price of sustaining overexpenditure. Some of those gaps have revealed themselves as a lack of funding for disability services or a lack of provision in the forward estimates for pay rises which you knew were coming or which one knew were coming. This is the history and any person or any government that has occupied the government benches in this place has worked within that framework.

My government, in this Assembly, has taken the decision that we won't do it to the extent that we have in the past, that we will begin the major task of structural reform to wean us off reliability on land sale receipts and serendipitous or extra or large superannuation receipts. It is a tough decision. No other government has ever taken it. No other government has ever said, “We will not do this any more. We will restructure our budget. We will restructure and redefine the way in which we spend. We will bring our expenditures back into line with our receipts, ex-land sale receipts and superannuation receipts, and we will ensure a sustainable future for the people of the ACT.”

MR PRATT: Chief Minister—

Mr Stanhope: Sorry, Mr Pratt; I regret that perhaps I have been a bit long-winded for your liking.

MR PRATT: No, that wouldn't be you, Mr Stanhope, and I say that kindly. It is just the way you are.

Mr Stanhope: I was being kind to you. I fear I am boring you, but this is part of the history of ACT governance. It is a tough business. It is a tough business for a government, as you have seen around you over the last couple of weeks. The response to this budget has been a response which could have been avoided by me not taking the decisions that I have taken, and they were avoidable, just as every other government,

including our first government, did not take these decisions. But, in response to why we didn't do it in the first three years, we were very busily establishing ourselves in government, dealing with priority issues which emerged as a result of what we identified as significant gaps in service delivery.

I am being genuine about this. We expended heavily on disabilities, we expended heavily on emergency services, we expended heavily on mental health, and we invested significantly in our work force. Have a look at the catch-up which was inherent in pay claims made and met by this government in relation to nurses and in relation to our clerical and admin staff. The catch-up was significant. Even then, there is an argument to be made in regard to territory-commonwealth comparisons in relation to clerical staff, despite the enormous increase in salaries which was a feature of our previous government.

Those are the decisions we took. We met the emerging priorities and the gaps as we saw them. We are now in a second term, a four-year term. We have majority government and we are settling down to the business of the hard, tough yards in government to set this territory up for the future, to ensure a sustainable future for those that will wish to access a health system which is sustainable. There has been a 10 per cent a year growth in health expenditure since we came to government and we are now continuing to seek to meet the exponential demand for increasing health services, but at a level consistent with national averages and a level consistent with our capacity to pay.

MR PRATT: I have a supplementary question. Chief Minister, you say that you came to the realisation that our position was 20 per cent above the national benchmark in terms of the gap between the community need and our service delivery capability.

Mr Stanhope: On average.

MR PRATT: You say that that is what finally brought things about. Isn't it really true that you decided to jump through hoops and undertake this exercise because, firstly, you had not realised that you had had a 12 per cent increase in public service strength and, secondly, you have hit the wall because you have overspent and you have had to take fairly dramatic action? This is a political shoring up, isn't it, Chief Minister? That is the truth of it, isn't it? Why did you take five years if there was the burning reality that we had this gap?

Mr Stanhope: Mr Pratt, to do your question justice, perhaps I can just refer to earlier comments I made in relation to gaps in service delivery which we inherited and which I have no doubt you, in your quiet moments, acknowledge as reasonable. In the context of your very strong advocacy for all arms of the emergency services arrangements, I am sure you are not one of those that would dispute the appropriateness of the 46 per cent increase in emergency services expenditure which is a feature of this government. I don't know which aspects of the new urban fire services arrangements, pay or infrastructure you perhaps would not have funded were you the minister. I am not quite sure which aspects of the new communication system that we were forced at very significant cost, over \$20 million, to engage you might not have pursued. I do not know which aspects of that 46 per cent of extra expenditure in emergency services for our ambulance service, for our urban fire service, for our rural fire service, for our headquarters, and for our operational and communication capacity, you—

MR PRATT: The 46 per cent was poorly targeted, Chief Minister.

Mr Stanhope: Which aspects? Let us know now. Tell the urban fire service. Tell us now, Mr Pratt, for the sake of our officials within emergency services. Tell us now for the sake of the urban fire service and our firefighters. Tell us now so that the ambulance drivers in our ambulance service understand and our rural fire service understands which parts of the expenditure of that 46 per cent you would not have approved.

MR PRATT: I am asking the questions, Chief Minister, not answering them. I am not answering your questions; I am asking you the questions.

Mr Stanhope: I know that you are not answering them. None of you are answering them.

MR PRATT: I am asking you questions.

Mr Stanhope: None of you are answering them. So I don't accept some of the assumptions in your question. You said that this is what I did. I don't accept that that is what I did at all, that they were my processes. I go to the gaps in service delivery which we inherited. I acknowledge, and each of us do need to acknowledge, some complicity in relation to levels of ACT government expenditure which exceed the national benchmark. We can be proud of the fact that we have the best government services in Australia, but we need to be honest, and this is what I am asking of the ACT community. We have the highest level of government service delivery in Australia, but we deliver it at around 20 per cent above the national benchmark for the delivery of government services.

We have to acknowledge at one level, as individuals within this community that enjoy this level of government service delivery, that the money has to come from somewhere. Successive governments have found the money. They have found the money from land sale receipts, essentially. That is what we have done. That is what we have done over the years and at some stage land sale receipts will run out. It is not appropriate for this government to bequeath to governments and communities in further generations a budget structure which relies on land sale receipts which one day are going to disappear. We need to begin the restructuring now, we need to take the hard decisions and we need a government that has the capacity and the strength to take the hard decisions and to have this conversation with the people of Canberra. That is what this government is and that is what this government is doing.

MR GENTLEMAN: Treasurer, earlier Mr Smyth reflected on your budget speech. In that speech you announced the establishment of the ACT Skills Commission. Can you explain to the committee the purpose of this new commission?

Mr Stanhope: Thanks, Mr Gentleman; I appreciate the question. I think everybody in the Assembly and I believe everybody in the Canberra community would be aware that in the view of business, in the view of representative business organisations and in the view of, I think, every single business which I meet with and hold conversations with around the ACT economy and the needs of business, the issues without exception that top the agenda are skills shortages and labour force issues.

That is an incident of the fact that we have this incredibly low-trend unemployment of 3.2 per cent. That percentage in an economy at this stage of our history is essentially full employment. We are victims of our success to that extent. We have this enormously high participation rate, the highest in the nation by around eight per cent, I believe. We have the lowest unemployment rate in Australia, 3.2 per cent trend unemployment, essentially full employment. We have a booming construction market, a confident and highly performing retail and business sector and an expanding knowledge-based sector and the demand for jobs is almost unquenchable. As recently as last week Mr Chris Peters, the chief executive of the chamber, said it is not right to talk in terms of hundreds of vacancies across the ACT; you need to talk in the context of thousands of vacancies across the ACT.

So the issue presenting as the major issue for business, and indeed for the future growth of the economy, is people, people with skills, and there are significant skill shortages across the spectrum and enormous labour force shortages, to the extent that we now have, particularly in relation to the construction industry, hundreds of workers commuting from Wollongong, Sydney and Newcastle to the ACT, coming down early on Monday mornings and going home either late Friday night or on Saturdays. I spoke with one of the major developers probably six or eight weeks ago on one of the major construction sites. He told me that 30 per cent of his construction work force live in Wollongong or Sydney.

MR PRATT: I take a point of order. Chair, I am happy for the Chief Minister to go on forever, but I thought this committee was going to exercise some time limit on answers.

Mr Stanhope: This is the second question from a member of the government, for goodness sake.

MR GENTLEMAN: On the point of order: I am interested in the answer the Treasurer is giving.

DR FOSKEY: Haven't you heard it before?

MR GENTLEMAN: No, I have not. He has spent less time on this question so far than he has spent on opposition questions.

Mr Stanhope: Name a single question which has not been asked before.

DR FOSKEY: I have quite a few.

MR MULCAHY: If the Chief Minister needs new questions, I am happy to provide some here.

Mr Stanhope: It is a matter of grave concern to me that neither the Liberal Party nor the Greens is interested in skills shortage or labour force issues; it is a matter of major concern. The number one issue facing the ACT economy and business within the community is skills and the government has taken the decision announced through this budget to focus most on that which business most tells us they most need, that is, the issue of skills being seriously addressed.

To that extent, I have announced that we will focus much of our effort through business and economic development on the development of skills. We are already doing a lot in relation to our support for the CIT, in relation to our support for apprenticeships, in relation to the fact that it was this government that funded the establishment of the ANU medical school and it was this government that made a capital injection of \$10 million to the University of Canberra to establish an allied health faculty within the University of Canberra. These are all direct investments by this government in the area of skills and the need to address skill shortages, just as it was that the \$20 million commitment of the ACT government, this government, to the establishment of the national information technology centre of excellence has now led to that major construction which has just commenced.

These are major investments by this government in relation to skills: the establishment of the medical school, the establishment of an allied health faculty at the University of Canberra, unprecedented support for the CIT and VET, the largest support per capita for apprenticeships, and the decision to establish a skills commission to focus at the very pointy end on how it is that we ensure, as a community that relies on educated, smart people, that we have the capacity to supply, to the extent that we as a government can effect demand, the demand for skilled workers within the territory.

MR STEFANIAK: I have only one question—I think it is an important one—and then I will leave you all. It is in relation to a potential \$16.5 million hole in your budget, the utility land use permit. Are you aware of the High Court case of 28 April 2004 of *Bayside City Council & Ors v Telstra*, *Moreland City Council v Optus*, *Warringah Council & Ors v Optus* and *Hurstville City Council & Ors v Telstra* in relation to utility charges? Page 41 of budget paper 3 states:

The Utility Land Charge Permit (ULUP) will be a charge on utilities where they occupy unleased territory land, and will start from 1 January.

Utility providers currently occupy unleased Territory land for above ground and underground infrastructure, such as cables and pipes, without charge. The ULUP will therefore extend the revenue the Territory receives for the use of its land.

The Utility Land Use Permit Fee will apply from 1 January and is intended to be based on a rate per linear kilometre of unleased land occupied.

It goes on to say that you will make about \$8 million in 2006-07 and \$16.5 million in the outyears. In relation to that High Court case, for which there was a 6:1 majority, a similar charge was held to be against federal law, specifically section 44 of the Federal Telecommunications Act, which provides that no state or territory law has any effect if it discriminates against particular carriers, a particular class of carrier or carriers generally. That particular case related to Melbourne and Sydney councils imposing charges for installing cables or levying rates for space occupied by cables of between \$500 and \$1,000 per kilometre—very similar, it seems, to what you are doing—while other services and signage in public places did not attract charges or rates I note that Telstra already has some concerns with this proposed charge and might well take it to court. My question is: is this charge that seeks to raise about \$16.5 million in the outyears able to be charged because it may well be counter to a High Court decision?

Mr Stanhope: I am aware of those cases, Mr Stefaniak, and I thank you for the question.

I assume, having regard to the detailed research that you have undertaken on this particular subject, that you are also aware of *Katoomba Municipal Council v Katoomba and Leura Gas Company Ltd* (1917) 23 CLR at page 292, a High Court case which first upheld the validity of the imposition of an annual charge for the use of public land for utility infrastructure which has been consistently upheld since 1917.

The cases which you quote were cases brought by telecommunications utilities specifically in relation to an allegation of discrimination against telecommunications providers as against other utilities. It would be obvious to you, Mr Stefaniak, that the cases you quote, *Bayside City Council v Telstra Corporation et al*, were decided on the basis of discrimination against telecommunications providers. Mr Stefaniak, we have no intention of discriminating against telecommunications providers.

MR STEFANIAK: Or anyone else, it would seem.

Mr Stanhope: Or anyone else. We will treat them equally and in a non-discriminatory way, and the utility charge which we propose will, I have absolutely no doubt, be upheld. But, Mr Stefaniak, Telstra and Optus don't want to pay a charge to the ACT government for the use of our land—surprise, surprise! Shock, horror! A major telecommunications provider huffs and puffs. What they are saying, Mr Stefaniak, as you very well know, is, “If you discriminate against us, we will rely upon *Bayside City Council v Telstra Corporation* to have your charge struck down.” Mr Stefaniak, we have absolutely no intention of discriminating against Telstra or Optus. We will rely on the decision in *Katoomba Municipal Council v Katoomba and Leura Gas Company Ltd* as early as 1917 and which every High Court since has relied on to justify the validity of the imposition of this charge. It is an issue of discrimination. We will not discriminate. We will treat all utilities equally and we will charge them equally.

Meeting adjourned from 10.31 to 10.50 am.

THE CHAIR: Are we ready to move to the next output?

MR MULCAHY: Might I ask one general critical question?

THE CHAIR: Mr Mulcahy, Mr Smyth and then Dr Foskey. I ask everyone to try to keep questions and answers as succinct as possible so we can get through the morning.

MR MULCAHY: Mr Stanhope, what is the estimated level of territory unencumbered cash as at 30 June 2006? What will it be in the forward years through to 2010? Why does this information not appear to be in the budget papers?

Mr Stanhope: I might defer that question to the under-treasurer, if you will just give him a minute to go through his budget papers.

Dr Grimes: Thank you, Mr Mulcahy. In this budget the government announced that it is moving to government finance statistics as the basis for measuring the budget. In the government finance statistics system the primary measure of debt is called net debt. That is the measure that the Commonwealth government, for example, focuses on. That information is published in the budget papers. Territory unencumbered cash was a measure that the ACT was producing under accounting standards. It was actually a

unique measure to the ACT. No other jurisdiction in Australia was using a measure of unencumbered cash.

One of the major reasons for that is that unencumbered cash would look only at your assets and not your liabilities—not the full picture of your net debt position. Under the government finance statistics the key measure is net debt, so that is the focus in the budget papers. There is an explanation in the budget papers of the reason for shifting from unencumbered cash to net debt.

MR MULCAHY: But you know the ACT range.

Dr Grimes: We would have to calculate that figure.

MR SMYTH: Have you taken that question on notice?

Dr Grimes: I am happy to take that question on notice. We are happy to calculate the figure. Comprehensive cash flow statements are published in the budget papers. They show exactly where the government's cash position will be over future years, and the position will be quite sound. The ACT, of course, has very low levels of net debt. If you include superannuation assets, which under GSF standards it is possible to do, the ACT has extraordinarily low net debt. In the budget papers an adjustment is made for superannuation assets in order to show the position excluding those assets. On that measure the ACT has negative net debt.

MR MULCAHY: Under the GSF there is a \$196 million deficit this year and a \$147 million deficit next year.

Dr Grimes: No, there is not a deficit on net debt.

MR MULCAHY: Sorry, I should have said “net operating balance”.

Dr Grimes: Megan Smithies tells us that the line is still published in BP3. It does not have the heading “Territory unencumbered cash”, but it is the same measure. That is to be found on page 133 of BP3, under the heading “Investments”. Halfway down the table is an amount for territory banking account investments, which lines up with the territory unencumbered cash measure. Those are investments that are held by the central finance unit. The amounts are as follows: \$119 million in 2006-07; \$57 million in 2007-08; \$170.3 million in 2008-09; and \$346.5 million in 2009-10.

MR MULCAHY: But that is not the same as unencumbered cash.

Dr Grimes: I am advised that is the same as the measure that has been used for unencumbered cash. Essentially, unencumbered cash reflected cash that was held centrally and had not been allocated to a specific agency account.

Mr Stanhope: This is a very good budget, Mr Mulcahy.

MR SMYTH: Dr Grimes, page 6 of BP3 forecasts the economic outcomes for this year and coming years. Under the heading “State final demand” I note you have a forecast of 3.5 per cent for 2005-06. According to ABS data put out in March 2006 it dips by

two per cent for the March quarter. Are you still confident of meeting state final demand of 3.5 per cent this current year? Are you confident also that that figure of three per cent will be reached in 2006-07?

Dr Grimes: Yes. We do not have a strong reason to question those forecasts at this stage. It is true that we have some difficulty with ABS data in small jurisdictions. National accounts data in small jurisdictions tend to be very volatile. The ABS also points to this strongly itself. In the national accounts data that you are referring to we had quite a bit of volatility in Commonwealth government expenditure.

So Commonwealth government expenditure, reported from quarter to quarter, can have quite significant impacts on ABS statistics. However, when we look at the broader economic indicators—investment, labour market indicators and so forth—it is quite clear that the ACT economy is growing at a good rate at the moment. So we do not have a basis for questioning those forecasts at this stage.

MR SMYTH: In 2005-06 the September quarter data for the first of the three quarters on hand shows growth of 1.7 per cent. The December quarter shows growth of 2.7 per cent but the March quarter shows a decline of minus two per cent. Is there any reason for that significant decline? According to a Macquarie Research economics paper, we are the only jurisdiction in the country that recorded a decline.

Dr Grimes: As I was saying, Mr Smyth, we think there is quite a bit of volatility in those numbers for small jurisdictions. So it is probably better to look at trend figures rather than at seasonally adjusted figures. It is fine when you are looking at very large jurisdictions, but in smaller jurisdictions the sampling errors can be quite significant.

MR SMYTH: Let us go back to page 6 of BP3. It shows that the actual outcome for 2004-05 was 3.2 per cent, yet the Australian Bureau of Statistics states it was only 1.7 per cent, which is half that amount.

Dr Grimes: I will confer with other people here who might be able to answer that question. There may well have been revisions in ABS data. The ABS revises its historical data and even that data can be volatile. If you give me a moment I will see whether we have any more information on that. I am told that we do not have any further information at this stage.

MR SMYTH: Where does the material that goes into the budget papers come from? Does Treasury put it together, or is it sourced from some other area and verified?

Dr Grimes: We source our data from the ABS, so we rely on ABS data. The forecasts are obviously Treasury forecasts. We have prepared internal forecasts.

MR SMYTH: You might like to look at the figure for state final demand on page 47 of the March 2006 paper. For the four quarters in 2004-05 it shows a 3.5 per cent growth, minus 0.9 per cent, minus 0.9 per cent, and no growth. The figures do not seem to match what you have in your documents.

Dr Grimes: That figure of 3.5 per cent is strong growth at the beginning of the period. As I said earlier, it was the same before. I caution very much against the volatility of

those figures. The figures you are quoting at the moment are, of course, quarterly figures. The numbers that we use here are annual figures, so they are year average figures, comparing one financial year over another rather than quarterly figures.

MR SMYTH: But you will check?

Dr Grimes: Yes. We are happy to confirm those numbers.

THE CHAIR: So you will take that question on notice?

Dr Grimes: We are happy to take that question on notice and provide further information.

THE CHAIR: Thank you, Dr Grimes.

DR FOSKEY: As you know, the Greens have been pursuing the government—and they are having some success—to prepare budgets and address the triple bottom line. I note, however, that this budget does not seem to have made any attempt to do so. While there are significant cuts in staffing and services there is no reference in the budget, though perhaps there is plenty elsewhere, to the social or environmental impact of those decisions. This is a budget in which we expected to see some poverty proofing. The homelessness strategy was going to be a pilot program. Now that the homeless strategy has been abandoned how will that poverty impact analysis continue?

Mr Stanhope: I will ask Dr Grimes to respond to those issues relating to triple bottom line accounting and the progress that has been made. I acknowledge in relation to that project and commitment that progress has not been as significant. The project is not as advanced as one might have hoped. It has been a significant year for Treasury. Over the past year Treasury undertook an enormous amount of work as a consequence of my commissioning the functional and strategic review. That cannot be overstated. It has been an enormous undertaking in a very short time frame and there has been a significant draw on resources.

I say that not by way of an excuse but by way of explanation. We are a small service but workloads are consistently met by ACT government agencies. Progress has been made in that area. I will ask Dr Grimes to update you on what stage the department has reached in developing a framework for triple bottom line accounting and for the way forward. However, I wish to assure members that the government has not abandoned its commitment to the development of necessary modelling.

I refer to Dr Foskey's assertion that the government has abandoned the homelessness strategy. She suggested that the government abandoned its commitment to deal with issues surrounding homelessness, housing stress and affordability. That is not true.

DR FOSKEY: I believe that Castlereagh House is being—

Mr Stanhope: It is not true; we have not done that at all. We have certainly made decisions across the spectrum relating to the capacity of the budget and the need for us to ensure sustainable funding for all areas of government service delivery. I am happy to deal with that issue but I suggest it is an issue that should be dealt with by the committee

in its discussions with the Minister for Housing. I will ask Dr Grimes to give a brief update on triple bottom line accounting.

DR FOSKEY: Before you begin, let me remind you of the subject matter of my question. Poverty proofing was a project for Treasury and the homelessness strategy was identified as being a part of that program.

Dr Grimes: I am happy to respond to that. As you know, in the last budget the government announced it was putting a lot of emphasis on performance indicators in the budget papers, using those performance indicators to provide a triple bottom line focus, and ensuring that the financial information provided in the budget papers was supplemented by social information and, where appropriate, by environmental information.

It was always understood that developing a really comprehensive framework would take a number of years, identifying measures, developing systems for collecting the data and reporting on that data in a reliable way. The government had always seen this as a multiyear task and one of continuous improvement, making improvements incrementally from one year to the next. The government said on a number of occasions that it welcomes feedback on specific indicators that agencies are reporting on to assist them in developing further indicators in future—in particular, indicators that will be of interest to the Legislative Assembly.

So that is an ongoing program of work. We will be encouraging agencies to make greater use of it in the future. Separate to that but related, we have been conducting internal work on developing a triple bottom line evaluation framework. Essentially, this is very much about developing a framework for assessing internal proposals, providing internal advice to government, but ensuring that when cabinet is considering major policy proposals it has not only the financial information but also the social and environmental information.

Much of that information will be qualitative rather than quantitative, recognising that we need a framework that brings together both quantitative and qualitative material. Over the past year Treasury has done quite a bit of work on that. We have just completed a detailed consultation process with all departments and agencies, we have received feedback from all departments and agencies, and we are currently in the process of preparing a final framework that we will provide to cabinet for its consideration.

Separately, I have been advised that the poverty proofing project to which you were referring was not a Treasury project; rather, it was a CMD project that was being undertaken by the Community Inclusion Board. So I am unable to answer your detailed questions on that today.

DR FOSKEY: So you have not been consulted? It is fairly clear that Treasury would not have been involved in applying that to a budget.

Dr Grimes: I have been advised that Treasury has been consulted in the work that has been undertaken by CMD.

DR FOSKEY: Without a homelessness strategy how will you apply that measure?

Dr Grimes: The homelessness strategy is not a strategy that is developed by Treasury. Obviously, Treasury will have an input. Our input will be in providing policy advice to the government.

THE CHAIR: This is the very last question on the overview.

MR PRATT: The Chief Minister or Dr Grimes might want to take this question on board. The chart on page 6 of BP3 has a reference to the consumer price index, or CPI. I do not know whether this is shown somewhere else, but why do you not have a wages price index in that chart? Have you identified it elsewhere in the budget papers?

Mr Stanhope: I will ask Dr Grimes to respond to your question.

Dr Grimes: Just before I respond, Mr Pratt, I will confer with our chief economist. Thank you for your question. There is some reference to this on page 167 of BP3, which discusses the economy. The wage price index is not an index that we forecast but it is forecast by the Commonwealth government.

MR PRATT: Why do we not forecast that? Given that wages comprise the largest expenditure in this territory, perhaps disproportionately compared to other jurisdictions, surely it is an important indicator of our performance? Why do we not reflect the wages price index or report on it?

Dr Grimes: The answer to your question, Mr Pratt, is that we use national data for the wage price index rather than state-based data. State-based data would be very volatile.

MR MULCAHY: I wish to ask a supplementary question. Do you agree, Dr Grimes, that by using WPI as a basis for future charging, as opposed to CPI, next year there is likely to be about a 45 per cent increase in the basis on which you apply the charges?

Dr Grimes: I do not have the figures immediately to hand, so I cannot confirm that. The difference between the CPI and the wage price index, over time, is of the order of about one percentage point per annum.

MR MULCAHY: But over a base of two per cent, which is substantial.

Dr Grimes: Over a base of 2.5 per cent, on average.

MR MULCAHY: So my figure of a 45 per cent increase next year would apply.

Dr Grimes: The increase would be one percentage point.

MR MULCAHY: The percentage of CPI is the question I asked, Dr Grimes.

Dr Grimes: Essentially, I guess that is a mathematical calculation.

MR MULCAHY: You have to pay for it.

THE CHAIR: We will move now to output 1.1. Mr Gentleman, do you have a question?

MR GENTLEMAN: Yes. Treasurer, I refer you to page 67 of BP4, “2006-07 Priorities”, and also to the graph on page 13 of BP3, “Net Worth to Revenue Ratio”. How do the rating factors in the ACT compare with those just across the border in Queanbeyan?

Dr Grimes: I am happy to provide some information. You referred to the graph on page 13 of BP3?

MR GENTLEMAN: Yes.

Dr Grimes: That shows the net worth of the government, its ratio to revenue. Essentially, that table provides a comparison of the overall balance sheet of the ACT relative to other jurisdictions, to other states and territories. It provides an indicator of the position of our overall assets and liabilities. To be able to compare between jurisdictions you need to make some adjustment to compare like with like. Obviously, New South Wales is very large, and a state or territory like the ACT is very small. So the appropriate way to do that is to measure net worth as a proportion of revenue.

This figure shows that the ACT’s balance sheet is very strong, as strong as the resource-rich states of Queensland and Western Australia, and stronger than a number of AAA rated jurisdictions overall. You separately asked about rating factors that are applied. Rating factors in the ACT for a given property value are lower than those that would apply, for example, in Queanbeyan. I will establish whether further information can be provided to you on those rating factors.

I have now been given some information. I am told that the rating factors applied to property owners in the ACT have been relatively lower than those applied just across the border in New South Wales, which would be for Queanbeyan. The ACT average unimproved land value of just under \$200,000—it is \$198,835 in 2004-05 dollars—would produce general rates revenue in the ACT of \$1,031. If the Queanbeyan rating factors were applied, the owner would have a rates bill of \$1,361. That is comparing rates on particular rating factors.

DR FOSKEY: My question concerns insurance advice. Given that ACT reinsurance will not go near homebirth indemnity insurance, given that those states and territories that provide cover for independent midwives are carrying the risk themselves, and given that it is a frequently expressed desire of women in the ACT to have access to homebirths, has the ACT government looked at initiating discussions to set up a national scheme? Have you raised this matter with the Commonwealth and other governments at a state level?

Dr Grimes: Dr Foskey, that question relates very much to the Australian Capital Territory Insurance Authority, ACTIA. Peter Matthews, General Manager of ACTIA, will be here on Thursday. That body has been listed as appearing before the committee on Thursday morning, so we will be happy to answer that question on Thursday morning.

DR FOSKEY: I will use this opportunity to ask another question. The major employer in the ACT, the commonwealth, does not pay payroll tax. Is the ACT reimbursed for revenue lost?

Dr Grimes: You might be aware, Dr Foskey, that each year the Commonwealth Grants Commission undertakes a detailed assessment of expenditure needs in states and territories and their revenue-raising capacities. Overall the Commonwealth Grants Commission assessed that our expenditure needs are very close to the national average. When you take into account the disabilities that face the ACT—that is, those things that make the cost of service provision higher in the ACT—and you take into account the advantages we have in the ACT—for example, being a small compact jurisdiction—the Commonwealth Grants Commission assesses that our expenditure needs are about the average of all states and territories.

In relation to revenue, which was the issue you were asking about, the Commonwealth Grants Commission assesses that the ACT has a lower revenue-raising capacity than the average state or territory. One of the major reasons for this, but not the only reason, is that the ACT is unable to tax the commonwealth or apply payroll taxes. But it is also true that the ACT does not have a large resource base. For example, we do not have a mining industry from which we can derive royalties.

The Commonwealth Grants Commission takes all those factors into account and, through the relativity factors that it applies to the distribution of GST grants to the states and territories—in this case to the ACT—it makes an adjustment to ensure that the ACT is provided with revenue to bring it up to the national average.

DR FOSKEY: Does the commonwealth also take into account the more subtle influence it has, in that it directly competes with the ACT public service and the community sector for workers? Does the ACT, in remaining competitive with the commonwealth, seek to have the higher effective employment costs considered by the Commonwealth Grants Commission?

Dr Grimes: This is an area in which there has been ongoing dialogue between the ACT government and the Commonwealth Grants Commission over a number of years. I will ask Roger Broughton, head of our investment and economics division, to provide you with some more information.

Mr Broughton: It is correct, Dr Foskey, that in the past the commission has accepted arguments put up by the ACT government that the relatively high salaries paid by the commonwealth have an imposition on the costs that the ACT government faces.

DR FOSKEY: Is that a continuing conversation? Is there any reason to hope that the government will continue to consider that as something that might require compensation through the grants process?

Mr Broughton: It has been accepted as a valid argument in the past, although in the latest methodological change that the commission made, it changed quite extensively the way it took into account the impact of non-government wages on each of the states. So the impact that flows through to our GST is not as strong as it was in our previous reviews.

DR FOSKEY: So there is room for improvement?

Mr Broughton: We would argue that, yes.

MR SMYTH: On page 68 of BP4 you have estimated employment levels. If you read the note, the chart is probably okay, but why would we not have put in that figure of 149 rather than the figure of 227, with a note?

Dr Grimes: The reason for that is that formally, for 2005-06, those staff will be in Treasury. That is why the table had to show that number in 2005-06. But the footnote has been provided to assist readers with the comparison.

MR SMYTH: So once you take out the procurement stuff your staff will grow from 149 to 156? It will go up by seven? What will those additional members of staff be doing next financial year?

Dr Grimes: Those staff will be very much focused on providing financial advice to the government. Financial monitoring is an area that we have identified for further investment. The government made investments in this budget to improve our capacities in those areas.

MR SMYTH: Does that indicate that there has been a weakness in financial management?

Dr Grimes: No. It indicates that there is scope to increase the amount of work we do in that area, but we have not identified a major weakness as such.

MR SMYTH: What format is required for the extra work? Is it required to produce specific data? Is there something you look for specifically?

Dr Grimes: Essentially, to ensure that Treasury has the capacity to have a detailed understanding of the financial operations of departments and agencies, to look at that as an area for investment, and to improve our capacity to work with agencies in managing their budgets. The government sees that as a high priority—for Treasury actively to engage and work with agencies.

THE CHAIR: We might move to output 1.2.

MR SMYTH: I have more questions on output 1.1. In output 1.1 in the 2004-05 budget the estimated outcome was \$4.3 million but the budget was \$2.956 million. Why did it increase in that time? It is an increase of almost 45 per cent.

Dr Grimes: I will ask our chief finance officer, Phil Hextell, to provide you with information on that.

Mr Hextell: The main variance between the \$2.9 million original budget and the \$4.3 million estimated outcome is to do with the reallocation of costs across our output classes due to changes in structure within Treasury, one of them being the transfer of the previous government business unit into finance and budget. There was a redistribution of costs across the output classes, across the outputs associated with that move. So it is just a technical redistribution of costs. There is no underlying business activity that drives that.

MR SMYTH: Is there an accompanying decrease, therefore, in one of the other areas that I have not seen? It is just a redistribution. It has got to come from somewhere.

Mr Hextell: There is in a number of outputs. It affects all of the outputs. All of the outputs are impacted by it, with the exception of 1.4. So from 1.1 to 1.3 there are a number of ups and downs, but there are also quite a number of other adjustments which net off against that redistribution.

MR SMYTH: Is it possible to get a reconciliation of that, a written reconciliation?

Mr Hextell: We can get that.

THE CHAIR: Will you take that on notice, Mr Hextell?

Mr Hextell: Yes.

THE CHAIR: Thank you very much. Is this a supplementary, Mr Mulcahy?

MR MULCAHY: It is related to 1.1. It is a question to Mr Stanhope. The briefings on the ACT economy have dropped from 148 in 2004-05 down to 120 in the current fiscal and next fiscal year. Why are you getting briefed less frequently on the state of the economy? Have there not been serious concerns or is there another explanation?

Dr Grimes: I am happy to take that question, Mr Mulcahy. The major reason for the reduction is simply the factor I was referring to with Mr Smyth before, that some of the more minor, particularly more minor, data releases have quite considerable volatility in the data. We have been questioning the importance of providing briefing on some of those things, given that we do not have complete confidence in the underlying data ourselves. We are not sure that the—

MR MULCAHY: Can you give us some examples so we can see which ones we no longer utilise?

Dr Grimes: I might see if Mr Broughton, who runs that part of Treasury, might be able to provide you with some more complete details.

Mr Broughton: There are several statistical data series that we have briefed on in the past that we no longer brief on, partially, as Dr Grimes said, because we do not have a great deal of confidence in the month to month information and partially because the information may not tell us a lot about what is happening in the economy. Some of those that we no longer brief on include new motor vehicle sales, and if you will just bear with me I will go through some of the others.

We also have ceased to brief on some of the indicators coming out of the housing market and general business indicators, such as the Sensis Business Index. We find that the sample size is so small and the results so volatile that it is very difficult to make too much sense out of the data. The same applies to the Hudson report, which is again another business sentiment index. It is based on a very small sample size here in the ACT. We also no longer brief on the Housing Industry Association-Commonwealth

Bank housing affordability index, but we do still brief on the Real Estate Institute of Australia home affordability index. I think they are the main ones that we have ceased to brief on at this point in time.

MR MULCAHY: Thank you. If you had been focusing on new motor vehicle sales, do you think you would have gone ahead with the planned tax measure on new motor vehicles that was subsequently abandoned by the government?

Mr Stanhope: Those were decisions that the government took, Mr Mulcahy. At this stage I have asked Treasury to further advise me on some background to that particular decision and the basis on which earlier decisions were taken. At this stage it was not a matter for Treasury to abandon or to not abandon; they were decisions taken by government.

THE CHAIR: Supplementary, Mr Smyth?

MR SMYTH: You mentioned motor vehicles, Chief Minister. The third and fourth last dot points refer to providing recommendations to the ACT government outlining the financial options for the passenger and light commercial fleet and implementing financial and fleet management options for the passenger and light commercial fleet. Is this the Rhodium output description or are we doing something else with our fleet?

Mr Stanhope: Perhaps Dr Grimes can assist with that, Mr Smyth.

Dr Grimes: Indeed. This is about the management of the government's own fleet and so is intimately related to the issues around Rhodium and the management of the fleet by Rhodium.

MR SMYTH: Are you involved in the inquiries into the affairs of Rhodium?

Dr Grimes: We are involved with Rhodium at the moment. Rhodium has been listed for consideration on Thursday, so we may be able to answer your questions in more detail on Thursday morning.

THE CHAIR: Supplementary, Ms MacDonald?

MS MacDONALD: Yes. I note that there is a move towards going to four-cylinder vehicles, where they can be used. How will that be determined?

Dr Grimes: That is an initiative that has been announced in this budget by the government. It recognises, firstly, the environmental benefits that come with having four-cylinder cars, rather than six-cylinder cars. So there is an intention there to improve the environmental sustainability of our government car fleet by moving from six-cylinder to four-cylinder vehicles. Also there are financial benefits. The four-cylinder cars are cheaper to run, obviously. There will be savings made as a result, and those savings are published in the budget papers.

MS MacDONALD: So will the vehicles like Prius and the Honda hybrid be classified as four-cylinder vehicles, then?

Dr Grimes: They would be four-cylinder vehicles.

MS MacDONALD: Thank you.

Mr Stanhope: I might just say this just to complete the issue. This is an issue around which we have made a decision. There has been an analysis of the implications around the implementation of the decision. There are certain issues in relation to the implementation of the decision, such as the one that you raised, the classification of cars.

For instance, in relation to some of the rules which apply to the purchase of four-cylinder cars for members of the Assembly, there are only so many four cylinder cars on the list of cars accepted as appropriate, four-cylinder cars that have been accepted as appropriate for utilisation within certain parts of ACT government service. Certain foreign four-cylinder cars are currently not listed and we do need to go through a process of identifying those cars that would be identified in the first place as four-cylinder cars and the range of cars that would be appropriate for us to purchase or to lease or to utilise, depending on whether they are Australian made or overseas made et cetera.

In the context of the decision that we will move to four-cylinder vehicles, as and where appropriate, for both of the reasons that Dr Grimes outlined, that is, significant environmental benefits to be achieved as well as reductions in cost, there are some contractual arrangements that will need to be worked through. But the government's intention is that the ACT government fleet will, to the greatest extent possible, be a four-cylinder fleet, acknowledging that in some areas of our operation four-cylinder cars would not be appropriate to the task required, and some particular issues.

There are some contractual arrangements that will need to be worked through and some other decisions that will need to be taken. But the overarching, broad intention is that the ACT government fleet will be a four-cylinder fleet.

MR SMYTH: I have another question on the vehicles. Dr Grimes, you said that I could ask about Rhodium on Thursday. That is true. I was actually asking what Treasury's opinion of Rhodium was? What advice do they seek to provide in these two dot points? Was it Treasury who raised concerns about the activities of Rhodium? Has Treasury taken an interest in the two reports that have been prepared? If so, what?

Dr Grimes: Thank you, Mr Smyth. Yes, Treasury has been advised of those reports. Clearly, advice that we give to the government would be policy advice, so that would not be something that I would go into here. But you can be assured that Treasury has been advised on those reports.

MR SMYTH: And what action has Treasury taken since they have been given that advice?

Dr Grimes: We have provided advice to the government and, as you are aware, the Chief Minister has asked the Auditor-General to prepare a report into those matters.

MR SMYTH: What was the basis of advice that led to the asking of a report of the Auditor-General?

Dr Grimes: Well, it is going to the question of policy advice that we have given to the government, so I cannot elaborate on that.

Mr Stanhope: They were decisions that I took, Mr Smyth, on the basis of advice from the department—indeed, on the basis of external audit reports that had been commissioned by Rhodium itself. I have gone into this in some detail, but not great detail, I do acknowledge, Mr Smyth, in the chamber. As I have previously explained, there were certain management issues involving Rhodium that were drawn to the attention of the Rhodium board.

As a result of those particular issues around management, Rhodium commissioned reports from its auditors, initially from KPMG, followed by a second audit from Ernst & Young, essentially to test or reconsider some of the issues in relation to management. Those external audit reports identified and confirmed issues of some concern to the board in relation to certain management decisions and financial management arrangements that pertained in Rhodium.

I was briefed on the findings or the conclusions of the KPMG and Ernst & Young audits in the context of decisions that the board had taken in relation to their implementation and in direct discussions with the chairman of the board, Mr Bob Samarcq. I took the decision to invite the ACT Auditor-General, Ms Tu Pham, to undertake a further audit of the management of Rhodium. In relation to those issues of management, we have had two external audit reports and there is now in process an Auditor-General's report into the management of Rhodium.

MR SMYTH: Did Treasury have a role in bringing it to the attention of the Rhodium board?

Dr Grimes: No, Treasury did not bring matters to the attention of the Rhodium board. In fact, the Rhodium board briefed me when they were aware of concerns that they had.

MR SMYTH: Okay. Are you aware of how the interests were brought to the attention of the board?

Dr Grimes: I am not fully aware of the circumstances in which the matters were brought to the attention of the board, certainly not in a way that I can respond to with confidence here at the moment. But I do know that concerns were raised with board members that caused them to commission the reports that the Chief Minister has referred to.

THE CHAIR: Mr Pratt?

MR PRATT: I am looking at the last output description: “advising on major projects”, Chief Minister and Dr Grimes.

Mr Stanhope: Which page is this?

MR PRATT: Page 69, output class 1.1.

Mr Stanhope: I beg your pardon.

MR PRATT: We have just seen the expiration of a five-year funding road plan that was implemented in 2000-01. We have seen, of course, the budget catering for yet another GDE blow-out, and it seems that the great majority of funding for road maintenance infrastructure projects is focused on the GDE. We do not see very much money at all, if any, which might cover funding for another five-year plan regarding the maintenance of basic infrastructure, roads included. What is the advice, Dr Grimes, that perhaps you have given the Chief Minister? Chief Minister, what advice did you receive as to how you would best manage the ongoing maintenance of the infrastructure, clearly given that we do not see another five-year funding plan in place?

Mr Stanhope: Thank you, Mr Pratt. I will ask Dr Grimes to go into some of the detail on the issue of infrastructure and ongoing maintenance. The issue you raise is an important one and I think it is fair to say that governments do, almost subconsciously or unconsciously, as they seek to meet current or present day imperatives, sometimes pay less attention to the ongoing maintenance of infrastructure than they ought.

In this particular budget we are seeking to make up some ground in relation to essential infrastructure maintenance. The government has acknowledged the very point that you make, and I will ask Dr Grimes to go to some of the detail of that. But there is an acknowledgment in this budget, and I think it is expressed particularly in relation to a significant component in the education budget, that there is a need to ensure that we continue, in the context of a cycle, to provide for ongoing maintenance.

It is acknowledged, I believe, particularly in the territory and municipal services budget, and you might get some further explanation during your hearings in relation to that department. But Dr Grimes can, I think, assist in relation to decisions that have been taken to address the very issue you raise, acknowledging that we do have very significant infrastructure.

We inherited our roads network or system and have built on that, of course, a very significant and major piece of infrastructure. I think it might be fair to suggest that for a city of 330,000 we do have significant and quite costly roads infrastructure. There is the ongoing maintenance bill, particularly in relation to roads. It is probably our single largest set of infrastructure and the most costly for us to maintain. But decisions were taken in this budget—

MR PRATT: You did also inherit a five-year funded road plan. I really want to know why that—

Mr Stanhope: Well, I ask Dr Grimes to go to the detail of the provision within this budget.

Dr Grimes: Thank you, Chief Minister. Obviously I am not in a position to debate policy advice or policy issues, but in terms of what is in the budget, as the Chief Minister was saying, there is a focus on maintenance, asset maintenance, not only for roads and municipal facilities, an extra \$5 million per annum, but also additional maintenance funding in the out years of \$5 million per annum, which will be distributed across departments and agencies. That distribution across departments and agencies has not yet been determined because that funding applies after 2006. So the government will have a process over the coming months to determine the highest priorities for increased

maintenance expenditure.

On top of those amounts, there is also funding in the budget for increased asset maintenance within education. There is the investment that the government is making in improving the quality of schools, refurbishing schools, but on top of that, boosting the education asset maintenance budget by about 25 per cent from 2008-09.

In relation to the five-year program that you were referring to, information on the amounts that have now been expended under that program are provided on page 120 of budget paper No 3. It shows that the Gungahlin Drive extension is the main outstanding item to be completed there.

MR PRATT: Sucks it all up, doesn't it!

MR MULCAHY: Supplementary question, Chair, just in relation to—

Mr Stanhope: Just in response to that interjection of Mr Pratt's, it needs to be understood that in this budget there is \$90 million specifically and directly identified for school upgrades and maintenance. That falls within the category description of the question you asked, Mr Pratt. That \$90 million identified for schools is to be expended on existing schools to maintain and improve their infrastructure. It is the single biggest ever injection of maintenance funds for infrastructure in the territory, to the extent that we identify the different sectors of ACT government infrastructure. They are: roads, hospitals, dams, schools and pipes. They are the big-ticket items.

In this particular budget there is \$90 million for schools alone, with an ongoing commitment to increase existing maintenance funds to schools by 25 per cent in the out years. So that is a massive injection of funds for the maintenance of infrastructure.

MR MULCAHY: A supplementary question on major projects through the Treasurer, if agreeable, to Dr Grimes. Dr Grimes, firstly, has Treasury provided any advice to reduce the rate of capital expenditure on the prison, to slow down expenditure? Secondly, do you have any information in Treasury that would suggest the budget figure of \$128 million will not be met in relation to the prison project?

Dr Grimes: It is not possible for me to answer the first question because it goes to speculating on policy advice that we may or may not be providing to the government. But the second item—

MR SMYTH: I am sorry. When has it become a rule that you cannot comment on policy advice?

Mr Stanhope: Always.

MR SMYTH: It has not always been always.

Mr Stanhope: It has.

MR SMYTH: That is the whole point of estimates, to probe the decisions and the advice that was given that lead to the decision.

Mr Stanhope: On facts, not on policy. If you want policy advice, ask me.

MR MULCAHY: It is fact. I wanted to know whether you have taken advice in relation to slowing down the rate of capital expenditure? That is not a policy thing. It is a matter related to the territory's expenditure of funds.

MR SMYTH: It is actual expenditure.

THE CHAIR: Can we have Dr Grimes answer the question, please?

Dr Grimes: I can answer the second part of the question, which was: do we have any information at the moment that the budget for the prison cannot be met? At the moment we have no information that the budget cannot be met. So our information is that that budget can be met at the moment.

Mr Stanhope: Let me just respond to the first part of the question. I would have to defer to the attorney and the department of justice. You are meeting them again, I believe. I am not sure that you have actually covered—

MR SMYTH: This afternoon.

Mr Stanhope: This afternoon is it?

MR SMYTH: Yes.

Mr Stanhope: I would suggest that you ask the first part of the question of the Attorney-General. He will have available to him those officials that can answer or provide him with the advice that he would need to answer the first part of the question. But let me say—and this is the difficulty with answering it without officials because I can't turn to them to ask whether they can confirm my recollection—that I do not recall as attorney or minister for corrections receiving any advice from Treasury. I can't place it but I would have to check it. Post the government's decision—this is the difficulty with it if one has to go back to advice that one might have received three or four years ago before the project was formally approved—I can't remember exactly what Treasury's advice in the cabinet process might have been then. But in the context of a major project which the government is committed to post the government's decision to construct the prison, I have to say I cannot recall receiving advice that we slow it down, spread it out or extend it.

The project is on track and on budget. We expect the project to be completed by the end of next year, roughly within the time frame always anticipated. As the attorney informed the Assembly in response to a question from, I think, the Leader of the Opposition in the last month or two, the government's intention and instruction to ACT Corrections in relation to the project management and delivery of the prison is that it proceed as planned. The construction timetable as advised is expected to be met; that is, the major construction contract will be let, as I understand it, within the next month or so. The attorney can confirm this for you this afternoon.

It is anticipated that the Alexander Maconochie Centre will be completed before the end

of next year. As the attorney advised the chamber—I think it was in the sitting week before the last sitting week—the government’s instruction to the project management team is that the funding for the prison is \$128 million and it is not to be exceeded and if, as a result of the tender process currently under way, the project cannot be delivered for \$128 million, then the design is to be adjusted accordingly.

MR MULCAHY: Is Treasury then not advised? Is that the impression I should get from those observations now?

Mr Stanhope: Certainly, in the development phase of any project in the context of costs and benefits—

MR MULCAHY: No, but now, at this point.

Mr Stanhope: At this stage, I don’t believe Treasury is. No, the moneys have been either appropriated or accounted for in the budget and the project is proceeding on course. I believe they have called for tenders. This is my difficulty; I am just a little bit out of touch. It is now a matter being handled by one of my colleagues. I am a little bit out of touch. I am sure Mr Corbell would be more than happy to respond with detail which can be confirmed without the level of hesitancy that I have out of a strong desire and determination not to mislead you. But the essential position is that the moneys are either appropriated or accounted for in the budget. The project is, essentially, on time and on track. Construction is expected to commence in the near future, once the contracts have been let. Construction is expected to be completed before the end of next year. The instruction under which the project management team within ACT Corrections is operating is that, if the project cannot be brought in on budget, then the project design is to be adjusted. In other words, we are currently anticipating a facility which would have the capacity for somewhere in order of 370. We will ratchet it down to, say, 350 or 340, but—

MR SMYTH: So it won’t get a fence.

Mr Stanhope: The prison, essentially, is designed around a range of six-bed or six-room, cottage-style facilities. The prison, essentially, comes in six-room or bed, discrete, cottage-style structures. The prison is of a design which it is incredibly easy to adjust by the order of six. There is a prerelease facility which is comprised of, as I understand it, 10 six-bed units. If there are funding issues, consideration will be given, for instance, to reducing the prerelease facility from 10 six-bed units to, say, eight six-bed units, or nine or seven. There is a low-security facility as a part. It is comprised of a design number of six-bed, discrete, cottage-style facilities. The structure and the design are very open to adjustment. But the government’s commitment is to a \$128 million facility, and we have been clear about this and open about this for years. The money is appropriated or accounted for. The project is on time.

MR SMYTH: Sorry, \$128 million as appropriated.

Mr Stanhope: And accounted for.

MR MULCAHY: It sounds like you are anticipating that that is not likely to meet your original idea.

Mr Stanhope: No, at this stage my last advice was that it is but, of course, in the booming construction market that we have experienced—I think we see that with the Gungahlin Drive extension and we hear of it in conversations we have with each of the developers currently involved in major construction throughout the territory—there is enormous pressure and the unit costs have risen significantly. Having said that, built into the budget, as you know, is the \$18 million—I think it was \$18 million, or was it \$14 million?—escalation fee which was always part of the decision and the escalator that was applied to this particular project. I think it was \$14 million—I am just going from memory here—which took the project to \$128 million. But this has been a matter of great interest and moment, as it should be, for a significant major project such as this, but let me simply repeat that \$128 million has been identified, roughly half of which has been appropriated, but the rest is accounted for. The project is on track, it is on time and will come in on budget.

THE CHAIR: Mr Smyth, this is your last one.

MR SMYTH: Yes, just a final question. Dr Grimes, you advise on major projects. Did Treasury see the business case and agree that the numbers in the business case actually stack up?

Dr Grimes: I am sorry, Mr Smyth, that predates my arriving in the ACT, so I will just have to confer to see. I can confirm that Treasury was involved in that work.

MR SMYTH: So you have seen the business case and Treasury agrees with the business case as presented?

Dr Grimes: Treasury was involved in providing advice to the government on the business case.

MR SMYTH: So Treasury didn't agree with the business case as presented?

Dr Grimes: The question before was: does Treasury have any basis at the moment to dispute the costings that are in the budget? We have no information at the moment to dispute the costings that are in the budget. I am able to provide a little more information on the procurement process.

MR SMYTH: Before you get to the process, did Treasury agree with or not agree with the business case as presented?

Dr Grimes: I have no information that Treasury does not agree with the estimates that are in the budget papers.

MR SMYTH: Does somebody behind you who was involved in the process have information as to whether or not Treasury agreed with the business case and the numbers therein?

Mr Stanhope: You need to take these issues up with the Attorney-General, the minister for corrections.

MR SMYTH: No, I want Treasury's appraisal of the Attorney-General's business case.

Mr Stanhope: Treasury is not going to tell you what its advice to cabinet was, Mr Smyth, I can tell you now.

MR SMYTH: I want to know what its advice to corrections was?

Mr Stanhope: Its advice to corrections was through cabinet, and Treasury is not going to tell you what advice it has given to cabinet.

MR SMYTH: I don't want the detail. I just want to know whether they agreed with the business case as presented?

THE CHAIR: Mr Smyth, I think we will move on because—

Mr Stanhope: Dr Grimes is not answering that question, Madam Chair.

MR SMYTH: You refuse to answer the question. Let that be noted. Thank you.

MR GENTLEMAN: Treasurer, under this budget the Department of Treasury will merge procurement and support services, as shown on page 71 of budget paper 4, with financial management, and we can see a substantial budgetary increase to output 1.2. What future savings does this merger and additional investment provide for?

Mr Stanhope: I will ask Dr Grimes to respond.

Dr Grimes: Mr Gentleman, I am sorry, I did not hear the full question that you asked.

MR GENTLEMAN: I will repeat it for you. Procurement and support services are merging with financial management and we can see a substantial budgetary increase to output 1.2. What future savings does this merger and additional investment provide for?

Dr Grimes: The major area with procurement is actually for procurement to merge with the shared services centre. So procurement is shifting from the output classes reported under Treasury to the shared services centre. There are a number of savings reported in budget paper 3, which shows the savings expected through better procurement. They are taking a couple of forms. One is achieving better procurement contract prices and deals by finding ways of linking up procurement across agencies to take advantage of purchasing power to reduce the costs and of better contract management also to reduce the costs, and for departments and agencies also to be encouraged to find ways in which they can reduce their general expenditure on goods and services which will also provide benefits to the budget. The savings are reported on page 101 of budget paper 3; there is further information provided there.

DR FOSKEY: I have a supplementary question. Will the restructure fund, which is actually going to apply to all government departments, be entirely managed by Treasury?

Dr Grimes: Yes, Dr Foskey. The restructure fund is managed by Treasury, but the expenditure often relates to expenditure in other departments, primarily for redundancies but for other purposes related to restructuring government.

DR FOSKEY: Where are the decisions made about its allocation? Are they made entirely in Treasury or do departments submit to you?

Dr Grimes: The parameters under which the restructure fund would operate would be agreed by cabinet. Cabinet has agreed that the restructure fund will be used for funding voluntary redundancies and for other restructuring activities. What will happen is that departments will submit proposals to Treasury when they are seeking to fund redundancies. They will be provided to Treasury. Treasury will assess those and, as required, provide the funds to agencies.

DR FOSKEY: That means, basically, that Treasury is managing the restructure process.

Dr Grimes: That is correct. Treasury is managing the allocation of funding to agencies. That process has worked very smoothly over the last year. I am not aware of any concerns in the operation of that process. Agencies, as they have made redundancies, have been able to make application to Treasury. Treasury has been able to ensure that the funds are provided to agencies as required.

DR FOSKEY: I have just one more question on this output before the opposition takes over. I also want to point out here, ask, supplicate that next year when you are preparing the physical budget, these books, you give a little thought to the users of these budget documents and perhaps the table of contents with a more full exposition—most certainly my Word program enables me to do that—because it is a budget for which it is quite difficult to find things out. I am sure that is not deliberate, but just a table of contents which has each subheading that is in the book, given that some pages have been left blank intentionally. They could perhaps have been given to an index or a table of contents. Before I hand over to the opposition, I want to ask another question.

MR SMYTH: Is it on a different issue, because I would not mind asking a supplementary question on the restructure fund?

DR FOSKEY: I just fear I will never get another turn, Mr Smyth.

MR SMYTH: I am sure the chair will take care of you.

DR FOSKEY: I will just ask it. I think it will probably require a fairly brief answer. Sustainable infrastructure funding is mentioned on page 70, on the top of page 79 in relation to the cash flow and in the first paragraph on page 81 in relation to notes on the budget. Apparently, more than \$2 million has been returned, most of which won't be spent. What was this sustainable infrastructure funding for and why wasn't it spent?

Dr Grimes: There is some return of funding from the sustainable infrastructure fund. That fund was established very much by the government to encourage agencies to build sustainability elements into their projects.

DR FOSKEY: Which kinds of sustainability elements?

Dr Grimes: Sustainability elements that encourage better energy usage or water usage, for example. The government has now encouraged agencies, instead of doing this in a

supplementary way to projects, to build it into the initial design of the projects themselves, potentially where you can get those win-win outcomes of better financial outcomes plus better environmental outcomes. Because of the fact that those sustainability elements are now being considered in the development of projects themselves, there is less of a need to have a supplementary fund. For that reason, those additional elements are being returned to the budget.

Nevertheless, there have been a number of projects which have been funded through that fund and which I can provide you with further details now. There has been \$2.315 million committed under the sustainable infrastructure program so far to a range of capital works and bushfire recovery projects across a number of portfolios. That includes a stormwater retention study by EPIC for \$8,000; the Birrigai school redevelopment, for which an additional \$800,000 was provided for sustainability elements; the health protection service at Holder, \$90,000; the refurbishment of the North Building in Civic, \$610,000; the Gungahlin child and family centre, \$250,000; the Environment ACT Ranger House replacement, \$540,000; and the Palmerston community hall, \$17,000. Those fundings were provided through the sustainable infrastructure program. As I was saying before, those sustainability elements are now being built in right from the beginning of the project development rather than as a supplementary component.

DR FOSKEY: I would really like to see the criteria by which that funding was allocated because it sounds to me like quite a mixed list. I would also like to see the guidelines and ascertain who evaluates whether sustainability funding becomes part of the mainstream. How on earth is that evaluated to have occurred? The list you just gave me was of worthwhile projects, but I am not sure what they have to do with sustainability.

Dr Grimes: We would be very happy to take that on notice and give you the evaluation criteria.

MR SMYTH: I have a question to do with the restructure fund and sustainability. From page 74 of budget paper 4 I can see that the restructure fund started this year. It is a new initiative for this year, isn't it, with \$14.5 million this year, \$4.5 million next year, \$1.5 million the third year and \$500,00 the fourth year? That appears about halfway down under "Budget policy adjustments".

Dr Grimes: I am not sure what your question is.

MR SMYTH: Is the restructure fund a new initiative this year?

Dr Grimes: No, the restructure fund is not in itself a new initiative in the sense that there has been a restructure fund in place for a couple of years. The new initiative would be additional funding for the restructure fund in order to manage the quite considerable changes that the government announced in this budget.

MR SMYTH: The third-last line on that chart has a rollover of \$8.2 million spread over the two coming years.

Dr Grimes: Yes.

MR SMYTH: When was that \$8.2 million appropriated, in which budget did it first appear?

Dr Grimes: In last year's budget, but there may also be amounts from previous budgets. I think the main rollover, though, is for last year's budget. I will just confirm that. No, that is correct, mainly from last year's budget but there is some residual from the previous budget.

MR SMYTH: Why wasn't it spent?

Dr Grimes: Essentially, the major reason for the rollover is that a greater number of staff reductions have been achieved through natural turnover rather than requiring funding directly from the restructure fund for redundancies.

MR SMYTH: How many redundancies are you expecting this year in the \$14.5 million?

Mr Stanhope: Whilst we are waiting, my understanding in relation to redundancies potentially anticipated in the current financial year is of reductions in personnel within the ACT public service to the extent that there has been a mix of voluntary redundancies and just natural attrition. The number of voluntary redundancies, I think, is less than 50 per cent of what it was anticipated in last year's budget might have been sought or taken in this financial year. Hence, the rollover is that the level of voluntary redundancies required, as against staff churn or natural attrition or turnover, was far less than we may have anticipated. It may very well be that that will be the position again.

Dr Grimes: I am able to provide a little more information. Yes, as the Chief Minister was saying, it can be difficult for us to estimate exactly how many redundancies will be required, but at the moment our estimate is that of the order of about 35 to 40 per cent of staff reductions over the next year will be in the form of voluntary redundancies. The remainder would be through natural turnover of staff.

MR SMYTH: What is the total for expected redundancies?

Dr Grimes: There were also amounts from last year's budget being funded through the restructure fund as well. I don't have the figures from last year's budget with me at the moment, but I do know that there was a component for redundancies that were from measures in the 2005-06 budget. So there will be both 2005-06 and 2006-07.

MR MULCAHY: Do you have a policy about hiring back people who have taken redundancy as consultants? Is there provision for that within a year or so?

Mr Stanhope: I am not sure. I have to say I don't know precisely—I don't know whether anybody here does—the formal rules in relation to the rehiring of people that have taken a voluntary redundancy. I am not quite sure whether anybody here does, but I am happy to respond to that.

THE CHAIR: Take it on notice.

Mr Stanhope: I am happy to deal with it through the Chief Minister's Department on Thursday.

THE CHAIR: That's fine.

Mr Stanhope: If Mr Mulcahy would be content to ask again on Thursday, I would be more than happy to ensure that an official is briefed to answer that question on Thursday.

Dr Grimes: No, I do not have further information on the exact number that you are looking for.

MR SMYTH: I am happy for you to take it on notice for last year and this year.

Dr Grimes: No, the note here is actually important. I have been reminded that in the restructure fund there is also funding for Totalcare superannuation liabilities. There were liabilities there of about \$17.3 million to be funded through the restructure fund and that is now being spread over a number of years to be in line with the more realistic timetable of when we expect those liabilities to be paid out.

Ms Smithies: No, that money was actually directly appropriated for superannuation. It is not being handled through the restructure fund.

Dr Grimes: Right. I am sorry about that. The note I have here indicates differently.

MR SMYTH: Given that Dr Grimes has dragged the current year in, can you take on notice for the current year and the following year what is the expected number of redundancies, how many will be through attrition, how many will be voluntary and how much will the \$14.5 million cover? Exactly how many jobs?

Ms Smithies: I can answer for this year. We have paid 125 voluntary redundancies from the restructure pool. There are possibly an extra 15 redundancies to be paid, but we will get out the figures for you as well.

MS MacDONALD: Also on page 74 of budget paper 4 there is mention of the transfer of procurement solutions to the shared services centre, \$2.173 million for that. Can you advise when the new shared services centre is expected to be operational and also explain the savings that are likely to flow from this initiative?

Dr Grimes: The new shared services centre will be operational from 1 February. However, components of that shared services centre are already in place, namely procurement solutions and InTACT. So for the purposes of these budget papers, those are being reported under the shared services centre from 1 July, but the full shared services centre will be operating from 1 February next year. The savings to be achieved from the shared services centre are all reported in budget paper 3.

MR MULCAHY: Supplementary to that, why do InTACT's budget figures seem to have climbed so dramatically?

MS MacDONALD: Excuse me. I note that this is scheduled for discussion on Thursday. There are other matters to discuss today.

MR MULCAHY: It was part of the shared services issue.

MS MacDONALD: Yes, that is Thursday.

MR MULCAHY: I am happy to take the question now. It is supplementary to it.

MR GENTLEMAN: Chair, we still some other output classes to go into, and we have only 20 minutes left.

MS MacDONALD: It is dealt with under the changes to appropriation. So it is correct for Treasury to deal with it.

MR MULCAHY: Can I get my question answered because it is relevant to today's proceeding?

MS MacDONALD: If I can follow on from the answer that Dr Grimes gave me. Could you point me to where in budget paper 3 the savings are?

Dr Grimes: Yes. You will see it from page 99. Table 5.2.16 shows the savings from consolidating human resources and the finance functions. These are additional elements to come into the shared services centre from 1 February next year. Table 5.2.17 shows information technology savings across agencies. These are savings that are being achieved through InTACT and they are being achieved over a number of years. The following table I have referred to earlier and it shows the savings achieved from consolidating procurement activities. This is table 5.2.18 on page 101. Then table 5.2.19 shows the additional general procurement savings allocated across agencies. As I was explaining before, there will be two elements to that. One is finding better ways of joining procurements together to take advantage of purchasing power to reduce costs. Also, agencies will be encouraged to find ways in which they can economise on their purchases of goods and services more generally.

MR MULCAHY: In relation to InTACT, Dr Grimes, could you explain the increased budget amount of \$74.75 million in 2005-06 to an estimated outcome of \$83.8 million in 2005-06—I am looking at budget paper 4, page 113—to a budget of \$103 million for 2006-07? That is an increase of \$28.3 million or 38 per cent from one budget to the next. Could you explain to the committee why that is?

Dr Grimes: That would be primarily explained by the fact that InTACT is taking on further functions in 2006-07 that it has not been undertaking in 2005-06—in particular, the management of IT in the Department of Education and Training, CIT and also functions around schools. Michael Vanderheide, the head of shared services, is here this morning and would be happy to provide further information.

Mr Vanderheide: Paul has pretty much covered it, though. The increase in the InTACT budget is largely offset by decreases elsewhere. Staff move from IT positions in agencies to IT positions within InTACT.

MR MULCAHY: When you say “largely”—I do not want to be pedantic here—has there been growth as well? What is the percentage growth if you put aside the new function?

Mr Vanderheide: I do not have a good answer for that because we have also been amalgamating staff into InTACT over the past 12 months. It is very hard to say whether there has been any organic growth as opposed to people who have joined from within ACT government agencies.

MR MULCAHY: So agencies that are transferring their IT staff to come under your control, basically?

Mr Vanderheide: Yes. When I say “largely”, I also mean that there are other elements. For example, superannuation has increased, and that contributes to that jump as well.

MR PRATT: Chief Minister, I refer you back to budget paper 3, page 40, and ask a question about the ambulance levy increase. Advice from the papers tells us that members of health funds will be required to fund the full cost of ambulance services as part of the deal regarding the recovery of what is really a tax, is it not? Why are we penalising only members of health funds? Is that a correct interpretation or are you going to tell me that this impost is not going to discriminate across the board? It is an impost, is it not? It is a tax by another name, is it not?

Mr Stanhope: Thank you, Mr Pratt. I will ask Dr Grimes to provide details of the operation of the levy.

Dr Grimes: Yes, Mr Pratt, the levy that you refer to here is the levy that applies to health funds. Of course, those people who are members of health funds are effectively insured for using ambulances. So if you are a member of a health fund and you require an ambulance, you are not charged that ambulance fee. If you are not a member of a health fund, you are not insured and you pay an ambulance transportation fee, which is collected by the ambulance service. There have also been adjustments in that fee in this budget to better reflect the costs of providing ambulance services.

MR PRATT: But that does not sound particularly fair at all. If we are going to have to have this levy in place—and I would recommend that that is questionable—why is it not more broadly spread, even if it is a pro rata allocation against so-called customers regardless of whether they are in a health fund or not?

Dr Grimes: This would be broadly spread because of the operation of the ambulance transport fee. So, if you are not insured then you pay the fee directly. It is of the order now of about \$700. If you are in a health fund, you are insured and as part of your insurance you are also covered for ambulance charges.

MR GENTLEMAN: My question is also on new revenues. On page 70 of budget paper 4, under output class 1.3, the key outputs are dot pointed. Treasurer, could you explain the benefits of these new revenue measures and give some background about the ACT’s relative effort in taxation?

Mr Stanhope: I will ask the under-treasurer to provide detail in relation to that, but it needs to be understood that there are some urban myths in relation to levels of rates, charges and levies within the ACT. Indeed, in response to an earlier question, the under-treasurer provided some information in relation to comparisons between rating factors vis-a-vis the ACT and Queanbeyan. Some of the myths that have developed in relation to

the level of charges within the territory are similarly not supported by the facts. In relation to an equally valued property in the ACT or Queanbeyan, if one applies the Queanbeyan rates to a same-priced unimproved block of land in the territory, one would pay 32 per cent more in Queanbeyan than one pays in the ACT. These are some of the facts that belie the myths that have developed in relation to levels of charging within the territory. The rating factors applied in Queanbeyan in relation to a parcel of land of equal price within the ACT are 32 per cent higher than they are within the territory.

I acknowledge and the government acknowledges that it is tough. At one level it is regrettable, but we go back to some of the fundamentals underpinning the decisions that have been taken. They go to the expectation within the Canberra community of the level of service delivery. We have repeated here and elsewhere often that across the border, if one averages out levels of ACT government expenditure, we expend at 20 per cent above the national benchmark. Certainly, that is averaged out but it is an issue that affects every area of government service delivery, most notably health and education, the very big picture items of government expenditure. In health we have exceeded \$750 million a year, and in education \$700 million a year. These are exceedingly large amounts of themselves, but when one gives consideration to the fact that they also represent, when averaged, a 20 per cent level of expenditure above the national benchmark—and whilst we have undertaken to bring those back somewhere nearer to national benchmarks—we still have a significant revenue shortfall or gap between revenue and expenditure.

We are seeking to close that gap through some of the stringent cuts to expenditure which are a feature of this budget. This budget represents a significant turn in direction in its determination to reduce the annual increase in health expenditure back to a sustainable level and not the 10 per cent or 11 per cent levels of increased expenditure that have been a feature of the past few budgets. This revenue package reflects this need, and the ambulance levy is a good example. We need in our charging to reflect the cost of delivering a service. We cannot keep saying, “We will provide this level of ambulance service with these response times from this level of training and staffing and equipment, but we will not charge for it. Somehow we will utilise other sources of revenue to pay for the cost of providing the ambulance service we provide.”

The community tells me regularly in areas where it is concerned about levels of government service delivery, “Chief Minister, we are prepared to pay.” It is the refrain that I receive constantly in relation to concerns around this or that area of government service delivery, whether it be health, education or ambulance services. They say to me, “Chief Minister, we will pay for those services.” The government is responding to that with some of these initiatives. We provide government services at a very high level in the territory at high cost, but in a whole range of areas the cost of the service is not met through revenue initiatives designed to meet the cost of that service. This budget seeks to address the gap between revenue expenditure in the delivery of priority government services that the people of Canberra rightfully expect to have delivered.

In relation to any specific area of the new revenue package, Dr Grimes and his officials would be happy to provide further detail around the formulation of particular initiatives, but at its heart, this is part of the equation. This is part of the basic equation in the delivery of government services. We see it now in the debate we are engaged in about school closures. It is a debate about a level of service delivery to the community at a cost of \$700 million and the desire of the community to have it maintained as a fixture,

regardless of the cost, the equity in the distribution of the cost and the capacity for us to maintain the quality of the service. At the end of the day, it is, of course, about the capacity to maintain an excellent and wonderful government educational service with the moneys we are able to identify. These are the challenges of government.

MR GENTLEMAN: What would be the difference now in implementing some of these revenue measures in later years rather than at this time?

Mr Stanhope: The decisions that we have taken this year are to meet, of course, pressures on the bottom line as a consequence of the level of government service delivery and the cost of services. For instance, in this budget we are increasing health expenditure by somewhere in the order of eight per cent. I believe Dr Grimes may be able to correct me in relation to that, but these are significant additional expenditures. Even then, with an increase of eight per cent in the health budget, the pressures that are a feature of any health delivery service throughout Australia will not disappear. The constant pressure on the system will be a feature of health in the next year, but a two per cent reduction represents a significant reduction.

Whilst we are increasing health expenditure by eight per cent it will nevertheless be in the order of two or 2½ per cent less than last year in extra expenditure. That will impose enormous pressures on our health administrators and on our hospitals. These expenditures and the need for the revenue are results of the incremental increase in costs reflected through an ageing population, changing technology and, essentially, community demand for a service that will respond in a time frame they wish to bear for health issues. It is about balancing the budget, setting the territory up through this hard budget for a sustainable future.

This is a hard budget. It is a once-in-a-generation budget. It mirrors a significant change of direction. The budget and the basis on which we fund and make our expenditure decisions have changed forever. There is no going back. We have ensured that change of direction, which no other government in the future will move away from, in the context of the demand to be accountable for its budget decisions through the GFS and the decision we took to not use capital funds for recurrent expenditure, that we—and I acknowledge it—and every other government since self-government has done. That is the major change in direction we have signalled to ensure a secure future for all of us. The way we and earlier governments governed and made their budgeting decisions would have bequeathed for those that come after us significant pressures and debts that it was not fair of us to ask of them.

The legacy we were in danger of bequeathing in runaway health expenditure, would have led, within a decade, to half of our budget being devoted to health. A 10 per cent annual increase leads inexorably to your health expenditure climbing from 25 per cent of your budget to 50 per cent of your budget, and it would have been achieved in 10 years. That is just not sustainable. We cannot keep doing what we have been doing. It has taken this budget to bring us back to reality.

THE CHAIR: Chief Minister, it is nearly half past 12 but we do have a question.

Mr Stanhope: Yes, I am happy to take that. Then I do have another appointment. But I am more than happy to continue on Thursday, and at a later date if the committee

requires.

THE CHAIR: Okay, thank you. Mr Smyth, this will be the last question.

MR SMYTH: It is supplementary to what Mr Pratt asks about the ambulance levy. Page 40 of budget paper 3 says:

The ambulance levy on health funds will increase to a level that recovers the full cost of ambulance services.

This apportions to those in health funds the full cost of ambulance services. I assume, unless you are about to tell us that you are not going to charge those who are not in health funds, that you will continue to ask them for the ambulance transport costs. Is it the intention of the government to turn a profit on the ambulance service and double-dip, or is this incorrectly worded and only recovers that proportion of the cost of those in health funds?

Mr Stanhope: Dr Grimes, if you would, thank you.

Dr Grimes: No. There is no intention at all to be double-dipping over recovering costs. I can assure you of that, Mr Smyth. But there will be a change both for the levy—for people in health funds—and for those who are not insured and then pay the direct fee.

MR SMYTH: What is the full cost of the ambulance service?

Dr Grimes: It is about \$8 million, off the top of my head. Full costs, including overheads, are in the order of \$18 million. Further details on that could be provided by JACS.

MR SMYTH: Are we recovering in this full costs or are we recovering full costs and overheads? What is the intention?

Dr Grimes: Yes, Mr Ahmed has confirmed what I said before, that the direct costs are around \$8 million. We are only recovering those costs not the overhead costs. It is the direct costs in providing ambulance services.

MR PRATT: I think you are about to be advised again.

Dr Grimes: I will hand over to Mr Ahmed.

Mr Ahmed: The direct costs are in the order of \$12 million. We are only recovering half of the direct cost. The rest of the direct costs are recovered through the transport fees as well. I do not have the figure off the top of my head, but the increase would take the recovery from health funds in the order of \$10 million.

MR SMYTH: If the recovery from health funds is \$10 million, how come it starts at \$3.3 million and rises to \$4.5 million?

Mr Ahmed: This is the figure for 2006-07.

MR SMYTH: Yes, but it rises in 2009-10 to \$4.5 million. Do you want to take it on notice and give us a breakdown?

Dr Grimes: We are happy to take it on notice, but that is the additional amount that has been raised over and above what has already been raised.

MR PRATT: When you provide answers to those questions on notice, can you also give a breakdown of what would now appear to be the pro rata costs for both insured users and uninsured users as well as that breakdown on the recovery?

Dr Grimes: I can provide the full amount for the ambulance levy. If you turn to page 43 of budget paper 3, table 4.2, the \$8 million is the amount for 2005-06. In the out years you have the amounts raised from the ambulance levy after the measures in this budget.

MR SMYTH: How does that equate to the \$3.3 million raised in 2006-07?

Dr Grimes: That would be the amount raised through the measure announced in the budget.

MR SMYTH: But if you take \$3.3 million off the \$8.1 million, that does not give you \$6.8 million.

Mr Ahmed: If you look at the 2005-06 original budget estimate, \$6.8million, the increase that you see in 2005-06 estimated outcome is a one-off compliance activity that was undertaken by the revenue office.

MR SMYTH: Could you include that in the reconciliation you are going to do?

Dr Grimes: That was a compliance element for 2005-06. We are happy to provide that.

Mr Stanhope: Chair, could I make a clarification. In answering questions earlier in relation to the prison, I said my understanding was that the construction would commence in a month or so. I have been advised that the detailed design documentation will be finalised in a month or so and it is then expected that the three short-listed tenderers will probably require up to two months to prepare their final tenders. So it is likely that the decision on the construction will be a month or so longer than I previously indicated. It might be three months rather than the month or so that I indicated before the tenders lead to construction.

THE CHAIR: Thank you, Treasurer. We might just take questions on notice and we will deal with the other two output classes on the recall.

Mr Stanhope: Will the officers that are here today and were available for output classes 1 and 2 be required again, Madam Chair?

THE CHAIR: No.

Meeting adjourned from to 12.34 pm to 2.04 pm.

Appearances:

Mr S Corbell, Attorney-General, Minister for Police and Emergency Services and Minister for Planning

Department of Justice and Community Safety

Leon, Ms Rene, Chief Executive

Phillips, Mr Brett, Deputy Chief Executive

Joyce, Mr Phil, Executive Director Corporate

Ryan, Mr James, Executive Director ACT Corrective Services

Paget, Mr John, Director Prison Project

Issa, Mr Eddie, Senior Manager Business, Policy and Coordination,
ACT Corrective Services

Vanderheide, Mr Michael, Head, Shared Services, Department of Treasury

Ahmed, Mr Khalid, Executive Director, Policy Co-ordination and Development
Branch, Department of Treasury

ACT Law Courts and Tribunals Administration

Cooke, Ms Jennie, Acting Courts Administrator

Legal Aid Commission of the ACT

Staniforth, Mr Chris, Chief Executive Officer

O'Sullivan, Ms Jo, Business Manager

THE CHAIR: This afternoon we are dealing with corrective services, law courts and tribunals and the legal aid commission. We will get under way. Thank you, minister, for appearing before us with your officials.

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. Minister, would you like to make any opening remarks?

Mr Corbell: Madam Chair, I thank you and the committee members for the opportunity to be here. I don't intend to make an opening statement, but am happy to answer your questions or take them on notice, as are officials of my department.

MR GENTLEMAN: It is stated that there is funding of \$2.97 million for the set-up costs of the Alexander Maconochie Centre. Could you explain how the funds would be distributed over the budget periods?

Mr Corbell: The budget funding for the AMC set-up costs will deal with a broad range of matters. As I understand it, they include items such as uniforms and a range of other things that are needed—and obviously staffing itself. We need to expand the staffing of Corrections ACT. At the moment we have a staff who service, maintain and run the remand centre and periodic detention facilities, but clearly there is a need to expand

staffing overall. That is the general need for the funding. I will ask Mr Paget, who is the project director, to provide you with some more detail.

Mr Paget: The funding is, as you've said, \$2.97 million. It is spread \$500,000 in the next financial year and the remainder in the following financial year. As the minister said, it is really part of the set-up costs that were approved by cabinet back in 2003 and is designed really to kick-start us on the project. It will be for some consumables, it will be for staffing and other items that we need. For instance, recruitment of the new general manager is included in that.

MR GENTLEMAN: What would be the staff numbers? Could you come up with a figure on those for us, including the general manager?

Mr Paget: Yes, I can. Are we talking about the number of staff that are involved in the set-up costs or the total number of staff in the new prison?

MR GENTLEMAN: No, the total number that would be employed in the AMC.

Mr Paget: Bear in mind that we have been working through with the unions and the staff and we have just about come to a final position on what the staffing profile will be. What I can tell you is that, essentially, with custodials at the moment we have 104 at all levels, and what we propose will be 151. Again, I just want to put a caveat on that: the unions and the staff have to sign off on the staffing profile before it is finalised. We are in the process of finalising that now and have, on Thursday, negotiations with Treasury to run through the operating cost model to make sure they are comfortable with it before it goes through the next stage.

DR FOSKEY: Given that the development of the prison is going to be a best-practice scenario that might require some community organisations to include service provision to inmates, and seeing that many community sector organisations are already threatening to turn away clients, I just wonder if the ACT government is planning to provide additional funding to community organisations which work in the prison. I observed that no such funding was allowed for in this budget.

Mr Corbell: I'll ask Mr Paget to answer that question.

Mr Paget: The program's plan has been on the web site for some time. We have recently revised that in the light of, first of all, the contracts for education services and, secondly, as a result of considering what certain community agencies can provide. We will finalise that very shortly. The aim is to just clearly define what it is we are going to deliver in the Alexander Maconochie Centre and, secondly, what part of that service delivery will be done by ourselves, and that part of it that we need community support for.

We have been engaged with the community. There are some 70 community agencies with whom we have had discussions, and there have been roughly 150 presentations and discussions with community groups on the prison and the services it will provide. But you are right; there is no discrete funding allocated for community groups.

Dr Foskey: Which department is responsible for the negotiations with community sector organisations?

Mr Paget: We are doing it.

MR GENTLEMAN: Would you be able to expand on the prisoner health system in the department as part of the Alexander Maconochie Centre? Will this involve a needle exchange program for prisoners?

Mr Corbell: Currently the corrections health plan for the prison is being finalised within government. That involves negotiation across a range of government agencies in its preparation, in particular between the department of justice, Corrections ACT and the Department of Health. That work is close to finalisation, but I understand that that matter will be considered by cabinet soon in signing off on the corrections health plan, which deals with the broad range of corrections health issues that will need to be managed and services delivered in the prison—in particular, the issue of drugs in the prison and the provision of needle exchange in the prison.

This is a matter on which I am previously on the public record as health minister—that I consider it is an issue that should be fully considered by cabinet. It is not an issue that we can simply have a knee-jerk “no” response to. There is a range of issues that need to be considered. Clearly the spread of infectious disease must be given considerable priority, as should issues to do with safety and security for both the prison population in terms of inmates and also for staff working in the prison environment.

These are issues which the government is going to give close consideration to in deciding on this particular aspect. We have not reached a considered and concluded position at this point, but I am strongly of the view that the health of the prison population has to be a high priority in deciding whether or not the provision of needle exchange is part of the overall corrections health plan.

MR PRATT: If this new jail is world’s best practice, as I’ve heard you and the Chief Minister talking about, and is being designed from the ground up as a whole new concept, why are you seriously considering throwing the baby out with the bathwater in terms of drugs in prisons and talking about a needle exchange program? Why haven’t you considered that we can put in place, if we’re going to accept this prison, control mechanisms which really go well beyond the experiences shared elsewhere and try and head off at the pass the problems we have with drugs in jails? Why are you throwing your hands up in surrender on this issue?

Mr Corbell: I think that, from my answer, I am showing you very clearly, despite your somewhat raving question, that we are not. What I am simply saying is that there is a range of issues to be considered. These include the fact that we know that contraband, including drugs, gets into other prisons around Australia which have very high security regimes and very significant security regimes. We know that that is what occurs in other prisons around the country. We also know, however, that we have a good record here in the ACT of preventing drugs from getting into our remand facilities.

These are both factors that we need to have regard for. At the same time, we know that there are significantly higher levels of infectious disease—hepatitis C and other infectious blood-borne diseases—in prison populations, so we have to have regard for the consequences of not taking measures to control the spread of those types of diseases

in prisons. I have not said today that we are going to do this. What I have said today is that—

MR PRATT: You are seriously considering it.

Mr Corbell: —all of these issues should be considered as part of developing an appropriate corrections health strategy. As Mr Paget advises me, we already have a clear drug strategy in relation to our remand centres and our corrections provision at the moment, but we are dealing with a larger-scale corrections operation with the establishment of the prison and we need to have regard for the experiences of other jurisdictions. We know there are jurisdictions internationally that are successful in both directions. We know there are jurisdictions that are successful in preventing contraband getting into prisons, including drugs, although not 100 per cent successful.

We also know that there are jurisdictions that manage the issue of drug use in prisons through a harm minimisation approach, with the provision of injecting equipment, and they do so without any significant impact on safety or security of staff or inmates. These are issues which any informed public policy response demands are all considered in developing our corrections health policy, and that is what the government is going to do.

MR PRATT: Is it not true that the scourge of drugs in jails is the greatest impediment to rehabilitation and the greatest impediment to rooting out corruption in prison systems? Isn't that the case? What other strategies are you considering to try and combat the scourge of drugs in jails? Other than a possible needle exchange program, what other strategies do you have in your mind?

Mr Corbell: I will ask Mr Paget in a moment to outline more broadly the range of approaches already being adopted and considered, but what I would say is that simply saying that we are going to prevent contraband, without having a clear range of strategies of addressing that, does not address the issue.

MR PRATT: That is a supplementary task, minister.

Mr Corbell: For example, all New South Wales prisons have a policy that clearly you are not allowed to have illicit drugs in prison. That is the policy. It does not work.

MR STEFANIAK: Our prison is going to be better than that, isn't it?

Mr Corbell: Indeed, Mr Stefaniak.

MR STEFANIAK: It will have rehabilitation programs to try and get them off drugs.

Mr Corbell: Our prison is going to achieve a different approach. All I am saying to the committee today, consistent with statements I have made previously, is that these are matters that should be appropriately considered in determining the best public policy response for minimising the spread of infectious disease and for rehabilitation and safety and security of inmates and prison personnel. I'll ask Mr Paget to give you some more information in relation to your question, Mr Pratt.

MR PRATT: It is the other strategies that we need to hear about, if there are any.

Mr Corbell: I'll ask Mr Paget to give you more information in relation to your question.

Mr Paget: The drug strategy for the prison, the Alexander Maconochie Centre, that we have written embraces a range of means that are not dissimilar to those that we find in most prisons around Australia. There are the environmental factors, the things like bullying and standover tactics and the procedures to deal with that sort of activity where it relates to bringing drugs in; the monitoring of telephone calls; intercepts through systems like the Arunta system; a very active drug testing regime that we are proposing for the new facility; drug-free cottages; and the use of non-contact visit facilities for people who we have previously found to be bringing material in or suspected of bringing material in.

Clearly, with searching the rooms, facilities and people after visits and during visits, liaison with the police to deal with visitors, drug-free cottages, the use of radio frequency identification, we are hoping that if we can make that operational in the new facility it will allow us to track groups that may be involved in drug importation in the facility. There is a range of measures that we will implement in the new facility to address this particular issue. And, of course, there are the programs and interventions to provide, to try and get people off the drugs in the first place.

MR SMYTH: On page 247 it outlines the changes to appropriation. I was just wondering who Andrew Maconochie was?

MR STEFANIAK: That was his brother, mate! Halfway down page 247 it has "Rollover—Andrew Maconochie".

THE CHAIR: Is that your question, Mr Smyth?

MR SMYTH: It leads into the question. Are we building two facilities, or is that just a typo? About halfway down page 247, we are building the Andrew Maconochie facility.

Mr Corbell: I think it would be fair to say that is a typo.

MR SMYTH: Okay. On that line is detailed an expenditure of \$37 million, which is the current amount appropriated. How much is the total appropriation for the prison project in the coming year's budget?

Mr Paget: The appropriation is on budget paper No 3 at page 118, which shows \$76 million for 2006-07; 2007-08, \$39.8 million; and 2008-09, the residual. That may well change, depending upon what we get from the tender submissions, as you would expect.

MR SMYTH: That adds up to a total of \$116 million. How much have you spent year to date, or how much have you spent on the project to date?

Mr Paget: The current year's budget is 12.4. The current year's expenditure will be the difference between what is shown in here for the next financial year as opposed to what we've spent this financial year.

MR SMYTH: Right, so at the end—

Mr Paget: It is still the figure of \$128.7 million.

MR SMYTH: It is still \$128.7 million?

Mr Paget: Yes; that is the budget.

MR SMYTH: When the appropriation bill is passed in August, you will have all the money that you need to build the prison?

Mr Paget: That is correct. It is the other way. That is the money that is available for the prison, full stop.

MR SMYTH: That will cover all the costs, and that is entirely what you're going to spend—no more and no less?

Mr Paget: That is correct.

MR SMYTH: Minister, when we first costed the prison, in 2001 dollars it was \$110 million. I note that in previous years the previous corrections minister has said you would spend \$128 million in 2003 dollars. Given that we are going to be spending 2006-07 dollars, what is the real value or the decrease in the value of the prison? Even with CPI of two or three per cent—and building CPI is much higher—industry tells me that to build the current prison that you plan for would cost \$160 million. What are you going to cut out of the project?

Mr Corbell: That will depend. I'll ask Mr Paget to give you some detail on that, but that will depend on the evaluation of the tenders for the main building package, which will be completed in the coming months.

Mr Paget can give you the details on how we will respond to issues with the overall potential costs or prices put forward by tenderers, but what I want to make very clear is that both I and the previous minister, Mr Stanhope, have said very clearly that the budget is the budget, and there is no varying from that amount. So \$128.7 million is the amount of money that is available to build the prison; we won't be appropriating any more. It will be done within that budget envelope. I will ask Mr Paget to outline how we will deal with issues such as an increase in price.

Mr Paget: The current price reflects what cabinet approved back in 2007 with the ABS construction cost index applied to it. As the minister said, we are under no illusions: that is it, and we have to operate within that budget. I think the Chief Minister made the point earlier that, if we get tenders that come in on 20 July which exceed our budget, then we will have to look at capacity. The way the tenders have been structured allows us to take certain elements out of the facility to ensure that we sit within the budget. On top of that, we have built into the budget a contingency to accommodate any movements that we need to address.

MR SMYTH: How much is the contingency fund?

Mr Paget: It is \$5 million.

MR SMYTH: So in fact you are planning a \$123 million prison?

Mr Paget: I beg your pardon?

MR SMYTH: In fact, you are therefore planning \$123 million, if you have isolated \$5 million for contingency.

Mr Paget: No. What we do not want to say in a forum like this is what our budget for building is. There is a tender going on right now and that would be like telling the marketplace how much we've got to spend. Essentially the budget for the project is \$128.7 million, and we will stick within that budget. That is the total project cost. That includes not only the physical buildings but also the cost of operating the project team as well—issues like that which have been capitalised. So it is quite clear to us that the original sum appropriated by cabinet back in 2003, properly applied with indexation from the ABS, comes out of the current budget, and that is what we've got to operate within.

MR SMYTH: How much is the indexation worth?

Mr Paget: The indexation was \$18.7 million over the three years, because you talked about taking it from May 2002-03 dollars into 2005-06 dollars.

MR SMYTH: Okay, but what about 2006-07 dollars?

Mr Paget: The indexation actually takes us through till September of that year.

MR SMYTH: The cost includes the fit-out as well as the physical construction?

Mr Paget: Yes, it does.

MR SMYTH: What is the estimate on the fit-out?

Mr Paget: The budget for the fit-out is \$3 million. We are just going through that exercise at the moment. We are confident we can fit-out and live within that. That is all I wish to say on that. We will meet the budget for the fit-out.

MR STEFANIAK: Initially the prison was going to be 480 people and in recent times it is 374. You have stated now, and it just reiterates what the Chief Minister said a few months ago, that it is only going to be \$128 million. Given that building costs are going up, does that mean that you've got contingency plans to have a smaller prison than the 374 currently envisaged?

Mr Paget: No. First of all, there have been iterations of design for some time, but definitely what was approved by cabinet back in 2003 is what we are building now. The past two contracts we have let have come under tender, under our pre-tender estimates, which is a good sign. Certainly building costs have gone up; they have gone up around Australia. When we did the final sketch plan, the quantity surveyors, Ryder Hunt, a reputable firm, had got us within two per cent, which is well within the industry margin

for going to tender. So there is no reason to believe at this stage that we should not get a good competitive price. We have three big companies bidding, so we await that. In terms of the numbers, as I say, what we have gone to the market for is 374 beds.

DR FOSKEY: In relation to that, Mr Stanhope spoke this morning about the potential for reducing—taking away one of the cottage elements of the prison—if budget became an issue. I just wondered if there is potential to build the prison in stages. In that case, would it be your intention that the remand centre be opened up as the most immediate need, perhaps before the rest of the prison is operational?

Mr Corbell: The government's intention is that we will provide the full range of remand and correctional settings. That is obviously for both higher security and lower security prisoners—men and women—and remandees. The issue will be about the scale of that provision. As the Chief Minister indicated, there is scope for having lesser provision in each of those areas, but there will still be provision in each of those areas. But Mr Paget can answer that.

Mr Paget: We would prefer not to be doing it in stages, because one of the biggest dangers is trying to build construction in an active prison. It is a recipe for all sorts of problems. So if we can avoid doing that, we will do it.

MR SESELJA: Minister, I have just a couple of questions following on from a couple we have already had. One is in relation to the costing. Does the \$128 million deal with the associated road works around the site?

Mr Paget: Yes, it does.

MR SESELJA: In relation to the needle exchange—you said you would consider a needle exchange—it has been rumoured that other issues are being considered, like a tattoo parlour. Is there any truth to that?

Mr Corbell: Not that I am aware of.

MR SESELJA: You are not considering that?

Mr Corbell: Not that I am aware of.

MR SESELJA: Not that you are aware of. What about any your officials?

Mr Paget: When we get the health plan—we're still waiting for health—we would like to have discussions about any issues. We're not planning—we have not built into the design a tattoo parlour. But when you consider it, many jurisdictions, including New South Wales I think, have already introduced it. Rather than having prisoners go through risky injecting behaviour, they allow a tattooist to come in. There are places that do it, but we have not contemplated that and we have not had discussions on it at this stage.

MR SESELJA: It is something that might be considered, but you just have not considered it at this point. In respect of the needle exchange, you have talked about other jurisdictions having tattoo facilities. There are no other Australian jurisdictions that have a needle exchange?

Mr Corbell: No.

MR SESELJA: Have you spoken to any of the other jurisdictions as to why they have not gone down that road?

Mr Corbell: I am not familiar with the details of the consultation process between jurisdictions. I know from my time as Minister for Health that a fairly extensive literature search and literature review was undertaken of the experience of providing injecting equipment in overseas jurisdictions. There have been scientific analyses undertaken of the provision of such services in prisons overseas, notably in western and eastern Europe. That is something the corrections health plan was having regard for.

MR STEFANIAK: I would have thought—and you have indicated this—that our remand centre does not have much in the way of illicit drugs getting in.

Mr Corbell: No.

MR STEFANIAK: That certainly accords with my understanding. That is very commendable for everyone involved there. Given that alcohol and drugs are some of the greatest of the mental health issues and the greatest problems facing prisoners, surely in view of our good record in terms of restricting the number of drugs in custodial institutions, and given the real need to try to help prisoners become drug free, surely those two factors alone would counsel against going down the path of a needle exchange.

Mr Corbell: It is a policy decision for government which government has not yet made.

MR SESELJA: You said that you had looked at the scientific evidence, but as far as you're aware your officials have not spoken to other jurisdictions around the country as to why they have not gone down that path?

Mr Corbell: No, that is not the case. Certainly I know that corrections are well informed of the view of other jurisdictions. I think the prison project team are well informed of the view of other jurisdictions and have spoken with other jurisdictions about their policies in this regard.

MR SESELJA: What are the reasons they put forward for not having the needle exchange?

Mr Corbell: I will ask Mr Paget to give some more detail, but my general understanding is that they relate primarily to safety and security issues in the prison. Is that correct, Mr Paget?

MR SESELJA: Is the union representing prison guards comfortable with a needle exchange?

Mr Corbell: There has been no decision taken on that, so there has been no consultation.

MR SESELJA: I imagine there would be consultation. So there has not been consultation, even though there is consideration of that?

Mr Corbell: The policy is still at the cabinet-in-confidence stage of its development. It is a cabinet decision and the submission is still being prepared for cabinet's decision.

MR SESELJA: But it has been out there publicly, so that the unions would have maybe had something to say about it.

Mr Corbell: There has been no release of any policy position by the government, draft or otherwise, in relation to the corrections health plan at this stage.

MS MacDONALD: With regard to the notion of a needle exchange et cetera, an inquiry was done by the health committee in a previous Assembly that touched upon this issue. I take it that that will be taken into account.

Mr Corbell: Certainly the government will have regard for the views of the standing committee, yes.

MS MacDONALD: I cannot remember whether or not it was an in-camera hearing or an open hearing, but at least one of the prison guards spoke to us and expressed views on this needle exchange issue. I would have to go back and refresh my memory on that as well. It is my recollection that that inquiry recommended a needle exchange. We canvassed quite widely the needle exchange issue and how to deal with drugs in the prison population given that, as far as we are aware, no prison in the world can keep drugs away from the prison population.

MR SESELJA: Was that a question?

THE CHAIR: We will go to the next overview question or move to output 1. Do you have another overview question, Dr Foskey?

DR FOSKEY: We are talking about corrective services. One of the issues in the ACT is our regional status. Health and education are other issues. We also accommodate prisoners, 45 per cent of whom I believe are New South Wales residents. Are we reimbursed by New South Wales? What arrangements will be put in place in the new prison to cover the costs of correcting people from the region?

Mr Corbell: I will ask Mr Paget to give you details about the arrangements relating to interstate prisoners. I will address the incorrect assertion in an article in the *Canberra Times* yesterday, which claimed that a significant number of prisoners in the ACT were from New South Wales. In fact, 85 per cent of ACT prisoners have addresses with an ACT postcode, five per cent are from Queanbeyan, five per cent are from regional New South Wales, and the remainder are from other areas. So it is simply incorrect to suggest that the majority of ACT prisoners are from New South Wales.

MR SESELJA: On what date were you given that information?

Mr Corbell: This is the most recent advice I have from the department. I will ask Mr Paget to elaborate if you like.

Mr Paget: That is as of yesterday.

MR SESELJA: Has that changed significantly over the last couple of years?

Mr Paget: No. We have been using that ratio of 85 to five for quite some time because strange figures have been floating around and I am not aware of their origin. The advice I got yesterday from our statistical people reflects the figures you just got.

MR SESELJA: So the figures in the report that was commissioned are simply wrong?

Mr Corbell: Yes.

MR SESELJA: That was a government-commissioned report?

Mr Corbell: The department commissioned the report but it was deemed to be unsatisfactory. It did not meet the user brief or the government's requirements relating to its scope of analysis.

MRS DUNNE: Did we pay for it?

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

MR SESELJA: So you paid for a report that did not meet the government's requirements?

Mr Paget: Several iterations and comments went back from it, but the ultimate result was we got a report that did not meet our requirements for a cost-benefit analysis. It was a financial analysis and it did not take into account the sorts of things that are normally taken into account in a cost-benefit analysis, such as social and environmental costs. As the department perceived it, there were a number of deficiencies in the report. This report was one of many. You will see from the web site that about 20 discrete reports are around. This report was but one of them.

MR STEFANIAK: Is the report inaccurate? I note it is a 2003 report.

Mr Paget: I do not want to bag the person who wrote it, but there are some issues in the report with which we have concerns.

DR FOSKEY: I go back to my question. Thank you for correcting my figures, but this will always be an issue. The border is permeable and criminals move around. What arrangements are in place to seek reimbursement from other governments where that is relevant?

Mr Paget: Dr Foskey, if New South Wales prisoners who had been sentenced in a New South Wales court happened to live in Queanbeyan but were serving their sentence, say, in Grafton, under the Prisoners (Interstate Transfer) Act—it happens now right around Australia—they could apply to move. Provided both ministers agreed to such an application those persons could be moved closer. A prisoner in New South Wales might apply to the New South Wales minister and to our minister to serve his or her time in the Alexander Maconochie Centre. Equally, prisoners who are sentenced in an ACT court could apply to spend time in a New South Wales prison, if that was to their advantage.

That could happen for welfare or trial reasons. In those sorts of cases there is no transfer of funds; it is done for other reasons.

Mr Corbell: Dr Foskey, I am advised that the general principle is that if someone is committed to a custodial sentence for offending against our laws, it does not matter where he or she comes from. That person has offended against our laws and we pay the cost.

MR STEFANIAK: You raised an interesting point. Obviously our prison is meant to be better than the prisons in New South Wales. I do not know whether or not this is a risk, but is it possible that a number of prisoners from New South Wales would want a transfer for personal reasons, or because the services were better? Is that a problem?

Mr Paget: First, New South Wales would dispute that premise. New South Wales is building brand new facilities that it would say are equal to ours. Our facilities just happen to have a different design philosophy. I do not think there is any empirical evidence to suggest that someone would get such a transfer.

MR SMYTH: I wish to follow up on the report. You said that there are 20 reports on the web site. Were any of the other reports inadequate?

Mr Corbell: That is a very general question, Mr Smyth.

MR SMYTH: Minister, you knew that this report was inadequate.

Mr Corbell: There was a particular concern with this report.

MRS DUNNE: Which was?

Mr Corbell: This was the Harrison report.

MRS DUNNE: That is right. What was the particular concern with the report?

Mr Corbell: Its scope of analysis was too narrow and, as Mr Paget indicated, it did not take full account of the social and environmental costs and benefits of providing a prison in the ACT. It simply looked at the financial elements.

MR SESELJA: You said in the paper that the report did not take into account social factors, but it does look at social factors, does it not? It looks at rehabilitation, increased contact with families through care, and a new prison culture. Are they not the social factors you were looking for?

Mr Corbell: The advice I have from the department shows clearly that the report is not an adequate assessment of the full range of costs and benefits.

MR SESELJA: In the paper you said that it did not take into account social factors. Was that an incorrect statement?

Mr Corbell: No. What I have just said and what I said in the paper are not inconsistent. The paper chose to quote me as saying that it did not take into account social factors.

That is true; it did not.

MR SESELJA: So rehabilitation is not one of the social factors that you would want to take into account?

Mr Corbell: It did not take it into account.

MR SESELJA: It has the heading “Rehabilitation”, which means it looked at it.

Mr Corbell: It did not adequately take it into account.

MR SESELJA: So the term “adequately” is the proviso. It has taken into account social factors?

Mr Corbell: We can be semantic and nitpick, if you like, but I think the point is quite clear, Mr Seselja.

MR SMYTH: I refer again to the 20 reports. How many of those 20 reports were deemed inadequate, Mr Paget?

Mr Paget: None of the reports that I am aware of have caused concern.

MR SMYTH: The numbers in the report, though, are numbers that were supplied by ACT government organisations, departments and ACT reporting mechanisms.

Mr Paget: I am not sure.

Mr Corbell: Which report are you referring to?

MR SMYTH: The Harrison report; the unacceptable report.

Mr Paget: I do not know. I will not agree to that unless I know what figures we are talking about. Frankly, I disagree with a lot of the judgments in the report.

MR SESELJA: You said that the figures were wrong.

Mr Corbell: The figure that was quoted in the newspaper article yesterday suggested there was a high level of prisoners from New South Wales. That is incorrect. That is the figure I corrected today.

MR SESELJA: The figures in the report are ACT Treasury and ACT Department of Justice and Community Safety figures.

MR STEFANIAK: ACT Treasury figures too.

Mr Corbell: I assure members that the advice I have given this committee is accurate. I do not know how the consultant sought or obtained those figures, from whom the consultant obtained those figures, and whether they were accurate when the consultant obtained them. I can tell you that the advice I have given this committee is accurate, and it is accurate as of yesterday.

MR SESELJA: Did Mr Paget or the department challenge these figures in the report, or did they challenge and find inadequate the overall conclusions and findings?

Mr Paget: Lots of aspects of the report that were on file were challenged at the time—numerous aspects that the department disputed at that time.

MR SESELJA: Including figures about where ACT prisoners came from?

Mr Paget: I cannot recall that, but I certainly know that before that period the origin of many of the prisoners was certainly a matter of argument.

MR SESELJA: I ask you to check the figures on pages 87 and 88 of that report and to get back to the committee and inform it whether the department agrees with that assessment or whether those figures are incorrect.

Mr Paget: I can tell you now that we do not agree. The figures that we have given are that 85 per cent—

MR SESELJA: That is currently. Those figures are from a few years ago.

Mr Corbell: So you want to know whether those figures were objected to at the time?

MR SESELJA: That is right. Can you also tell us whether they are correct?

Mr Corbell: Whether they are correct now, or whether they were correct then?

MR SESELJA: The figures refer to a particular year, so they will be correct now and they would have been correct then. We would also like to know the source of those figures.

Mr Corbell: I am happy to take that question on notice.

THE CHAIR: Mr Pratt, did you have a question?

MR SMYTH: Might I just finish? Mr Paget, how much did the Harrison report cost?

Mr Paget: I do not know.

Mr Corbell: I am happy to take that question on notice.

In accordance with the resolution of the committee, Dr Harrison was invited to submit a response to the comments made by the Attorney-General and Mr Paget. The response is incorporated at attachment 1 on page P212.

MR SMYTH: I refer to other figures. For example, how much was spent on roadworks for the access from the Monaro Highway?

Mr Paget: Canberra Contractors did that contract. If I recall, it was approximately \$2.5 million. That was bound up in a total contract. You referred to roadworks, but I am

talking about the road and the lights over the road.

MR SMYTH: Was the cost of setting up the entrance to the prison \$2.5 million?

Mr Paget: No, that is the roadworks. There is more to the infrastructure than just the roadworks. That involved the sewerage connection, the power connection and the like. That contract was in the public domain.

MR SMYTH: Is that the original amount that was tendered for? You encountered difficulties that led to a delay in the completion of the roadworks, the sewerage and the traffic lights. Is that \$2.5 million the amount that was originally tendered for, or was it the final cost?

Mr Paget: The contract was with Canberra Contractors and the subsequent one was with BMD Constructions. What was awarded was under our pre-tender estimate.

MR SMYTH: That is not the question I asked. There was some modification to the work Canberra Contractors did, was there not? There was a delay of about a month when work seemed to come to a halt and there was significant redesign because an ActewAGL sewerage works easement was not on the maps, or was not taken into account.

Mr Paget: It did not hold us up in that regard. We had an alignment of a particular part of one of the utilities. When we started to dig we found another ActewAGL utility, but that was not on the critical path. It took us some time to resolve that issue but it was not a major issue for the project.

MR SMYTH: So it cost time but not additional money?

Mr Paget: That is correct.

MR SMYTH: What is the value of the contract for the bulk earthworks that are currently being done?

Mr Paget: That is approximately the same. The bulk earthworks cost \$2.6 million.

MR SMYTH: Are there any other entrances to the prison? I understand that there will be a rear entrance to the prison off Lanyon Drive. When will that be built and how much will it cost?

Mr Paget: I do not know because I have never heard about it. It is not part of our plan.

MR SMYTH: Roads ACT told the Tuggeranong Community Council that there would be another entrance from the prison onto Lanyon Drive. Is that information incorrect? There is only one way in and one way out?

Mr Paget: That is correct.

MR GENTLEMAN: Lanyon Drive is a fair way away.

MR PRATT: Minister, going back to the Harrison report, why did you say that the

report ignored the wider social benefits of building a prison? Why are the social benefits important to your government? This question goes to the heart of consistency, particularly in relation to project management. Why are social benefits important to you and your government when you are considering building a prison, but they are not important to you when you are considering closing schools? You argued that the only things that matter are numbers and hard science, not social concerns raised by those communities. Why are you operating on the basis of a social agenda for prisons and not for schools?

Mr Corbell: Your whole proposition is false, Mr Pratt.

MR PRATT: I do not think so.

Mr Corbell: I do not know whether you want to have a policy debate in committee. To briefly answer the question, Mr Pratt's proposition is entirely false. The government, in all its decisions, pays regard to social, economic and environmental considerations. To use a rather tired but accurate phrase, it is a triple bottom line approach. You cannot say that economic factors alone determine the best possible outcome, just as you cannot say that social factors alone determine the best possible outcome. They have to be considered together, which is what the government is doing in relation to its significant schools program. Of course, what has been missed in the schools debate is the fact that the government is talking about spending—it is proposing as part of its package to spend—\$90 million.

MRS DUNNE: Relevance, Madam Chair.

Mr Corbell: Mr Pratt introduced the issue, Mrs Dunne.

MRS DUNNE: He referred to a report.

MR PRATT: Schools are not allowed to utilise—

Mr Corbell: I make the point that this government is proposing to spend \$90 million on upgrading existing school infrastructure. It is the single largest investment.

MRS DUNNE: We are talking about output 2.

Mr Corbell: Mr Pratt bowled the googly by hitting it back over the fence, Mrs Dunne; it is as simple as that. This government is spending \$90 million on improving school infrastructure. Mr Pratt's proposition is wrong. The government has regard to social, economic and environmental factors in all its decisions.

MR PRATT: The bumper being bowled is that school communities are not allowed to present social factors as a means of defence. So this reflects inconsistency.

THE CHAIR: We will deal with that issue when the education minister appears before the committee.

MR PRATT: I thought I might whet their appetites.

DR FOSKEY: As the Minister is talking about social issues and bottom lines, when the government was determining the design of the prison and other aspects, was there any consultation with existing ACT prisoners in the New South Wales system? Will the minister release the results of that consultation? As a corollary, why did the ACT government decide not to allow Jail Free ACT to write to prisoners?

Mr Corbell: There has been consultation with prisoners in New South Wales. The Chief Minister visited a number of ACT prisoners currently incarcerated in prisons in New South Wales to speak with them about their concerns and views. I think that was a positive and open approach by the Chief Minister when he was Attorney-General and minister responsible for this project. In relation to Jail Free ACT, I am advised that at no time did we refuse to allow it to do that.

DR FOSKEY: Did it approach you?

Mr Corbell: I will ask Mr Paget to respond, as he has the details on that.

Mr Paget: Dr Foskey, I am pretty sure that we wrote to Jail Free ACT and pointed out that the prisoners to whom it wished to write were in prisons in New South Wales, so it was appropriate for it to write to the New South Wales minister and to ask him to approve of it sending in letters. It is not for us to decide. You asked also about the results of consultation. Some consultation results are on the web site and have been there for some time.

DR FOSKEY: Some of the consultation results?

Mr Paget: Yes. We have conducted several interviews with prisoners relating to their educational program, work activities and needs, and those are on the web site.

THE CHAIR: Are there any more corrective services questions?

MR GENTLEMAN: I have a question. I refer the minister to page 241 of BP4, output class 2.1, which refers to “average cost per prisoner per day for remand”, “average cost per prisoner per day for sentenced prisoners (NSW)”, and “average cost per prisoner per day for periodic detainees”. How will those figures be affected once the Alexander Maconochie Centre is opened?

Mr Corbell: Could you repeat your question, Mr Gentleman?

MR GENTLEMAN: I refer you to page 241 of BP4.

THE CHAIR: Just a moment, Mr Gentleman. The minister did not hear the question because there is too much talking on this side of this table. I ask members to remain silent while Mr Gentleman asks his question.

MR GENTLEMAN: I refer to page 241 of BP4, output class 2.1 and to the costs for prisoner remand, sentenced prisoners in New South Wales and periodic detainees. How will those figures be affected once the Alexander Maconochie Centre is opened?

Mr Corbell: I will ask Mr Ryan from Corrections ACT to assist Mr Gentleman.

Mr Ryan: The periodic detainee figure should not change too much, although you should note that the target for next year has been reduced compared to this year, and that is a function of the number of people that turn up to periodic detention. It has increased slightly. The figure for remandees will reduce and, obviously, the figure for prisoners in New South Wales will no longer be relevant. The end result, though, for the cost of prisoners will be much the same, in that we have always maintained and we still maintain that the cost of the operations on the opening of the Alexander Maconochie Centre will be no more than what we pay now. In round figures, that is about \$20 million. If you put those three lots of figures that you see there before you now and factor in the number of prisoners that are in New South Wales on remand or on periodic detention, you get the figure that appears in the Productivity Commission figures, an overall figure for the cost of prisoners in the ACT, of \$250-something per prisoner per day, and that will remain, based on what I have just said, the same, at about the same.

MRS DUNNE: I am glad that Mr Gentleman raised this. What are the cost drivers that mean that the cost of keeping someone on remand is so much higher than keeping someone actually in prison?

Mr Ryan: The two main ones are, firstly, lack of economies of scale in the ACT compared to other jurisdictions and the fact that our remand centre at Belconnen was not able to cope with the numbers that we have now on remand and we had been forced to open another small remand centre at Symonston. So we have two relatively small operations trying to cope with our relatively small number of remandees, and that is what drives our costs up.

MRS DUNNE: Before we had the dual campus, when they were only at the BRC, three or four years ago, was the cost significantly lower?

Mr Ryan: I don't recall what the cost was a few years ago, but it should no doubt have been something lower than it is now because we are now running two facilities rather than one.

MRS DUNNE: Could you check and get back to the committee on that?

Mr Corbell: We will take the question on notice.

MR PRATT: Minister, I know that you are defending the economics and the rationale of this prison project, but I return again to the ACT Treasury report on the state of origin of ACT prisoners. That report stated, "The ACT suffers from significant diseconomies of scale in the provision of corrective services." It went on to say, "The number of sentenced and remand prisoners in the ACT is small and unlikely to increase significantly for many years." It also indicates that the total cost of providing corrective services in the ACT would increase by about \$5 million per year, from \$26.7 million under the then arrangements to \$31.6 million, if a comprehensive prison facility were to be built. I will not bore you with this, but it went on to talk about special arrangements for special prisoners and violent prisoners and the economies of scale of that. Minister, if this November 2002 report stated that costs would increase by \$5 million a year, why are you proceeding with what is now a \$129 million project when there clearly are other budget priorities to serve the ACT community, when we are going to be at least

\$5 million a year worse off, which also includes capital costs? Why is this report being turned on its head?

Mr Corbell: As Mr Ryan and Mr Paget have indicated in answers to previous questions—perhaps you weren't listening, Mr Pratt—the overall cost will remain the same. So the issue for us as a community is the decision to spend the capital amount on building the new facility and what outcomes we will achieve from doing that. I find it amazing, I have to say, that some members of this Assembly who are very happy to thump the law and order drum are not very interested in programs that actually will work in reducing crime.

The whole point of providing for a model prison is to reduce recidivist behaviour. We know that a very large amount of the crime committed in the ACT, particularly property crime, is committed by recidivists, people who have been charged previously with similar offences. So the point of this prison is to prevent crime by preventing people from reoffending by successfully allowing them to reintegrate into the community as, to use a cliché, productive citizens.

I do not know which part of the law and order agenda that does not meet—in other words, it is not up to scratch—as far as Mr Pratt and others are concerned, but the whole point of building the prison is to prevent people from reoffending. That is why the government is strongly committed to it, because it will be a major contributor, in our view, to reducing the overall level of crime in the territory and in preventing repeat offences.

MR SESELJA: Minister, we are assured that the cost per prisoner is not going to go up, but, regardless of whether you accept the findings of the report, you will get diseconomies of scale compared to what New South Wales has, for instance. You will have, according to the government, the most human rights compliant prison. Surely that costs more. You have lost the economies of scale. You have gone for a more human rights compliant prison. How will you keep the costs the same as what you pay in New South Wales or what you are paying overall now per prisoner?

Mr Corbell: I am sure Mr Paget can go into a lot of detail on this, if you wish, Mr Seselja, but the analysis is very clear. We believe, and we know, that the cost should remain at the current level for sentenced prisoners.

MR STEFANIAK: Aren't you going to—

Mr Corbell: If I could just answer Mr Seselja's question, Mr Stefaniak. We have decided to make the investment in the new facility. We know that the physical design of the facility and the range of programs it will offer and the range of opportunities that it will offer will assist greatly in meeting the social objective that we have for the prison, which is to prevent people from ending back in the criminal justice system at a later date. That is an important goal that I think everyone in the community would support, preventing people from reoffending and reducing the overall levels of crime in our community, but I am sure that Mr Paget can elaborate on it, if you like, about economies of scale and those issues.

Mr Paget: I think one of the issues that we have which will help us is that we can look

afresh at correctional design and make sure that what we build is efficient without compromising the regimes we wish to put in there. Quite a few jurisdictions are not able to do that and suffer from diseconomies themselves. If you look at New South Wales, it has still got, as I recall, Parramatta jail and Cooma jail, which are 19th century, inefficient and pretty ghastly facilities, frankly. South Australia has still got Yunta, which is about an 1854 prison, operating.

We have an opportunity to get something in that is actually quite efficient to operate. If we can deploy some of the technologies that we are looking at, that will be even more so. The issue of diseconomies is tied up in that somehow this prison is totally unique. It is not. You will have seen, I think, a couple of reports that attest to that. Frankly, that is wrong. While the population, being male and female, remand and sentenced, and maximum, medium and minimum, is complex, that is no different from many regional prisons round Australia. There are three prisons in Western Australia like that, there are two in Queensland and there is Port Augusta prison in South Australia. They have complex prison populations; frankly, no different from the population we will have.

MR STEFANIAK: How many more staff will you have to hire for the prison? At a legal affairs committee meeting, Mr Ryan gave evidence that there was then about 200 in correctional services. Once the prison is up and running, you will go to about 300. That, to me, would seem to be probably about \$10 million extra per annum in employee costs. I note on page 229 that you have a certain amount of money allocated in this budget for corrective services, about \$30 million for the current financial year, going up to about \$31.8 million next year, which would indicate probably about 300 staff. Have you got extra staff in the last 12 months? Have you got a full complement of staff now that will flow on to this prison or are you looking at hiring more staff still?

Mr Ryan: This is perhaps the biggest concern that we have in our run in to running the new prison. I think the figure that I gave last time you raised the question was that we would need in the order of another 90-odd staff, and that is still about right. The latest figure that I had pulled out before we came across here today was that it would be in the low 80s as a number for staff, but that assumes that all the staff that we have now stay with us, and, of course, they won't. The wastage rate is about three per month. If you look at having to recruit 80 or 90 staff plus the wastage that we have, we are up for a fairly big exercise in recruitment in the next 12 months, and that is of great concern to us because—

MR STEFANIAK: Basically, about an extra 80 staff on top of your staffing level at present.

Mr Ryan: About 80 or 90. They are not all custodial, but about two-thirds of them will be custodial. It is in the custodial ranks in particular that there is great concern round the country. Some jurisdictions are already in the business of recruiting from overseas. Hopefully, we can recruit from them when they get their people from overseas, but the market is pretty tough.

MR STEFANIAK: There might be a problem with actually recruiting Australian trained staff.

Mr Ryan: It is a bit early to say that yet. One of the things that prevent us attracting staff

in the numbers that we would like whenever we recruit is the fact that we always recruit our staff to casual positions. They then graduate through the ranks to the stage where they receive contracts and then eventually they are appointed on a permanent basis. I would hope that when we get to the stage where we advertise for staff for permanent positions we will do a bit better, but we will need to.

MR STEFANIAK: What would be the cost of those 80 to 90 extra? I take it that that is extra staff over and above the costs you have on page 229 of budget paper 4.

Mr Ryan: The cost is taken up in what we currently spend to run a very expensive remand centre and what we pay to New South Wales for our sentenced prisoners. If we take all of that money and put it together, we then will be achieving an overall prisoner cost at today's rates of about \$250 and for the same amount of money that we spend now.

MR STEFANIAK: What you are saying as to, for example, the figure for the 2006-07 budget of \$31.841 million is that, if you have 80 or 90 new staff, they are going to be offset by the cost of having people in New South Wales and also offset by some efficiencies you have made by putting all these people into one facility as opposed to seven.

Mr Ryan: Yes.

MR STEFANIAK: Is that how you say you get basically a net zero?

Mr Ryan: Yes. The most expensive part of the operation now is that it is well in excess of \$400 per prisoner per day for the remand centres. When the new facility is built, those remandees will be in the same facility as the sentenced prisoners and costing us the same as our sentenced prisoners.

MRS DUNNE: How will that cost fall, Mr Ryan? What are the factors that will cause that cost to fall for remandees from \$450 to \$250?

Mr Ryan: The fact that, as I mentioned earlier, we have two remand centres to deal with those remandees and the duplication we have in the infrastructure for those two centres, plus both of the remand centres that we have now are not purpose designed and are very inefficient with respect to the way they deal with prisoners.

MRS DUNNE: You say that they are very inefficient and we can have more efficiency. Can you explain to the committee what are the factors that contribute to that 40 per cent increase in cost?

Mr Ryan: To its being more efficient?

MRS DUNNE: What would make it more efficient, 40 per cent less expensive, if they were in the prison at Symonston rather than where they are when they are in the BRC?

Mr Ryan: If you take away the duplication that I have mentioned—

MRS DUNNE: What are the issues about duplication?

Mr Ryan: We have our remandees in two centres.

MRS DUNNE: Yes, but you don't have two pay teams because you have remandees in two centres. You might have two kitchens, yes. What are the actual duplications that drive up the costs of remandees because of the current circumstances of being in remand?

Mr Ryan: There are standing costs to secure a prison footprint and there is a standing cost to run an operations centre or a control room that runs the facility. Those standing costs clearly will come down if you can put more people into the one footprint. We are dealing with two.

MRS DUNNE: So you are saying that there is a fixed cost, Mr Ryan, whether you have one remandee or a 100 remandees and you are saying that, because they are on two sites, those fixed costs are duplicated.

Mr Ryan: Yes, plus the two sites that we have aren't purpose designed. They are very poorly designed.

MRS DUNNE: The BRC was purpose designed.

Mr Corbell: Not for that number of remandees.

MRS DUNNE: We may have an argument about its appropriateness, but it was built as a remand centre.

Mr Corbell: Mrs Dunne, I don't know whether you have been out to the Belconnen Remand Centre recently.

MRS DUNNE: Yes, I have.

Mr Corbell: I can tell you that it may have been properly designed for the very small remand population we had in the 1970s, but it in no way meets the day-to-day requirements now.

MRS DUNNE: That is not what Mr Ryan said. Mr Ryan said it was not purpose designed.

THE CHAIR: Mrs Dunne, let the minister finish.

MRS DUNNE: It was purpose designed.

Mr Corbell: I think it is a semantic argument. It certainly was not designed for the remand population we have to accommodate at the moment.

MRS DUNNE: That is different. That is a different kettle of fish.

Mr Corbell: I think it is playing semantics.

Ms Leon: Mrs Dunne, if I can explain something about the Belconnen Remand Centre: because it was built initially for a very small number of people and has since been extended on a number of occasions to accommodate more people, it therefore is constructed in such a way that there is a much higher ratio of custodial officers to prisoners needed to provide effective security and supervision, whereas in a purpose-designed facility it is possible to have a more efficient ratio of custodial officers to prisoners while maintaining effective supervision.

MRS DUNNE: For my edification in particular, what is the timetable for the completion of the prison?

Mr Corbell: The project team is still working on a timetable for completion of this project at the end of next year.

MRS DUNNE: Is there any way in which it could be said that the prison project is on hold at the moment?

Mr Corbell: The prison project is not on hold, not in any way.

MRS DUNNE: Not in any way.

Mr Corbell: No.

MRS DUNNE: Do I have your guarantee that it is not on hold?

Mr Corbell: I have just told the committee that. I understand what I am saying when I say things to estimates committees.

MRS DUNNE: It will be interesting to know why the chairman of the committee told the Cook primary school the other day that the project was on hold and how she came to that understanding, but I have your guarantee that it is not on hold.

Mr Corbell: You need to ask the chairman that.

MR PRATT: Minister, it costs around \$9 million a year at the moment for the ACT to keep 120-odd prisoners in New South Wales. Your central argument is that things are going to be so much better for rehabilitating prisoners in the ACT. I think that there is a general view that the New South Wales provision of services is still going to meet the requirements of the ACT. My estimations are that it would cost the ACT, if we were to house the worst case caseload of 300 prisoners a year in New South Wales, about \$23 million a year. Basically, you are saying that for a \$129 million capital outlay and an extra \$8 million to \$10 million a year, we are going to do so much more for our prisoners, but that is a hell of a large cost at a time when it is well argued that the existing services that we get from New South Wales are meeting ACT requirements.

Mr Corbell: Do you think the remand centre is meeting ACT requirements?

MR PRATT: No, I don't.

Mr Corbell: That is part of the answer, Mr Pratt.

MR PRATT: It is only a very small part of the answer, minister, a \$129 million capital outlay and \$10 million-odd a year recurring.

Mr Corbell: Mr Pratt, I think your comment is more a statement than a question, but what I would say in response, very briefly, is that—

MR PRATT: It is a good calculation. Can you deny it?

Mr Corbell: If you would do me the courtesy of allowing me to answer your question, there is a significant remand population which is currently accommodated in conditions that I do not believe would be satisfactory in a developing country, let alone a developed country like Australia.

MR PRATT: Sure.

Mr Corbell: The position of the opposition in opposing the prison completely ignores that reality and it ignores the reality that we have ACT citizens detained in a facility which is absolutely and completely unacceptable and there is no response—

MRS DUNNE: Chair, do the standing orders still apply about answering questions and not debating the issue?

Mr Corbell: Mr Pratt introduced the issue again, Mrs Dunne. Perhaps you should talk to him about the sorts of questions he asks. Through you, madam chair, I would say that the ACT opposition have no answer as to how they would handle the issue of remandees and the satisfactory accommodation of remandees.

MRS DUNNE: The same laws apply, madam chair, as they do in the Assembly.

MR PRATT: In fact, minister, you have got a point about the remand centre, but even if you were to do what was required to do something about the remand centre, you would still have a diseconomy of scale in relation to the services that you are getting versus the services you can get now from New South Wales. That is a fact.

Mr Corbell: The government's position is quite clear. The range of opportunities for rehabilitation, education and so on that exist in New South Wales, in our view, is not adequate to achieve the outcomes we want to achieve in terms of reducing recidivist behaviour and that is one of the key social considerations in deciding to invest in a new facility.

THE CHAIR: Are there any more corrections questions before we go to afternoon tea?

MR SESELJA: Yes, just one. Mr Ryan, you talked about the money now going to New South Wales coming back once the prison is built. Will all of those payments come back or will there still be prisoners that need to be housed in New South Wales and therefore money going to New South Wales? If so, what is the estimate as to how much that would be?

Mr Ryan: We have always maintained that, because of the prisoner profile that we have

and the likely small numbers of people that would attract special programs, there may from time to time be some prisoners that we would seek to move to New South Wales so that they can embark on a particular program to meet their needs. I am not talking about people who are high security. We will deal with people who are high security. I am talking about the person who is, perhaps, developmentally delayed and for whom the cost of a special program would be prohibitive for us when we could perhaps place that person in Goulburn or somewhere else, just as we do now for someone who has specific mental health needs that require that we put them elsewhere. There is an amount forecast in our budget, a small amount, to do that sort of thing on an annual basis, but I do not recall what that amount is.

Mr Paget: It is \$10,000.

MR SESELJA: So you anticipate that it will only be in the realm of \$10,000 per annum.

Mr Ryan: They are very rare.

MR SESELJA: Essentially, the vast majority will be housed in the ACT prison, but there will be circumstances where the ACT prison cannot cope with all prisoners' needs.

Mr Ryan: Or it is just not sensible to devise a specific special program for that person and they would be better off placed somewhere else. But we are hard-pressed to come up with examples, quite honestly.

Mr Corbell: The government has been consistent on this issue. We have always recognised there may be rare circumstances where there will be a requirement to place an ACT prisoner in New South Wales or another jurisdiction's system, but it will be very much a rare circumstance, as Mr Ryan has indicated.

MR SESELJA: Just on that issue, we do not have many female prisoners in the ACT, I understand. I do not know the exact number.

Mr Corbell: A total of 14, I am advised.

MR SESELJA: We are talking about a pretty small number, which is a good thing, I guess, but the question is: will the specific programs for female prisoners be able to be funded and, if so, will that add significantly to the costs?

Mr Ryan: Yes, they will be funded and they will be accommodated separately. It is always going to be an issue with respect to the number of women prisoners because they vary widely. We have had up to 10 or 12 on remand alone and then you might find you will go through periods where we only have two or three, sometimes none, on remand. The prison project has worked through carefully the approach to how to deal with this with respect to accommodation and access to programs. We may have, for example, to allow sentenced and remand women prisoners, on occasions, to be together for sensible reasons, because they are the only women there, and to share in programs and so on.

MR SESELJA: That would breach the Human Rights Act, though, wouldn't it?

Mr Ryan: It wouldn't breach anything at all and it is common practice round the country

and commonsense prevails. If it is sensible to allow a sentenced prisoner to take part in an activity with a remandee, that is what happens. We also, from time to time, already here in the ACT hold sentenced prisoners with remandees because we have to. As a principle, yes, it is something that you avoid, but if it disadvantages the person on remand, or any of the individuals, of course it would be reconsidered.

MRS DUNNE: Following up on that line of questioning from Mr Seselja, it is my understanding that from time to time in places like New South Wales which have a number of prisons one of the mechanisms used to deal with troublesome prisoners is to move them from location to location because sometimes, with all the best infrastructure and programs in the world, there are problems with housing two particular prisoners together. How is the ACT going to get around that problem? For instance, in New South Wales, a large gang of people who were found guilty of a crime and incarcerated would not necessarily be incarcerated together. If we have that circumstance in the ACT, how would we get around some of the institutional problems of incarcerating, say, a gang of people together or a group of people who are not going to get on and are going to cause problems within the prison?

Mr Ryan: Yes, it is a very real problem and one that is being addressed through the design of the facility and the number of options that we have for accommodation. Mr Paget may like to comment on that.

Mr Paget: What we have tried to do with the design is to recognise that we do have a complex population. The cell blocks can be separated into two components. There are cottages in the remand and in the sentenced area which would allow us to put people who we need to separate from the cell blocks, and there are two areas in there. We have a management unit which has several different types or configured combinations in it which would give us options there. We have a crisis support unit and a hospital. So we have looked at this through the prism of trying to get as many options for the people who have got to manage it just to deal with those sorts of instances that you have raised.

MRS DUNNE: Will there be circumstances, given my example of a gang, where those people housed separately would come together for exercise, meals, going to hospital, any of those things, and how would you manage that?

Ms Paget: One of the issues that we are looking at the moment to manage apart from discrete accommodation—all the cottage accommodations are self-catering, so they don't have to come together for meals; they can be quite clearly separated—is the application of RFID technology, which is simply a wrist watch like this.

MRS DUNNE: What does RFID stand for?

Mr Paget: Radio frequency identification. It allows us to track where anybody is and, if there was somebody that should not be close to somebody else, we would get an alarm. That is a nice thing to have that we will build in if we can afford it and we are going down that path, but there is the issue essentially of using the accommodation options to keep these groups apart.

Meeting adjourned from 3.32 to 3.54 pm.

THE CHAIR: Do you have a question of the legal aid area?

MR GENTLEMAN: Yes, thank you, Chair. Minister, page 507 of budget paper No 4 refers to the strategic and operational issues to be pursued in 2006-07. They include monitoring a partnering project to address family law needs of the indigenous community. Could you expand on what this will include?

Mr Corbell: I will ask Mr Staniforth to answer your question, Mr Gentleman.

Mr Staniforth: The question relates to a partnership that the Legal Aid Commission has with the South-East Aboriginal Legal Service. It springs from a belief in the commission that we were not handling well the representation of indigenous people in family law matters. I think the simple truth is that indigenous people do not come to white organisations like the Legal Aid Commission. They do go to organisations that they trust, and SEALS is one of them. We have offered them one of our family lawyers. That lawyer, who works to us, works in their office and handles the family law matters that come through SEALS door. We think it has been a fantastic success. We are very, very pleased with it.

MR GENTLEMAN: Minister, on the same page there is a reference to implementing a new funding agreement between the ACT and federal governments. Can you expand on the outcomes of this and how it would affect the budget process?

Mr Staniforth: Since the last estimates committee the recurrent funding arrangements between the commonwealth and the ACT have been re-established. I think it was a Roman general who said, "Just when we thought we knew how to do it, they changed the rules on us." So a new set of rules was established by the commonwealth government as to how it wished to have its money spent, not only in the ACT but throughout Australia.

The massive overhead involved in telling them what we do does not increase at all and the nature of the work is expected to be in the vein of more for less. The funding that is provided is one of the range of CPI calculations that the Department of Finance creates. I think I can speak for the commission in saying that we will continue, as we always have, to work with the money, which we gratefully receive, but we continue to say that in the area of family law it is not sufficient, either in the ACT or the rest of Australia.

MR GENTLEMAN: I go over the page to output class 1 on page 508 of budget paper No 4. There is an increase of almost \$277,000. Can you explain where this funding is going? Is it for staffing or just an increase in costs?

Mr Corbell: Which table are you referring to there, Mr Gentleman?

MR GENTLEMAN: Output class 1, 1.1, the top table.

Mr Corbell: The increase in payments to legal practitioners?

MR GENTLEMAN: Yes.

Mr Staniforth: The answer is that we expect there to be a growth not only in the average cost of a unit service, that is to say, the grant of legal aid because of at least the CPI

increases in payments to private practitioners, but also because of the increasing complexity of the kind of work which the Legal Aid Commission is required to undertake—for example, the increasing complexity of Supreme Court trials or childcare proceedings. So I would say it is a two-way driven thing.

MR GENTLEMAN: Thank you.

MS MacDONALD: Mr Staniforth, on page 507 one of the priorities is developing an electronic eligibility assessment and funds transfer system to meet existing and developing requirements of clients of practitioners. It sounds fascinating. Who is developing it? Are you doing it in-house? Are you doing it out of house? What is involved?

Mr Staniforth: We are doing it. We have a vision, which I suppose I should tell you that I have tried to instil in the staff, that the complexity of a legal aid bureaucracy should be about as simple as a customer of a BPay scheme sees. If we can get our processes right, the customers should not have that much bureaucratic complexity in applying for legal aid, nor the practitioner in being paid. Having said that, nowhere in Australia have we yet come near a BPay scheme.

We think we are way ahead of the pack on this and we think we will achieve it, hopefully this financial year. If we get our IT right, within 12 to 18 months an applicant should be able to apply online, be assessed online, be referred to their practitioner through online mechanisms and for EFT processes to work from there.

MS MacDONALD: And do you need special software in order to enable that? I imagine you would, but do you?

Mr Staniforth: Very esoteric software, yes.

MS MACDONALD: Thank you.

DR FOSKEY: Mr Staniforth, I just have to say I am finding this budget terribly confusing in relation to your categories and output classes. On page 232 there is an amount of \$3,165,000 and a note, “This EBT has been transferred to the Legal Aid Commission due to the Legal Aid Commission being directly appropriated” from this year.

Then there is a whole separate section, starting on page 507 going through to page 513. Then, when I go back to last’s year budget—this is at page 341—there is a figure of \$9,313,000. So I am curious as to how much you are actually getting this year and how well you fared with the \$9,313,000 last year, and also whether you are getting any separate allocations to assist in the role you are going to take in the new ACT laws that relate to the commonwealth laws on detention of terrorist suspects. Could you just walk me through this in a way that someone like me can understand?

Mr Staniforth: Can I start by admitting that trying to manage this budget is really difficult because we have buckets of money coming from so many places and so it is a threefold exercise. We have to clearly identify where we are getting our money from and be able to tell you in a helpful way, which we have not done, obviously, how that is split

up. We then have to account for it under those separate buckets of money. So it is a quite complicated strategy.

For example, the commonwealth government gives us \$3.4 million this year. That is for discrete commonwealth law work. We are not allowed to spend any of that, not one cent, of that on ACT matters. Likewise we must not spend any ACT money on commonwealth matters. We get approximately \$2 million from the ACT government, approximately \$1 million from the law society and about \$500,000 comes out of the payments that people make towards their costs. There are very few grants of legal aid that are free.

So when you first mentioned your difficulty with the complexity of it, what that was in fact telling you was that this year, under the new funding agreement, the commonwealth is paying its funding directly to the ACT commission. That avoids a lot of duplicating work, which was the problem last year. When you do annual comparisons, you look at all those complexities and say, well, there was an inflator of 2.2 per cent applied to the commonwealth money and about 2.1 per cent to the territory money. We had a significant increase in the law society money increase.

DR FOSKEY: Increase?

Mr Staniforth: Increase, and so the variances themselves vary. The upshot of all of this is that we have enormous pressure on us in the commonwealth area, in the family law area, to meet demand. Like the rest of the legal aid commissions, we are finding that we are not able to help anywhere near everyone who applies, and we have a turn-away rate of between 20 and 30 per cent.

On the territory side, it is, if I may say so, a little simpler because the funding is allocated in areas that are moderately easy to predict—for example, serious crime in which the courts will insist that a person is legally represented and childcare proceedings where, again, I think the committee would expect children's interests to be protected in the court.

We have noticed, just on the territory side, an enormous increase in the demand for our services in childcare proceedings. We have been able to meet that demand to date, but I think that during the course of this financial year we will be advising the government that if the increase continues as it is presently doing we may not be able to keep that going. The number of cases almost doubled within 24 months. The average cost, because of their complexity, and I referred to this earlier, increased by 50 per cent. This is, of course, very much due to the Vardon report and the consequential changes to the way that childcare proceedings are conducted. But this year we will cut.

DR FOSKEY: Did you get any extra discrete funding for the anti-terror laws and your role there? Can you predict that the demand for your services might actually increase, for instance, as a result of welfare to work, which comes in on 1 July, WorkChoices and various legal laws which put some people at perhaps a greater risk of poverty with the potential spin offs from that in terms of crime, family breakdown, et cetera?

Mr Staniforth: The short answers to your questions as they were asked are four noes. No, we did not receive any funding for anti-terrorism offences or proceedings. In fairness to the commonwealth, I am sure the commonwealth, if it were here, would tell you that

the legislation finished up being territory legislation. So they would say, “Well, you would not expect that of us.” Thankfully, we have not had any call on our services to date, and I hope that continues.

The transitions around welfare to work could well be a factor, though perhaps opposite to the way that you might first see it. Senator Abetz once said at a national seminar that the best way of reducing the demand for legal aid was to get people into work. I can remember that was not well received at the time by those who were present, but I must say that my experience in talking with a number of people around Canberra is that more and more people are able to finance their proceedings through private arrangements, and again I take the liberty of speaking for my commission in saying we would be supportive of that.

DR FOSKEY: I suppose I am thinking more of the people who are breached, rather than going to work.

Mr Staniforth: No. Welfare rights, of course, does a magnificent job in handling those kinds of cases, and we tend to have understandings with our NGO colleagues that we will not tread on their patch where they feel they can handle them.

THE CHAIR: Have you got a question, Mr Smyth?

MR SMYTH: Yes. On page 509, I notice that the estimated outcome for the total grants of legal assistance this year is 2,700 grants. I note that the outcome was in fact only 2,500. So you have delivered 200 more grants of legal assistance than predicted. But I note that this year the 2006-07 budget brings it back to 2,500. Is that just flying in the face of logic or do you actually expect the workload to be lower this year?

Mr Staniforth: To be really honest, these estimates are just that, and we do not profess to be telling you this is scientifically the way it is going to go. Fortunately, if we pitch it truthfully but cautiously, that seems to result in a better outcome. We certainly think we can achieve 2,500. We will do our best to do more.

MR SMYTH: Yes. But the 30 per cent that you turn around, is that 30 per cent of 2,700?

Mr Staniforth: No.

MR SMYTH: No?

Mr Staniforth: No. They are the people who—and I stress this is mainly in the family law area—apply for legal aid in a family law matter and do not receive a grant of legal aid. Perhaps I should go into some detail about that because, as soon as you ask a question about legal aid, you get complicated answers and I apologise for that.

The commonwealth insists that people who apply for legal aid in family law should try first some form of primary dispute resolution. The rules make it clear that you must not get a grant of legal aid until you have made a reasonable show of doing that. The people in the suburbs do not understand that law and apply for legal aid to have a lawyer help them. So we are in the process of saying, “Look, let’s help you get the PDR going first and then you can come back and try the grant of legal aid.”

Under the, again complicated, arrangements we have with the commonwealth, that is declining legal aid in the first instance. It may or may not become a grant of legal aid when they have tried their PDR, or primary dispute resolution. At the moment, as I said, that is about 20 to 30 per cent of all the applicants, not all the grants.

MR SMYTH: So if it is 20 to 30 per cent, do the 70 to 80 per cent that do get approved represent 2,700 grants?

Mr Staniforth: Yes.

MR SMYTH: Okay.

Mr Staniforth: I am sorry. It is not purely family law. There are all the other things that you get legal aid in.

MR SMYTH: As well.

DR FOSKEY: What will happen if the Narrabundah long-stay park residents go ahead with legal action or actions? If they need the support of legal aid, will that be under ACT or commonwealth funding?

Mr Staniforth: Yes, that would be a territory matter.

DR FOSKEY: In that case would those people be required to pay some of that cost? You said before that there was very little legal aid given—

Mr Staniforth: For free?

DR FOSKEY: Yes. So what would the story be there?

Mr Staniforth: There is a minimum contribution on almost all grants of legal aid, which is somewhere between \$65 and \$130. If someone cannot pay it, they can ask to be exempted from it, but most people do pay it.

THE CHAIR: Mr Pratt or Mr Smyth, do you have any questions?

MR GENTLEMAN: For 1.2 I have, yes.

DR FOSKEY: So just to finish that off, with 200 residents or 50-something households, that could be quite expensive. I suppose it will only be some of the cases that will go ahead, some representative cases.

Mr Corbell: I think it is hard to predict what will occur. I would be surprised if every single resident sought legal aid.

DR FOSKEY: No. There will be representative cases. It is nice to know it is there.

Mr Staniforth: I hasten to say, and I say this somewhat ironically, we would not wish to be profiteering. We obviously would not charge each and every one of them. If it were

the case that there were 200 people, we would not be charging each of them. Without going into too much detail on it, one would assume that, as you said, Dr Foskey, there would be a representative case.

DR FOSKEY: Yes. That advice is being sought at present, as you are probably well aware.

MR GENTLEMAN: Minister, I refer you to page 508 of budget paper No 4, output 1.2. The output description states:

The commission provides numerous legal services to the community through salary legal practitioners.

Could you tell us what sorts of legal services are provided to the community?

Mr Staniforth: Could I start to answer that question, sir, by indicating to you that when we were fashioning this table, we wanted to try to be as helpful as possible and so what we have picked is the big chunk of the work we do, which are the grants of legal aid. That is where we act for or fund those acting as solicitors and barristers for people undertaking substantial court work. But the Legal Aid Act requires much more than that of us, and there is a range of services that very quickly, I suppose, fall into a simple category.

Anyone in the ACT can come to see a lawyer at legal aid and get advice about something if we think we know enough about it to give you advice. Company restructuring we are not flash on, but family law and criminal law and child welfare stuff we think we are good at. So you will get free advice. That can be through a free telephone advice line. There is a 1300 number and you can ring up and ask, "What's the age of consent in the ACT?" Hopefully we will be able to give you the right answer.

If you want a face-to-face appointment, that is available and we have solicitors whose job it is to do a clinic so that you go in and talk with a legal practitioner about your issues. We do a range of duty lawyer services in the courts in the territory. There is a family law duty lawyer and at the Magistrates Court there are duty lawyers who deal with domestic violence matters and criminal law.

We do something that we think is quite helpful, which is the result of some recent legislative amendments to the act. We can give minor assistance. It is not uncommon for an insurance company to write to the people we see and say, "As a result of your negligence you knocked over a light post on Commonwealth Avenue and could you please send us \$25,000." We negotiate with the insurance company. We write a letter for the person negotiating with the insurance company about how the person might be able to pay some or all of that money. We think that is serving a very good social purpose.

There are the grants of legal aid to which I have already referred. Finally, there is something which we think serves a good purpose, and that is our community legal education work, where we go around the community, dealing particularly with the NGO areas who, so to speak, feed work to us. We tell those people about the obligations people have in the community and their rights in the community so that they can feel better informed to tell their clients whether people have legal problems or not.

MR GENTLEMAN: How many people would call the office using the 1300 call number?

Mr Staniforth: Bucketfuls—between 13,000 and 15,000 a year.

MR GENTLEMAN: How many face-to-face meetings would occur? Would they occur off the back of the original call or do some people just come straight into the office?

Mr Staniforth: Yes, some come straight in. I am just looking up the answer to your first question, which is how many face-to-face. Last year it was 4,400.

MR GENTLEMAN: Thank you.

THE CHAIR: We have finished with the Legal Aid Commission questions. Thank you very much, Mr Staniforth. We will now return to Law Courts and Tribunals, output class 3.

MR SMYTH: I note that the old output class 1.2, Courts and Tribunals, has finished and has been transferred to its own output class 3. The budget in 2005-06 was \$23,007,000. The budget in 2006-07 is \$24,260,000. It is an increase of \$1.253 million. What will we get for those additional funds?

Ms Leon: There are several components of that increase: \$132,000 is to supplement the courts' budget for judicial salary increases awarded by the Remuneration Tribunal; \$108,000 is to fund work on the courts' case management system and \$921,000 is just the indexation and increased amounts of superannuation.

MR SMYTH: So, based on that, there will not be any more service delivered? It is simply indexation or wage increases?

Ms Leon: No. The increase in funding for the courts' case management system will improve service delivery. Supplementing the court for judicial salary increases will ensure that registry service delivery can be maintained because the court will not have to absorb those amounts into the courts' budget.

MR SMYTH: So how will you measure that increase in productivity?

Ms Leon: There is an ongoing process going on in the courts that I do not think will all bear fruit in one year. Part of the work being done on case management and electronic system improvements is that it will create a platform for future efficiency increases in the courts, for example, by increasing the use of e-filing. Although we cannot measure that yet, once we have established the platform, we will be in a better position to measure those types of issues.

The other aspect of the work that is done on the case management system is that we will be improving the performance reporting mechanisms within the court. That will enable us to report better to Assembly committees about changes in performance efficiency in the courts over time.

MR SMYTH: The nature of decisions and outcomes—this is what we were talking about yesterday?

Ms Leon: Yes.

MR SMYTH: You probably have not got them with you, but if you go back to 2005-06 budget paper No 4, page 345, it is identical to the page that now appears as page 242 of budget paper No 4 for the 2006-07 budget. None of the indicators have changed at all. There are no extra judicial resources. There are no fees collected. There are no reasonable costs. There are no reasonable efficiency increases. The papers look like they have been steady for two or three years now.

DR FOSKEY: Which page is it in this year's budget?

MR PRATT: Page 242.

MR SMYTH: Page 242 of budget paper No 4.

DR FOSKEY: Thank you.

MR SMYTH: Except for a footnote, it could be lifted from the identical page in last year's budget. We are spending an extra \$1.2 million but, in effect, none of the indicators of accountability or outputs are increasing.

Ms Cooke: The outputs on page 242 are the indicators for the report on government services for the justice indicators. The courts have moved to these as their core indicators from last financial year.

MR SMYTH: Yes, but they were in last financial year's document. The point I am trying to make is that we are spending an extra \$1,253,000 but there is no shift in the indicator and there is no indication that the people of the ACT will get either more service or better service for the extra expenditure.

Ms Leon: As I think I indicated when I explained the make-up of that \$1.2 million, it is nearly entirely payments for superannuation. So it is only a different indexation of superannuation, it is not that the ACT community is spending another \$1.2 million on the courts. The entire budget papers have had an adjustment for superannuation contributions.

MR SMYTH: Yes. From head office distributed out to the little kingdoms, yes.

Mr Corbell: I think the point that Ms Leon is trying to make, Mr Smyth, is that the government has not appropriated money for new or additional services. It has simply appropriated money to maintain an existing level of service. So your argument in that respect needs to have regard to that.

Ms Leon: I should also note that you will see there are many of these targets that you would not necessarily want to change.

MR SMYTH: No; that is true too.

Ms Leon: Because they are about 100 per cent clearance, or nought per cent of cases pending for a lengthy period of time. As Ms Cooke says, these are national indicators. These are the standards against which all jurisdictions are working. So we are endeavouring to be in a position to compare ourselves across jurisdictions with the national indicators. You will see also that there is built into some of these room for movement that is maintaining a position that is close to the Australian average. So, as cross-jurisdictional work improves efficiency, our indicator requires that we keep in step with that and not fall behind improvements that are developing in other areas.

MR SMYTH: This year on page 230 of budget paper 4, under “Output Class 3,” we simply have a single line description, “High quality support to judicial officers...” and on it goes. Last year’s budget paper 4, on page 338, had exactly the same line, but then it had three dot points, “Courts and tribunals will provide ...” Will the courts and tribunals still provide the same level of service as outlined in the current financial year’s dot points on page 338, or is that number expected to go up or down?

Ms Leon: There are still detailed indicators in place in the courts’ business plan, but you will see those three matters all relate primarily to business coming in the door which is not something that is really within the control of the courts. Business coming through the door depends on work in other parts of the justice system. So it is not that we have a target of so many matters lodged. Our target is that whatever matters are lodged we will deal with them expeditiously.

MR SMYTH: So the measures used for the current financial year are a rough tool over which you have no control? Is it your expectation that the numbers will go up or are the numbers static, based on the past couple of years, or are they going down?

Ms Cooke: The numbers are going down slightly in the Magistrates Courts and rising slightly in the Supreme Court.

MR SMYTH: Can you give us an exact number?

Ms Cooke: I can take that on notice. But there has been a trend over the past financial year for a slight decrease in filings in the Magistrates Court.

MR SMYTH: Yes. Are filings in the Magistrates Court cheaper than filings in the Supreme Court, the cost to the taxpayer?

Ms Cooke: There is a range of costs associated with the type of matter, of course.

MR SMYTH: So it varies on the case?

Ms Cooke: In civil matters, and some matters cannot be compared between the Supreme Court and the Magistrates Court, so I cannot really answer it in one way. I would have to give you the list of fees, and obviously it only applies in civil matters.

MR SMYTH: Depending on what it is?

Ms Cooke: Yes.

MR SMYTH: There has been some criticism by some in the judiciary that they do not have adequate resources. Given that the budget is static, how would you meet their concerns?

Mr Corbell: The government's view on that, Mr Smyth, is that like all elements of government, even though the judiciary obviously occupies a special position in relation to the executive, when it comes to administrative and financial issues we expect them to improve their performance of administrative processes, ensuring that the expenditure of public moneys is done in the most efficient and effective way possible. The government has, since the Auditor-General's investigations, put in place a range of measures to work with the presiding officers of each of the courts to improve the management of payments made to the courts, and that is an ongoing project to improve the efficiency and effectiveness of court procedures and processes.

MR SMYTH: Are there savings to be had there, or will it end up costing us more, or will it just be confined to the existing budget?

Mr Corbell: The government has not imposed any savings target on the courts. We have simply indicated that we need the courts to work within their budget. There is a range of individual projects that are focusing on ensuring that processes and administrative procedures are improved to allow the courts to work within their budget.

DR FOSKEY: There is just that one descriptor, high-quality support for judicial officers and tribunal members. I suppose the support is to help them do their jobs more efficiently and ensure that justice is done.

Ms Leon: Of course, while we are assisting the courts to ensure that they can deliver their services efficiently, that is not at the cost of providing a fair justice system, which is the overriding outcome for the justice side of this portfolio. The courts, of course, play their part in doing that. It is the judicial officers and the tribunal members who deliver the justice services. The registry and other staff of the courts are there to assist the judicial officers and tribunal members in delivering the justice services of the courts and tribunals.

DR FOSKEY: But, for instance, the corrective services liaison officers were really your jurisdiction rather than the courts' jurisdiction?

Ms Leon: Of course, staff of the courts are also staff of this department, but the corrective services unit that was established in the court were staff of corrective services.

DR FOSKEY: Do you consult with the court when you make those kinds of decisions?

Mr Corbell: The government has established a regular process for consulting with the presiding officers of each of the courts. I meet regularly with the presiding officers of each of the courts, as does Ms Leon and her senior executives. So we have an ongoing process of negotiating with and consulting with the presiding officers of each of the courts.

DR FOSKEY: So when they make suggestions, do you discuss those there? Do these

discussions have the power to come to a decision or do you take advice from the courts' officers and then go back and make that decision somewhere else?

Mr Corbell: Ms Leon, as the chief executive of the department, is responsible for the administration of the budget consistent with the policy decisions made by government. So she is ultimately responsible to me for the expenditure of the courts' budget, but clearly, because of the unique role of the courts, we do have regard to the views of the judicial officers, and decisions are made taking their views into account. I can assure you that the Chief Justice, the Chief Magistrate, the President of the Court of Appeal and other officers are quite forthright in their views and advice on issues that affect the operation of their courts.

DR FOSKEY: Given that they are on the spot and probably see the impact of decisions moment to moment, and their knowledge of the way things run, just how much weight does their advice have with the people who make the decisions about funding?

Mr Corbell: Our approach is a collaborative one wherever possible, but the responsibility for the courts' budget is vested in me, as the responsible minister, and my chief executive.

MR PRATT: Minister, what is happening about building a new Supreme Court?

Mr Corbell: Nothing at the moment, unfortunately.

MR PRATT: Do you have a future plan? Do you have a time line on this?

Mr Corbell: No. There is no time line because there is no proposal before government in relation to a new Supreme Court building.

MR PRATT: How do you reconcile that with the 2004 election promise that you would implement a new Supreme Court? Does that promise now blow out and there is no plan, or are you hoping to revisit this somewhere down the track?

Mr Corbell: At this time there is no proposal to proceed with a new Supreme Court building. I do not know that the justices of the court would lobby very strongly for one, and the government certainly recognises the inadequacies of the existing building. But at this point in time the government is not in a position to consider the construction of a new building.

MR PRATT: Given the existing problems that have been presented to you, what do you have in the way of maintenance or upgrades to meet any requirements and what are the magistrates talking about? What are they concerned about? What are they expressing to you?

Mr Corbell: It is the justices, not the magistrates.

MR PRATT: Sorry, the justices.

Mr Corbell: The magistrates have a reasonably new building.

MR PRATT: They do, yes.

Mr Corbell: The judges' concerns relate, obviously, to the functionality of the building itself. It is a very old building and it is crowded. It does have problems with its airconditioning and heating. It has problems with its roof, similar to this building, in wet weather. It has all of those problems associated with an old building. In addition, there are concerns about the adequacy of the layout of the courtrooms themselves. Certainly, judges have raised with me concerns about where various parties sit in the courtroom, the witnesses, defendants and family members.

MR PRATT: In terms of safety?

Mr Corbell: Safety is an issue that has been raised, and the Department of Justice and Community Safety is doing some further work on an assessment of safety issues. We treat that seriously. I am advised that the tender has just been let in relation to a safety audit for the court building. I am advised it is both courts. So that helps to inform decisions the government will need to make down the track about the adequacy of those buildings.

MR PRATT: You cannot cover everything, but do you have any idea at this point what urgent funding is required to meet those urgent maintenance requirements? Clearly a leaking roof cannot be put off. Do you have a handle on that?

Mr Corbell: There is no funding in this year's budget. There was funding in previous budgets for some urgent and central maintenance of the Supreme Court building. I understand that primarily related to the airconditioning system of the building, but there is no funding in this year's budget.

Ms Cooke: This financial year as well, even before the security review, we are putting in duress alarms or replacing the duress alarms and making sure that that system operates effectively in the Supreme Court. We are replacing carpet. We are replacing all the furniture in the public areas and we have done some quite significant work with the airconditioning. Although it does not solve the problem, at least we will ameliorate the conditions that were faced this summer. So, there has been some ongoing addressing of the major problems.

Ms Leon: I should also note that money is provided in the capital works program for the department as a whole to deal with maintenance and OH&S issues as they arise. Obviously, should any of those arise in the court, they would be catered for out of that maintenance money.

MR PRATT: So you are satisfied the capital works source will provide you with whatever you might need for those urgent matters that the minister listed—OH&S, leaking roof and the urgent security staff?

Ms Leon: It will cover urgent matters. It will not cover major matters that are going to cost millions of dollars, should any of those arise.

MR SMYTH: Where is that funding, Ms Leon, on what line?

Ms Leon: On page 248 of the capital works program. It is designed to deal with the ordinary maintenance issues that arise in the course of an ordinary year.

MR PRATT: Across the department?

Ms Leon: Across the department. But, of course, most of the department is accommodated in leased accommodation for which we do not have to pay capital works. So primarily there are only a small number of buildings that we own and have responsibility for, and the capital works program applies to those.

MR SMYTH: Which line is that coming out of?

Ms Leon: It is \$200,000 and \$450,000.

The committee adjourned at 4.40 pm.

Attachment 1

Response submitted by Dr Harrison

On June 20, 2006 Attorney-General Simon Corbell and John Paget, Director of the Prison Project, gave evidence before the Select Committee on Estimates. During their appearance they were asked questions about, and made comments on, my March 2003 report *An ACT Prison: Cons and Pros*, a cost-benefit study written for ACT Corrective Services. Their evidence to the Committee was false and misleading.

I set out and examine Mr Corbell and Mr Paget's statements on two matters:

- That numbers presented in my report were wrong.
- That the analysis in the report did not take account of the social costs and benefits of the prison and so was too narrow in scope to meet the user brief or be considered an adequate cost-benefit analysis.

All quotes in this letter and page numbers are from the proof transcript of evidence for June 20 at <http://www.hansard.act.gov.au/hansard/2005/comms/estimates17.pdf>.

NSW residents serving ACT sentences in NSW prisons

Mr Corbell stated (p.182)

"I will address the incorrect assertion in an article in the Canberra Times yesterday, which claimed that a significant number of prisoners in the ACT were from New South Wales."

p.183:

"Mr Seselja: So the figures in the report that was commissioned are simply wrong?
Mr Corbell: Yes."

And then on p.185

"The figure that was quoted in the newspaper article yesterday suggested there was a high level of prisoners from New South Wales. That is incorrect. That is the figure I corrected today."

The *Canberra Times* article had cited a figure in my report that 45 percent of prisoners serving ACT sentences in NSW Prisons from 1997-98 to 2000-01 were from NSW. My figure can be confirmed by downloading the May 2002 ACT Government submission to the Grants Commission, at the web address http://www.treasury.act.gov.au/grants_commission/pdfs/Chapter_23.pdf.

The final page of chapter 23 shows that the number of NSW residents serving ACT sentences in NSW Prisons from 1997-98 to 2000-01 was 229 out of 513 prisoners, or 45 percent.

The 45 per cent figure, which Mr Corbell disputes, was confirmed in an ACT Government presentation to the Grants Commission in November 2002, entitled *State of Origin of ACT Prisoners*, available at http://www.treasury.act.gov.au/grants_commission/briefing_notes/pdfs/session_10.pdf. The present Executive Director of Corrective Services, James Ryan, was one of the presenters at that session and Eddie Issa attended the session (see *State of Origin* document p.248-249). Both accompanied Mr Corbell at your hearings on June 20. Either my figure is correct or the ACT Government was misleading the Grants Commission.

Further, in extensive (albeit unconstructive and illogical) comments on the report supplied by Corrective Services, the 45 percent figure was not disputed.

Mr Corbell goes on to say (p.182):

“In fact, 85 per cent of ACT prisoners have addresses with an ACT postcode, five per cent are from Queanbeyan, five per cent are from regional New South Wales, and the remainder are from other areas. So it is simply incorrect to suggest that the majority of ACT prisoners are from New South Wales.”

Mr Paget adds (p.183)

“We have been using that ratio of 85 to five for quite some time because strange figures have been floating around and I am not aware of their origin.”

It is not clear what the 85 percent figure refers to. For example, in a letter to the Canberra Times on June 22, Dr Hugh Smith, President, Prisoners Aid (ACT), claimed “85 per cent of those sentenced in ACT courts have an ACT postcode address”. But the 45 percent figure was the proportion of sentenced prisoners held in NSW.

[para deleted]

Scope of analysis

Mr Corbell then claims (p.183) that my report

“did not meet the user brief or the government’s requirements relating to its scope of analysis.”

Mr Paget (p.183) asserts

“It was a financial analysis and it did not take into account the sorts of things that are normally taken into account in a cost-benefit analysis, such as social and environmental costs.”

Mr Corbell reiterates (p.184)

“Its scope of analysis was too narrow and, as Mr Paget indicated, it did not take full account of the social and environmental costs and benefits of providing a prison in the ACT. It simply looked at the financial elements.”

And on pp.184-185

“The paper chose to quote me as saying that it did not take into account social factors. That is true; it did not.

Mr Seselja: So rehabilitation is not one of the social factors that you would want to take into account?

Mr Corbell: It did not take it into account.”

All these statements are demonstrably false. Even a cursory glance at my report would reveal that it was a full cost-benefit analysis, considering social costs and benefits, and was not limited to a financial analysis. See for example, pp.60-66 of my report on the benefits from a remand centre and pp.86-100 on the benefits from a comprehensive correctional facility. The benefits assessed included rehabilitation, increased contact with families, throughcare, a new prison culture, deterrence and

prisoner health.

It is one thing to disagree with my analysis and conclusions. Pointing out logical or factual errors with my analysis or any factors that have been left out and suggestions on how it could be improved, would have been useful. It is not legitimate to claim that the analysis does not exist or that issues have not been considered when they have.

Further, in ACT Corrective Services' May 2003 prison report (available at http://www.cs.act.gov.au/_data/assets/pdf_file/27347/Prison_Project_Report29_May_2003.pdf) there is a summary of "the social and correctional benefits of the ACT taking control of its prisoners" on p.27. It quotes from and cites my report in support of the points made.

My report contains the terms of reference, as set out in the project brief:

"The overall objective of the consultancy is to provide an independent opinion to Corrective Services on which of the following options would provide the largest net benefit to the people of the ACT:"

The Project Brief stated that

"The consultant will gather and critically review relevant information to incorporate in the cost benefit analysis of the four proposals."

In my proposal, accepted by Corrective Services, I set out how I would do the benefits side of my cost benefit analysis. The relevant page is added as attachment. That is exactly what I did. Claims that my report was limited to a financial analysis, or I did not meet the user brief are simply false.

Dr Mark Harrison
03 July 2006

Attachment

Extract from Consultecon proposal for Prison Project:

Direct benefits

In principle, imprisonment produces social benefits through:

- Deterrence
- Rehabilitation
- Incapacitation
- Retribution

The benefits come from the effect of these roles of imprisonment on reducing the overall crime rate and from society's demand for justice.

The benefits from these roles of imprisonment are difficult to quantify. Qualitative estimates can be made, however, of the likely changes in the benefits from each role if a comprehensive prison facility were built, rather than a remand centre.

The likely change in benefits will be estimated using relevant empirical work in the criminology and economics literature, and data on ACT prisoners. The size of the benefits will depend on the number and composition of prisoners.

The benefits from rehabilitation

For example, it is claimed in various government reports that building a prison in the ACT will increase rehabilitation and reduce high recidivism rates through closer contact of prisoners with their families, a 'seamless through care system', innovations (such as cognitive change programmes and promotion of a healthy lifestyle) and a restorative approach.¹

The criminology literature examines the effects of rehabilitative efforts on individual criminals and gives information on the outcomes of different policies. The criminology and economics literature gives information about the consequences for overall crime rates.

The likely effects in the ACT will partly depend on the composition of ACT prisoners. For example, the effects may vary by the prisoner's type of crime, their family ties in the ACT and their ethnicity. Rehabilitative policies may need to be targeted. The effects will also depend on what exactly the differences would be between NSW and ACT prisons.

Another possibility is that if a comprehensive facility is built, sentencing patterns may change in the ACT. A comprehensive facility may give a broader range of sentencing options. The likely benefits will be examined. Whether there are more cost effective ways to achieve the same benefits will be considered. For example, electronic surveillance or contracting with prisons in other states to provide the desired services.

¹ See for example the Regain Report and reports by the Standing Committee on Legal Affairs 1997, the first and second interim reports from the Standing Committee on Justice and Community Safety in 1999 and the ACT Prison Community Panel, *An ACT Prison – Getting It Right* 14 December, 2000.