



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

THURSDAY, 22 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).

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The committee met at 9.37 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
Robertson, Mr John, Director, ACT Procurement Solutions
Chisnall, Mr Mick, Acting General Manager, InTACT
Burton, Mr Ross, Manager, Finance, InTACT
Hart, Mr Richard, Program Director, Converged Networks Project, InTACT

Australian International Hotel School

Robertson, Mr John, Chairman

ACT Insurance Authority

Matthews, Mr Peter, General Manager

Exhibition Park in Canberra

Sadler, Mr Tony, General Manager

Rhodium Asset Solutions

Moore, Mr Ken, Chief Executive Officer

Gambling and Racing Commission

Jones, Mr Greg, Chief Executive

ACTTAB Ltd

Curtis, Mr Tony, Chief Executive

Independent Competition and Regulatory Commission

Primrose, Mr Ian, Chief Executive

THE CHAIR: You should understand that these hearings, which are legal proceedings of the Legislative Assembly, are protected by parliamentary privilege. That gives you certain protections, but it also places on you certain responsibilities. It means that you are protected from certain legal actions 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. The Assembly will treat as a serious matter the giving of false or misleading evidence. Treasurer, would you like to make an opening statement?

Mr Stanhope: Not specifically, madam chair, other than to thank the committee for the invitation to attend today and to acknowledge that the under-treasurer, all officials and I are ready and willing to respond to any questions asked by members.

THE CHAIR: We are pleased to have you here and welcome you.

MR MULCAHY: I wish to follow up on the utility land use permits that we previously discussed with the Treasurer.

MR GENTLEMAN: I have questions on that matter as well.

MR MULCAHY: Can you give us an indication of the estimated annual impact in a full year of utility land use permits on telephone bills, gas bills, water bills and electricity bills?

Mr Stanhope: Thank you, Mr Mulcahy. I will ask Dr Grimes to respond to that question.

Dr Grimes: I might see whether Roger Broughton, who I think has some of those details, can give you some advice.

Mr Broughton: I am not able to provide a lot of detail in relation to that. We are still assessing data that we have available in relation to the amount of unleased land that is occupied by various types of utilities. There are also issues relating to whether or not the utilities may pass these costs through to consumers, or absorb them. I think it is the case that some of the national utilities may decide to absorb them and possibly roll them up into their national pricing, rather than specific ACT pricing.

MR MULCAHY: Can you remind me of the projected revenue for this initiative?

Mr Broughton: Yes, I can. Off the top of my head it will be about \$17 million.

Dr Grimes: Yes. A summary of the numbers is to be found on page 41 of BP3. The charge is expected to raise revenue of \$7 million in 2006-07, increasing to about \$16.5 million in a full year effect.

MR MULCAHY: I understand that you would not know what national organisations such as Telstra would be doing in relation to this matter but I imagine that you, as the owner of ActewAGL in the territory, would know what the policy would be. Will this be reflected in gas, electricity and water bills?

Dr Grimes: I think, as Mr Broughton was suggesting, those are commercial questions for ActewAGL.

MR MULCAHY: Have you discussed them with it?

Dr Grimes: We have discussed the utility land use permit with ActewAGL, but those matters would need to be considered by its board in determining what its strategies would be.

MR MULCAHY: Dr Grimes, was there a response to the submission as a result of those discussions? If you raised this issue with ActewAGL I assume it gave you some idea of how it might deal with it?

Dr Grimes: Yes. Our expectation is that in water and sewerage there would be a pass through of the charge to water bills. The question of electricity and gas, of course, is a matter for ActewAGL. To the best of my knowledge, although Mr Broughton could correct me, we have not had specific discussions with ActewAGL.

MR MULCAHY: I ask a related question. What do you think the water abstraction charge will cost a typical household? What extra charges would there be?

Mr Broughton: If you bear with me I will pass on that information to you. We think the increase in the water bill would be about \$84 per annum.

MR MULCAHY: You said \$84?

Mr Broughton: Yes.

MR MULCAHY: The figure I have seen published is \$118. Is that amount of \$84 not for the fire and ambulance levy?

Mr Broughton: I am not sure about the \$118, but I believe that the water abstraction charge on a typical household bill would be around \$84.

MR MULCAHY: The same as the fire and ambulance levy, which is also \$84?

Mr Broughton: Apparently that is the case, yes.

MR MULCAHY: Obviously you have factored into your forward projections the impact of the new wage price index formula on administrative fees and charges. My next question, which you might have to take on notice, might be better asked of Dr Grimes. What percentage increases over the forward years are likely to be enjoyed in revenue increases as opposed to increases you might have enjoyed had you applied the consumer price index over the next three years?

Dr Grimes: I suspect we will have to take that question on notice. We do not have those calculations at the moment, Mr Mulcahy.

MR MULCAHY: It would be significantly higher, would it not?

Dr Grimes: It would be higher, as I think I explained when we last met on Tuesday. The difference is about one percentage point per annum between the wage price index and the

CPI.

MR MULCAHY: The base rate is, but the percentage increase in revenue will be reflective of about a 45 per cent increase over the first year in the WPI versus the CPI. Is that correct?

Dr Grimes: When we discussed that matter on Tuesday we indicated there would be about a one percentage point increase per annum, or a little over.

MR MULCAHY: Are you saying that revenue will go up by one percentage point?

Dr Grimes: That is correct. There will be a difference of one percentage point.

MR MULCAHY: On the revenue?

Dr Grimes: On the revenue.

MR MULCAHY: I am talking about the base indexation factor.

Dr Grimes: This is the base indexation factor. We are talking about the same thing. I think the base is indexed by an amount each year. It will be indexed by the wage price index instead of the CPI. The wage price index is reflective of wages costs. So the underlying costs of providing municipal services would be growing by about one percentage point per annum higher.

MR MULCAHY: We could argue but the fact is that an increase from two per cent or more to three per cent or more obviously is a significant base line increase. Anyway, it is a mathematical problem.

Mr Stanhope: We are happy to take that question on notice, Mr Mulcahy.

MR SMYTH: While we are dealing with utility land use permits, if the fee that applies is based on a rate per lineal kilometre of unleased land occupied, what rate would you apply?

Dr Grimes: That rate will be struck following consultation with utility providers. The charge is not to apply until 1 January 2007. The reason for that is to allow the final rates to be determined in order to raise the revenue that is provided for in the budget papers.

MR SMYTH: In other words, we are working backwards. We said, "We need this much money. We will work out later what the rate is." Do we know how many kilometres of unleased territory land are occupied by water pipes, gas lines, electricity cables or telephone cables, or are we just making this up as we go?

Mr Broughton: We have some estimates.

MR SMYTH: So we do not know?

Mr Broughton: We do not have accurate figures; that is right.

MR SMYTH: Chief Minister, is it acceptable to base a new tax on unknown data? You do not know what rate you are going to charge and you do not know for how many kilometres of line you are going to charge it. Is this good revenue raising, or is it just an ad hoc approach?

Mr Stanhope: To be fair to the figures Mr Broughton just gave and about which you spoke, Mr Broughton indicated that we have an estimate. We do not have the exact detail but we have an estimate. We also have an understanding of rates relating to utility charges that are applied in other jurisdictions throughout Australia. Based on experience throughout Australia we have been able to establish an estimated level of revenue through the imposition of a utility charge.

It must be understood that every other jurisdiction in Australia imposes utility charges of one sort or another. In relation to that we are the odd jurisdiction out, so we have the capacity to estimate likely outcomes. As Dr Grimes just indicated, we wish to give utility providers within the territory the courtesy of consulting on the final detail. Based on our understanding of the extent of territory land utilised by utilities and the range of charges that apply throughout Australia, we have made an estimate.

MR SMYTH: Will consideration be given to the fact that the ACT is more dispersed than any other city in Australia? For instance, the distance from Hornsby to Cronulla is the same distance as from Amaroo to Banks, yet in that area in Sydney there are five million people and in the ACT there are 300,000 people. Given the dispersed nature of the ACT and the way in which Canberra is designed, is this not placing an additional impost on utilities, which I assume will pass on the cost to customers because the ACT is different in nature to other cities?

Mr Stanhope: Many councils around Australia that cover significant areas charge utilities for the utilisation of land within their shires. As a city state we are far more compact than many shires or councils that utilise this charge. I think the response to your question is that this is not a charge that applies only in metropolitan areas; this is a charge that is utilised extensively throughout Australia at the local government level. I think the reverse of the scenario that you painted across Australia is closer to the truth. As a city state we are far more concentrated than perhaps the majority of jurisdictions or councils that utilise or apply this charge.

MR MULCAHY: My question is supplementary to the question asked earlier by Mr Smyth. Treasurer, how do you reconcile this raft of new charges with your commitment under the intergovernmental agreement to reduce the level of taxes on people in Australia as a trade-off for the windfall payments you are getting from the GST? Charge after charge has been introduced in this budget, which does not seem to reflect the spirit of the trade-off that people in Canberra thought they would enjoy as a result of GST collections.

Mr Stanhope: The ACT government has met explicitly and to the letter the undertakings it gave to the intergovernmental agreement at the time of the implementation of the GST.

MR MULCAHY: All these new charges?

Mr Stanhope: We have explicitly and to the letter met our obligations and the

undertakings we entered into.

MR MULCAHY: Do you reckon you have met the spirit of that agreement?

Mr Stanhope: Absolutely.

MR SMYTH: What about your address to the press club in 2001 when you said you would be a low-taxing jurisdiction and a low-taxing government?

Mr Stanhope: We are. I think you are aware of some of the statistics and the history of taxation within the territory. Since coming to government, an analysis of taxation or increases in taxes to date has shown that the ACT has not increased its level of tax to the rates of some other jurisdictions. I believe we can quite proudly claim to have met both the spirit and the intent of the statements we have made.

MR SMYTH: What does the raft of increases in this year's budget do to the claim that you are a low-taxing jurisdiction? Have you done any work on the comparability?

Mr Stanhope: Mr Broughton or Dr Grimes may be able to respond more fully to that question. I do not have available to me here and now the comparative analysis of ACT taxation effort post this budget as opposed to the previous budget. My understanding is that essentially it would bring us to an Australian average position. Of course, one needs to understand that we are now pursuing an Australian average revenue position, or thereabouts. Nevertheless, we continue to expend of the order of between 15 per cent and 20 per cent above the national average.

MR SMYTH: So you keep saying.

Mr Stanhope: We do. You know that to be a fact, as you did in government. But you did not have the gumption, the will, or the strength to tackle the hard issues.

MR SMYTH: Nobody in the public is buying that, Jon.

Mr Stanhope: Yes they do, Brendan.

MR SMYTH: No, they do not.

Mr Stanhope: They do.

MR MULCAHY: So there is a whole tier of government that we do not have to fund.

Mr Stanhope: You did not have the strength, the capacity or the courage to take positions that needed to be taken.

MR SMYTH: We did not have the numbers. The Labor Party blocked everything.

Mr Stanhope: That is probably why you are in opposition, Mr Smyth. You have just been dumped by your colleagues from the position you previously held as a result of a lack of strength, character and will.

THE CHAIR: I think we need to move to other questions.

MR SMYTH: I have a supplementary question. Will you table the analysis that compares—

Mr Stanhope: Madam chair, I am happy to take out of my file the speech that I gave when introducing the budget and deliver it here and now.

MR SMYTH: We have heard enough.

Mr Stanhope: If you wish this morning's estimates proceedings to be a tawdry political exchange I am happy to engage in that. If you like, I will speak happily for the next two hours without taking a breath.

MR MULCAHY: The committee will not allow that.

MR SMYTH: That is characteristic of your style.

Mr Stanhope: Just keep going. If you want this estimates process to be reduced to mindless political sparring, I will meet you and better you.

MR MULCAHY: These are serious questions.

MR SMYTH: This is serious analysis and defence, Chief Minister. Will you table the comparative analysis—

Mr Stanhope: If you do not want information from me or from my officials on serious questions I will happily engage with you on that level, as you know.

MR SMYTH: Will you take on notice and table for the committee the comparative analysis of which you just spoke—the tax take before and after this budget?

Mr Stanhope: I did not specifically refer to a comparative analysis. I think I said, "A comparative analysis would reveal."

MR MULCAHY: But will you?

Mr Stanhope: I will not undertake a specific analysis.

MR SMYTH: Is there any comparative analysis?

Mr Stanhope: I am not aware of one. That is the point I made.

MR SMYTH: Dr Grimes, is there any comparative analysis of what this does to the ACT's tax take before and after this budget?

Dr Grimes: Yes. As you know, the Commonwealth Grants Commission and the ABS prepare comparative analyses.

MR SMYTH: I am asking whether Treasury has done any.

Dr Grimes: We have not prepared a comparative analysis. The reason for it is that we do not have all the information for the other states and the sort of information that the Commonwealth Grants Commission would take into account in its assessment. As you know, the Commonwealth Grants Commission does a very comprehensive assessment every year of revenue raising, capacities and efforts. The calculations there require quite considerable data.

The Commonwealth Grants Commission undertakes a very intensive exercise. As you would appreciate, we do not have the capacity to be able to replicate the Commonwealth Grants Commission's comparisons within Treasury. We just do not have the resources to do such a comprehensive exercise. As a result, we rely on the Commonwealth Grants Commission's figures, which are published, obviously, once all the data is in from various states and territories.

MR SMYTH: The Chief Minister said that we are now at a national average. Can you provide the documentation?

Mr Stanhope: Madam chair, I did not say that. I said, "I would imagine."

MR SMYTH: Dr Grimes, are we now near a national average?

Mr Stanhope: It is not appropriate that I am continually misrepresented in questions by the opposition.

MR SMYTH: We are tender this morning, are we not?

MR MULCAHY: Madam chair, on the matter of misrepresentation, could I raise an issue?

Mr Stanhope: Mr Smyth, you need to tell the truth.

MR SMYTH: As do you, Chief Minister.

MR GENTLEMAN: Madam chair, can we get on with it?

Mr Stanhope: You need to be honest, Mr Smyth.

MR SMYTH: You need to be honest, Chief Minister.

Mr Stanhope: You just misrepresented me, Mr Smyth; I have not misrepresented you.

MR SMYTH: You misrepresent us all the time, Chief Minister.

THE CHAIR: Order! Both opposition members are continually talking over the Treasurer while he is attempting to answer questions.

MR MULCAHY: I am trying to ask a question; that is all.

THE CHAIR: Order! First, Mr Mulcahy, you and Mr Smyth are continually talking over

the Treasurer while he is attempting to answer your questions. Second, when one of you is asking a question the other one is interrupting. Make up your minds: who is asking the question? Only one member at a time should speak and members should be quiet when the Treasurer is answering the question.

MR MULCAHY: I took a point of order because the Treasurer does not seem to be dealing with the matters before you. I was speaking over the Treasurer because I wanted to draw that to your attention. I ask the Treasurer: in saying that Canberra is meeting the average, or it is in line with New South Wales, is the Treasurer, in effect, not overlooking a whole level of administration in another tier of government—that is, local government—for which we are getting no savings? We have one level of government. Surely in that scenario we ought to be paying considerably less than the average in other states and territories?

Mr Stanhope: Depending, of course, on the level of service that the government delivers, the level of service that previous governments delivered, and the gaps in service within the territory when we came into office. In the context of your question, Mr Mulcahy, it would be of some use or assistance if you explained or gave me some examples of where you believe this overexpenditure is occurring. Would you provide me with some examples in the context of the assertion you just made and on which you based your question?

MR MULCAHY: I will give you an example.

Mr Stanhope: Yes, give me the examples.

MR MULCAHY: I am happy to.

Mr Stanhope: Just let me finish my response so that I can better respond to you. You asserted that less revenue should be required because the ACT, as a city state with only one tier of government, should be able to identify efficiencies. For the purposes of allowing me to better answer the question, would you run through those areas of expenditure in municipal and territory services, and health and education that you have identified as excessive? Which health and education services would you not be providing?

MR MULCAHY: Madam chair, I am happy to respond to that question.

Mr Stanhope: Which aspects of the ACT Emergency Services Authority—

MR MULCAHY: I want to give an answer. The Chief Minister asked a question and I am more than happy to respond to it.

Mr Stanhope: Which aspects of the operations of the ACT Emergency Services Authority would you close? Which municipal services would you discontinue as examples of average expenditure?

MR MULCAHY: Would you like the answer, Treasurer?

Mr Stanhope: Yes, I would. Let me finish so that we can fully understand each other.

MR MULCAHY: I understand the misrepresentation. The point to which I referred in my question—I will run it past the Treasurer again in case it is an area he does not comprehend—is that we do not have local government administration, as do other states and territories. That is absorbed and managed by the territory government. Is the Treasurer saying that, despite not having that whole tier of municipal government on top of state government functions, no economies are being enjoyed by the people of the territory?

That seems to be the message the Treasurer is giving us. He is saying that we should be paying the average levels of taxation that are being paid in all other states. The fact that we do not have councils in the ACT means that we are enjoying no benefits whatsoever from your administration because it costs so much to run.

Mr Stanhope: Mr Mulcahy, we provide the full level of services that councils provide.

MR MULCAHY: So there are no savings, compared to another state?

Mr Stanhope: There would be some economies, of course, in a single, efficient level of government.

MR MULCAHY: They are not reflected in a tax reduction.

Mr Stanhope: We provide exactly and precisely the same services that are provided by councils. I think any analysis across borders would reflect the essential thesis and assertion that I make. We consistently deliver those services at a far higher level than do councils within the region and throughout Australia. Anyone who visited any city around Australia and who went for a walk or a jog would observe at first-hand and in close relief the state and nature of streets, footpaths and garbage collection in major metropolitan areas of Australia, and he or she would come back to Canberra reflecting on the high level of infrastructure and service delivery provided by the government in the ACT.

It behoves members of the Liberal Party at some stage in this process, as they continue to bang on about revenue levels that are too high and service delivery that is too low, to start to identify those areas of major government service delivery that they believe to be excessive. They should acknowledge that, in this budget, \$750 million is to be expended directly on health, just over \$700 million is to be expended on education, and that half the budget is consumed by those two items.

MR MULCAHY: In the report on health administration—

Mr Stanhope: Mr Mulcahy, would you or would you not have bought the additional linear accelerator? Would you or would you not have invested the additional \$190 million in education? Would you or would you not have employed an additional 60 police officers?

MR SMYTH: Madam chair, the rhetoric has to stop and the Chief Minister has to answer the questions.

Mr Stanhope: At what stage will the Liberal Party, for the first time in its five years in

opposition, seriously engage in its approach to revenue and expenditure?

THE CHAIR: Order! Treasurer—

Mr Stanhope: When are you going to engage seriously in your approach to revenue and expenditure?

MR MULCAHY: All your pet arguments.

THE CHAIR: Order! Treasurer—

MR MULCAHY: I will give the Treasurer a good example. Treasurer, you have to come to order.

Mr Stanhope: The opposition nominates two or three minor capital works initiatives as its response.

MR MULCAHY: An amount of \$130 million is not small.

THE CHAIR: Mr Smyth, you have two supplementary questions.

MR SMYTH: I have two supplementary questions. Treasurer, you asked for an example. I give you the LDA. My understanding is that the Costello review stated that LDA staff should be cut by half—from approximately 60 to 30 staff. Yesterday we heard that it is going from 58 to 52. At a Labor Party fundraiser with the business community Minister Gallagher intimated—individuals have reported this back to me—that the LDA would be cut by half. Chief Minister, why have staff at the LDA been reduced by only six? I understand from conversations that have been had at business meetings that both the Costello review and the cabinet decision recommended that LDA staff be cut by half, yet staff have been cut by only six. That is the sort of waste we are talking about.

Mr Stanhope: The record should acknowledge that Mr Smyth's understandings are wrong.

MR SMYTH: So cabinet did not make a decision to cut staff by half?

Mr Stanhope: No, it did not. The statements you make, Mr Smyth, are wrong.

MR SMYTH: And the Costello report did not state that staff should be cut by half?

Mr Stanhope: They are wrong in the same way as the \$390 million deficit in 2008 is wrong. Mr Smyth's wild, mad rhetoric and distortions of the truth ultimately led to the revelation of the true position.

MR SMYTH: That was always a possibility.

Mr Stanhope: The extent of Mr Smyth's misleading of the people of Canberra led, of course, to his sacking as Leader of the Opposition.

MR SMYTH: Again, the Chief Minister should answer questions; he should not indulge

in rhetoric.

Mr Stanhope: Here we go again. He was sacked as a result of wild, unfounded allegations, which embarrassed both him and his party.

MR SMYTH: Remember what you just said: cabinet did not make a decision to cut LDA staff by half.

Mr Stanhope: He is now repeating them in the context of cabinet decisions on which he alleges to have inside information—decisions that were never made.

THE CHAIR: Do you have another supplementary question?

MR SMYTH: My other supplementary questions relates to utility land use.

Mr Stanhope: Madam chair, in response to the question relating to the LDA, I would have thought this question might have been better asked of the Minister for Planning, the responsible minister. As the budget reflects—or I assume it reflects in relation to the LDA—the government is seeking significant efficiencies from the LDA, particularly in relation to its marketing and its benchmarking.

MR SMYTH: Not a reduction of 50 per cent of its staff?

Mr Stanhope: It has sought a specified efficiency in dollar terms from the LDA. One way the government could have pursued the sought-after efficiency would have been for it to nominate a potential or possible reduction in staff. Another means by which the government might have sought the efficiency it required of the LDA was to nominate a dollar term and simply leave it to the professional board of the LDA to achieve the required efficiency.

Of course, that is the position that the government has taken. Rather than saying, “We require \$3 million in efficiency from your organisation and we hereby direct that this efficiency be achieved through a reduction of so many staff,” the government said to the board, “You are responsible for the LDA. The government requires you to reduce your operating costs by this amount. Please ensure that you achieve the government’s target.” That is the position we have taken. If the government were to go around and say, “Here is the target and this is how you will achieve it,” we might as well not have a board.

THE CHAIR: Mr Smyth, do you have another supplementary question?

MR SMYTH: I note that there was no suggestion in the Costello report or the cabinet decision that staff of the LDA be reduced by 50 per cent. My other question goes back to land use permits. You said you consulted with various jurisdictions, both at a shire level and at a city level. Could you please tell us what those jurisdictions were?

Mr Stanhope: Madam chair, I did not say that. This is a concern I have with the style of questioning from Mr Smyth. I did not say that we consulted. What I said was we were aware. There is a significant difference between “you said you consulted” and what I said, which is “the government is aware”. Mr Smyth, to pick up a book or a document and to read it is not to consult. The government is aware of charges applied in other

jurisdictions. There is a significant difference between “I did not consult” and “the Treasurer just said we consulted”. I said no such thing. I said, “The government is aware.” There is an enormous difference between the suggestion that I said we consulted—

MR PRATT: Point made.

Mr Stanhope: No, the point has not been made. This is the third or fourth time, Mr Pratt.

MR SMYTH: In your awareness of other jurisdictions, what jurisdictions did you look at?

Mr Stanhope: Mr Pratt, I acknowledge that you do not behave in this way; it is only your former leader that does.

MR PRATT: No wedging, Chief Minister. Just answer the question.

Mr Stanhope: Mr Mulcahy does not behave in this way. It is simply not acceptable for members continually to verbal me in the context of what I said and what will appear in *Hansard*. It is dishonest for members continually to seek to verbal me.

MR SMYTH: You’re very tender this morning, Jon.

Mr Stanhope: Well, Mr Smyth, stop lying.

MR SMYTH: Well, Mr Stanhope, you should stop lying.

MR PRATT: Withdraw that.

THE CHAIR: We need to move on.

MR SMYTH: No. He has to withdraw that. If he has substance that I’m a liar, then he should prove it. He has to withdraw the comment.

MR PRATT: Call him whatever, but don’t call him a liar, Jon. It is not particularly parliamentary.

MR MULCAHY: It is not parliamentary.

MR SMYTH: We are tender.

THE CHAIR: Chief Minister.

MR SMYTH: He has to withdraw.

Mr Stanhope: I have nothing to add to the comments.

MR SMYTH: You have to withdraw under the standing orders.

MR PRATT: Withdraw that, Jon.

Mr Stanhope: Mr Smyth, what did you just say in response to my allegation that you were a liar?

MR SMYTH: I'll withdraw that I think you're a liar.

Mr Stanhope: Right. Stop being such a hypocrite, for goodness sake, and grow up.

MR SMYTH: Come on. You should grow up. Your defence is on the line. What jurisdictions, Chief Minister?

Mr Stanhope: Madam chair, I withdraw, out of deference, the suggestion that Mr Smyth was a liar. But I do ask that Mr Smyth stop distorting and verballing things that I say which are on the record. It is most unhelpful that, every time he asks a question which is not reflective of the truth of what I said, I will be required to draw attention to the fact that he is not being honest.

THE CHAIR: Thank you. Mr Smyth, can you just be careful to do that in future.

MR SMYTH: Sure. What jurisdictions were looked at, or were you aware of, where data was gained from that led you to put this tax on? What was the basis for this tax? Are you able to provide the committee with that information?

Mr Stanhope: We're more than happy to take that question on notice.

MR PRATT: Chief Minister, you're introducing a fire levy of \$84 per household—a total of \$10 million revenue from residential properties—and an additional \$10 million a year from commercial. That's a total of \$20 million a year. What will this levy fundraising be used for by the government? Is it going into consolidated revenue, or are you going to target it to specific emergency management programs?

Mr Stanhope: All of these moneys of course will find their way into consolidated revenue. Having said that, in relation to emergency services and the fire levy particularly, it needs to be acknowledged—and Dr Grimes may correct me on this—that, in relation to the fire levy, it is pertinent that the ACT, I think apart from the Northern Territory, was the only jurisdiction in Australia which did not seek to reflect, through a specific levy, the increasing cost of ensuring community safety through the provision of significant resources for emergencies.

There needs to be that context provided in relation to any discussion around the fire levy, just as it needs to be provided in relation to any discussion around the utilities levy. I think we are the only jurisdiction in Australia that hasn't, to date, imposed a levy on utilities for the use and maintenance of government land which, in some instances, is used only by utilities and for no other purpose but which imposes, quite obviously, a cost on the jurisdiction. It is only appropriate in relation to the utilities that we as a jurisdiction seek to cover costs, whether real or otherwise, in relation to the use of our land by utilities.

It is pertinent to a discussion in relation to the fire levy that we, until this budget, except for the Northern Territory, were the only jurisdiction in Australia that did not specifically

seek to reflect the exponentially increasing cost of emergency services and protection against fires. How sensitive are we here in this jurisdiction to the need to ensure that the community is safeguarded, and the fact that we reflect some of the cost to the community through a specific levy in acknowledgment of that cost.

As I've indicated earlier, Mr Pratt—and I think you are aware—ACT government expenditure on emergency services in the last four years has increased by 46 per cent, or somewhere in the order of between \$22 million and \$24 million a year. That's an enormous increase in expenditure—across the board perhaps the highest overall increase in expenditure on a single line. There perhaps are one or two other examples.

MR PRATT: It's been poorly targeted, by the way, Chief Minister.

Mr Stanhope: That's another debate.

MR PRATT: Which we'll come to on Tuesday.

Mr Stanhope: That's another debate. I know you have an opinion, which we don't share, of course. Those are just the facts in relation to the fire levy, the provision of fire services and the operations of the Emergency Services Authority. As a government we have invested enormously in emergency services across the board, whether it be in relation to the urban fire service, the Rural Fire Service or other areas of emergency services. That's the rationale and the basis of the charge.

MR PRATT: I've got a couple more on this, if I can, please, chair.

DR FOSKEY: Can we finish after that, please? I'm concerned that we are still dealing with stuff from Monday. We've got all of this morning's stuff as well, and we're just going over and over old stuff.

MR PRATT: We are not, Dr Foskey.

DR FOSKEY: We are.

MR PRATT: We are not. We haven't investigated the fire levy.

THE CHAIR: Mr Pratt, will you ask your supplementary, please.

MR PRATT: I refer to the \$20 million. That is a fairly large packet of money which we can't therefore ignore. What is the basis for determining that level of funding to be recouped by yet another tax? Why wouldn't you therefore, having taken it in, targeted it particularly against emergency management tasking?

Mr Stanhope: We are, essentially. There's another debate to be had in relation to the way in which governments operate. Just so I better understand, are you suggesting that the money should perhaps, having been collected, be explicitly devoted to the fire service or emergency services, that there be some discrete identifiable process whereby that is achieved? But essentially there is, through the budget process.

MR PRATT: At least people would know what they are paying for and the reason for

this impost.

Mr Stanhope: The appropriation in this budget, from memory, for emergency services is somewhere in the order of \$46 million, which represents a 46 per cent increase in funding. Excuse me if I'm a little wrong but, by way of illustration of the point I make and in response to your question, in this budget we are appropriating somewhere in the order of—and it is around this number; I would have to perhaps get the papers out to verify it—\$50 million for emergency services, an increase of 46 per cent since we came to government.

We now propose a fire levy which is directly attributable and raises, for the community's understanding, the fact that there is a significant cost to the community in the provision of emergency services and protection from fire. The cost of providing that service will, in future, be reflected through a dedicated fire levy, just as it is in every other state in Australia. It is not as if we expend less on emergency services than this particular levy will generate.

I think it is important, in the context of revenue versus expenditure and the gap and in the context of expenditures by government on particular areas of priority, that there is a community understanding of the cost of service delivery, so that people genuinely understand that emergency services cost us nearly \$50 million a year and that there is, of course, a price to pay by the community in a government delivering that level of service. A specific fee or charge identified specifically in relation to an area of government expenditure, I think, is quite reasonable.

MR MULCAHY: Supplementary to Mr Pratt's point on this levy, what is the rescue levy on car registration worth in terms of revenue, and what has that been applied for?

Mr Stanhope: I will take that on notice.

MR PRATT: You have given pensioners a 50 per cent rebate on the fire and emergency services levy, but what about the self-funded retirees who are often, as you know, asset rich but cash poor? How will you deal with them? Why is that class of people not entitled to a rebate on this particular fire levy?

Mr Stanhope: I will defer to Dr Grimes in relation to some of the explanation around that. But let me just say at the outset that I do not disagree with you that, in relation to a range of areas of government service delivery and issues in relation to revenue, self-funded retirees are in a particular class and face particular difficulties as a result of their superannuation arrangements and their income. I concede that. It is an issue which my government and successive governments have grappled with in a range of areas, and we continue to grapple with it.

There are certainly issues facing self-funded retirees—I acknowledge that—and particular difficulties for government: difficulties that we've grappled with and difficulties which previous governments have grappled with, and never at any stage to the satisfaction of self-funded retirees, particularly those whose retirement incomes are perhaps at the lower level. I acknowledge absolutely the significance for those people of changes in their expenditures.

We are sensitive to that but there are, of course, limitations on the capacity that governments have to provide or allow dispensations. We do it in relation to people on various pension arrangements or in receipt of certain benefits recognised specifically through objective criteria in relation to their particular circumstances, many of which are, of course, means tested. There is a difficulty—I acknowledge it—but there is also a limit on a government's capacity to provide exemptions from the very necessary effort of raising revenues to provide government services across the board. That, of course, is the simple answer.

MR MULCAHY: So if you are just a battler in Charnwood, you'll have to cop it on the chin as though you were earning the same level—

Mr Stanhope: I beg your pardon?

MR MULCAHY: If you were just a battler in one of the less wealthy northern suburbs, you'll be hit at the same rate as somebody in one of the wealthier areas, with no prospect of exemption.

Mr Stanhope: The imposition of progressive, as against non-progressive, taxes is something which every government grapples with and every government agonises over. These are incredibly difficult issues. Mr Pratt acknowledged that in the opening to his question in relation to exemptions for certain classes of ACT residents from rates and taxes and charges. Within the ACT we seek to provide a range of exemptions equitably and consistently with a formula that nevertheless allows us to raise the funds necessary to provide the range of services which people have a right to expect. We do it in exactly the same way that you did it in government, and we provide the same rules as you did in government.

MR PRATT: Chair, can I ask the Chief Minister to take on notice and to provide this committee the detail of what the determining basis of that \$20 million levy is, please? Why it is \$20 million, and exactly what decisions were taken to target that amount of money.

Mr Stanhope: I would be happy to take on notice the request for additional explanation around the levy, chair.

THE CHAIR: Thank you, Chief Minister. We will go on to the Central Financing Unit now.

MR MULCAHY: Can we just take one more on expenditure?

THE CHAIR: We're doing revenue, not expenditure.

MR MULCAHY: Revenue relates to expenditure.

THE CHAIR: I think I have already said that Mr Pratt's would be the last question, so you can place it on notice. We need to move on.

Mr Stanhope: I am happy to take it on notice, Mr Mulcahy. I presume this is your detailed list of things that the Liberal Party will be cutting.

MR MULCAHY: I'm still waiting for an answer—

Mr Stanhope: This will not be a detailed explanation of the Liberal Party's proposed non-expenditure?

MR MULCAHY: —on why we cannot run ourselves any less expensively than the rather mismanaged state of New South Wales.

Mr Stanhope: I'm keen to see the question, Mr Mulcahy.

MR SMYTH: How many staff are in the Central Financing Unit? What is happening with them in the reforms in this budget?

Mr Stanhope: I ask Dr Grimes to respond to that.

Dr Grimes: I heard the first part of your question, which referred to the number of staff.

MR SMYTH: How many staff are there in the CFU, and how many will survive this budget?

Dr Grimes: I will get the details for you.

MR SMYTH: Yes. Talking to the Chief Minister is hard.

Dr Grimes: Mr Broughton has just clarified that there is a budget for four people—so four staff. There is no change to staffing numbers in the CFU. Mr Broughton said he wants to clarify something.

Mr Broughton: Could I clarify that in fact the salaries and administrative expenses of the people who work in the Central Financing Unit are incorporated into the whole of Treasury budget, so the figures relating to the CFU are only with regard to the transactions that take place.

MR SMYTH: Are the four staff included in the head count on page 68 for Treasury, or are they additional to that?

Dr Grimes: Our understanding is that that should be correct. They are in the Treasury figures. That is our understanding.

MR SMYTH: I refer to the chart on page 93. I was taught at school that your vertical axis always started at zero. Why do we start at five per cent and go up to seven per cent?

Mr Broughton: Simply that, if we started at zero and went to seven per cent, you would not be able to differentiate the two lines terribly well. The scale would be so large that the difference between the two would be difficult to pick.

MR SMYTH: So by shortening the range, you actually make it look better, you get that nice V shape that the graph comes out in, rather than the actual, which is somewhat flatter.

Dr Grimes: That V shape is largely just reflecting movements in the national market. So we're not trying to claim—or we don't think the government is trying to claim—any credit for changes in investment returns generally. These are reflecting national market movements. The issue is really returns relative to benchmark.

MR SMYTH: If the outcome has exceeded the benchmark in the past two years, why is it only expected to match the benchmark in this year?

Mr Broughton: I think what happens here is that we budget to achieve the benchmark. If we can in fact leave the benchmark, that is a positive outcome that we take as a bonus.

MR SMYTH: So it is a conservative view, rather than perhaps what the actual outcome might be?

Dr Grimes: The diagram would suggest that that has been the record at least to date, with the previous years being slightly above the benchmark.

MR SMYTH: Is there more data in years before this? Is it possible to get a chart of the last three or four years, or the last five years?

Dr Grimes: It should be possible. We would obviously have to take that on notice, of course.

MR SMYTH: Thank you.

MR MULCAHY: You would be able to confirm, Dr Grimes, that the CFU basically manages the territory banking account and investments? That is their role?

Dr Grimes: Yes, correct.

MR MULCAHY: Do you still hold to the reply you gave me on Monday that the territory banking account investments, which were quantified on page 133 of BP3 at the figure of some \$307 million, are the same as the unencumbered cash figures and receipts which were reported on and projected to be \$900,000 at 30 June?

Dr Grimes: Yes. I have no reason to depart from that.

MR MULCAHY: So it has gone up from a projected \$900,000 to \$307 million?

Dr Grimes: That is correct.

MR MULCAHY: That is an extraordinary change in outcome circumstances.

Dr Grimes: It reflects, in part, the government's reforms to cash management arrangements, which are reported here in the budget papers. Under those arrangements it was clear that agencies were holding cash balances that were in excess of their needs, traditionally.

MR MULCAHY: So it is from the sweep-up of all those accounts?

Dr Grimes: That cash amount, which was always available and was sitting in agency bank accounts, will be swept up and accounted for centrally. That is actually an arrangement which is put in place by some other jurisdictions—certainly by South Australia.

MR MULCAHY: So the less than \$1 million reported on in the previous budget were in fact the funds available directly under the control of Treasury, as opposed to all the agencies that may have had trust accounts?

Dr Grimes: Yes. I think that is one of the reasons that almost highlights one of the limitations of that measure that was previously reported. I think that, as I indicated on Tuesday, in this budget the government has moved to the GFS system as being the key focus. This is actually consistent with the commonwealth government. The measure of the commonwealth government is net debt.

MR MULCAHY: I do not have an argument with that approach; I am just curious. In respect of the investment performance of all these nest eggs around the agencies, what was the oversight on that previously?

Dr Grimes: Those would be managed under the provisions of the Financial Management Act.

MR MULCAHY: The CFU would still oversee the investment of those surplus funds?

Mr Broughton: Yes. Although the agencies held those funds as their own, they were still invested centrally through the CFU.

MR MULCAHY: So you are the banker, in effect.

DR FOSKEY: I have just got a few questions about the investment aspect of the Central Financing Unit. I note that you invest through external investment managers. How many such managers do you use? Are there funds? Could you just give us a little bit of an oversight of how this rather large amount of money is managed?

Mr Broughton: Yes, I can answer that. We in fact have two separate external funds. One is called a cash enhanced facility, which is at call. In other words, it gives us the ability to draw funds on the day that we require them. It is an at-call cash enhanced facility. The manager is given the objective of trying to achieve a small margin above the official cash rate. They do that through some active management and have, in fact, performed very well for us.

The other fund we have is what we call a fixed interest fund, where investments are done on a longer term, usually averaging somewhere in excess of 12 months. The idea behind that is that you extract a slightly better return because you're prepared to tie your money up for a bit longer. The funds that sit in that are generally special funds coming out of some of our agencies. For example, the ACT Insurance Authority invests most of its money in the fixed interest fund.

DR FOSKEY: Do any of these funds get invested in the territory?

Mr Broughton: No, they don't.

DR FOSKEY: That seems a bit of a missed opportunity. How hands-on is the finance and investment advisory board, and what kinds of people make it up?

Dr Grimes: The finance and investment advisory board meets quarterly, and it is made up of four members. I am one of the members. There is a chair and two other members. Those three members are all external members. They are members who have previous experience in financial matters—normally considerable experience in the management of superannuation assets. They provide advice on investment matters to do with both the investments of CFU and also the superannuation unit. Essentially they are a body of expertise that we can use to receive advice on the investment strategies that are being employed.

DR FOSKEY: So they have a real function.

Dr Grimes: They have a real function indeed.

DR FOSKEY: Is the territories investment adviser someone who works in Treasury, or are they contracted from outside?

Dr Grimes: We have staff within Treasury who manage the investments. But in addition to the investment advisory board we have an asset consultant, Frontier, which provides us with advice on the investment strategies that are being undertaken. This is actually consistent with all major investment funds. They have external advisers. These are very specialist areas, as you would appreciate, and it is necessary to receive external advice to assist us in the management of the government's investments.

DR FOSKEY: What would be the process for deciding to allocate a certain proportion of those funds in something productive—assumedly something that would bring some return within our own territory?

Dr Grimes: Of course, in investing the funds there is a focus on ensuring that we get good returns for the taxpayer—that is obviously quite essential. We invest in the capital markets. There is some depth in those capital markets.

DR FOSKEY: Sorry for interrupting but, if we invested in something that benefited the polity of Canberra as such, then, as well as getting a return on the investment, there would be the services, or whatever was provided.

Dr Grimes: Of course it is true that the investments we are making are on a national basis, but many of those national companies are actually making investments here in the ACT. So, indirectly, there can even be benefits in that sense. It would be a very resource intensive exercise. We would be almost running an investment bank for the ACT itself.

State governments have found that that can be a very risky area to enter into. There were the experiences that some state governments had in the late 1980s, where they set up their VEDCs and so forth. For the management of superannuation funds and also the general cash investments of the territory, the government has determined that it is more

appropriate for that to be managed through national investments. Of course, for economic development purposes, that would be a separate set of arrangements managed through the department of economic development.

DR FOSKEY: Finally, do any of the guidelines include ethical or environmental criteria, or is it all about money?

Dr Grimes: The primary focus is on achieving good returns while minimising risk. Obviously the area of ethical funds and so forth is something that is kept under review from time to time, but our investments are focused on returning high returns while minimising the level of risk.

MR MULCAHY: When did you last measure Frontier's performance against other investment managers?

Mr Broughton: We haven't actually, to my recollection, specifically measured their performance but it is important business. Frontier have, in fact, just recently won two very major advisory contracts. We have been happy with the advice we have been getting from Frontier and we believe that some other key players in the industry—much larger than us—are also quite happy with the product that Frontier offers.

MR MULCAHY: But you've never measured their performance.

Mr Broughton: The performance of asset consultants is usually related to the performance of the funds on which they're advising.

MR MULCAHY: That's right; so they're pretty critical.

Mr Broughton: They are, but they're not necessarily directly comparable, because different funds take different levels of risks and have different objectives in relation to their investment returns.

MR MULCAHY: True, but that would give, again, the high-risk investment activity, I would have thought.

THE CHAIR: We are not here for general conversation. We will go to morning tea now.

Meeting adjourned from 10.36 to 10.57 am.

THE CHAIR: Going on to the home loans area, I will kick it off by asking a question. How will the changes to the home loan concession scheme impact on the housing market? I refer to the changes mentioned on page 103.

Mr Stanhope: I defer to Dr Grimes for a response to that.

Dr Grimes: The changes there will not have direct implications for the home loan portfolio. The home loan portfolio was established a number of years ago and was actually closed to new people some time in the mid-1990s, but I have not got the exact date with me at the moment. At the moment, that portfolio is being managed by Treasury, by our revenue office. Some 1,000 people have loans, from memory. They

obviously took out their loans a number of years ago. At the moment, the loans are gradually running down as people discharge them and take up new financing arrangements, but there should not be a direct relationship between those two items.

MR GENTLEMAN: What was the percentage rate charged to people acquiring home loans under this scheme?

Dr Grimes: I will refer that question to Mr Dowell, who should be able to provide you with that information.

Mr Dowell: In relation to the home loan portfolio, the interest rate is a variable rate, and it is pegged to the interest rate of the Commonwealth Bank mortgages.

DR FOSKEY: The home loan portfolio seems to be there earning money for the territory. It seems a pity that it could not be assisting with the housing problem in the ACT. I gather it is worth about \$22 million on top of the \$100 million or so that has to be returned to the federal government in 2040. I am just wondering whether it could be invested in community housing or in public housing, where it could do some social good, remembering that any housing that the territory owns does belong to the territory and is an asset of the territory. It seems a pity that it is invested in unspecified funds.

Dr Grimes: Mr Dowell will be able to provide further information.

Mr Dowell: The home loan portfolio is subject to an external review every couple of years. At that time, any surplus cash is identified to the government. I think it was two years ago that the government decided to take around \$30 million out of the home loan portfolio and put it into housing. The follow-on review from that is yet to be completed.

DR FOSKEY: At the time that \$30 million was creamed off, how much was seen as available? At the moment, the \$22 million is on top of the \$100 million. Would that be considered all available? How does the thing work?

Mr Dowell: It depends on the risk analysis of the remaining loans in the portfolio. As the home loan portfolio reduces in number—you will notice on page 103 that it is currently around 450 and it is expected to drop to 366 next year—the people that remain in the portfolio usually have a higher risk profile of defaulting, so there would be additional funds needed to cover possible bad debts.

MR SMYTH: What is the length of time left on the loans? For how long will we need a home loan portfolio?

Mr Dowell: From memory, the current home loan portfolio will wind down, the last loan, in around 2035, I think. It is variable, depending on each individual loan, but there is quite a long tail of the very few small ones.

MR SMYTH: How many staff comprise the home loan portfolio?

Mr Dowell: Currently, there is one full-time staff member and one part-time staff member. As the number of loans drops, we review that.

MR SMYTH: As consequence of this budget, has there been any reduction in that figure of 1½ FTE?

Mr Dowell: No.

THE CHAIR: Unless members have further questions in this area, we will move on to the Shared Services Centre, pages 111 to 133 of budget paper 4.

MR GENTLEMAN: Treasurer, I refer you to page 112 of budget paper 4. InTACT's employment statistics show changes to staffing from 303 full-time employees to 919 employees. The note says that the 919 figure does not include contractors. How many contractors are contracted to InTACT, on average, and for how long?

Mr Stanhope: I will ask Mr Vanderheide to go through all of those issues.

Mr Vanderheide: As to the headcount figures on page 112, 303 is the InTACT number now for permanent full-time staff and 919 is actually for the entire shared services organisation next year. With regard to the question of contractors, we have about 80 contractors on staff. About 22 per cent of InTACT's work force are contract staff. Those contracts are never for longer than 12 months. We review them every 12 months and many times they are often shorter than that. That 22 per cent to 25 per cent has been fairly consistent over the last four years within InTACT. That is about the number of contractors that we always have.

MR GENTLEMAN: That seems to be a high level of contractors. Is there not an opportunity to make them full-time employees?

Mr Vanderheide: We take every opportunity we can to turn contract staff into permanent staff, but because the IT industry is the IT industry we often have to engage people with specialist skills. Those people are often rare and the only way to get them is actually to take them on on contract.

MR MULCAHY: Are you saying that these 80 people, in the main, do not want full-time employment in the public sector? It does on the face of it, as Mr Gentleman is highlighting, I think, almost look like it is a way of stepping around the headcount issue.

Mr Vanderheide: No, it is absolutely not a way of stepping around the headcount issue and we are very open about the fact that we have had 25 per cent contract staff over the last four years. I am sure some of them probably would be willing to take full-time work and, where we have been able to facilitate that, we do.

MR MULCAHY: So you are typically paying these contractors a lot more than they would get if they were employed in the public sector.

Mr Vanderheide: Often more, yes.

MR MULCAHY: Typically?

Mr Vanderheide: It varies. That is a hard question to answer because it is hard to be

able to compare. If we don't have somebody as a permanent staff member with that particular skill, it is very hard to compare whether we are paying them more or not.

MR MULCAHY: Mr Vanderheide, I ask you to indicate, on notice, how many of those 80 people are remunerated at a rate significantly higher than they would enjoy as members of the ACT public service. I am asking you to take it on notice. You do not have to have that figure today, but I think it goes to the point as to whether these people are, in fact, employees by another name.

Mr Vanderheide: Yes. Again, I am happy to take it on notice and have a go. I am not sure we can answer that question because we really would have to be able to compare them to what they would be earning if they were permanent staff.

MR MULCAHY: You must know what the weekly or daily consulting fee is relevant to what it costs to have an employee. Understandably, there are set on-costs. I would have thought that would be reasonably easy data to extract. Surely, if you are hiring people as contractors, there must be some yardstick by which you are determining the remunerative arrangement. Surely these 80 people don't just walk in and say, "This is what I'm going to charge you." I would have thought that you would have some parameters.

Mr Vanderheide: Yes, we do have some parameters. It is generally market rates and the market is what we use to compare what we are paying our contractors with what—

MR MULCAHY: So you are not paying your employees market rates, you are saying.

Mr Vanderheide: I didn't say that.

MR MULCAHY: I am being serious. There is a significant issue here.

Dr Grimes: I think that one of the problems with that, and I think Mr Vanderheide alluded to it, is that it is actually mapping in a contractor and then determining what would be the public service level that they would be on. That could be one of the complexities. We are happy to take a question on notice, as Mr Vanderheide indicated, but that could be one of the complexities that would make it difficult to make those sorts of comparisons.

MR MULCAHY: Your best effort would be appreciated, too, and I think you understand where I am coming from on this. My last question, if I could ask the Treasurer—

Mr Stanhope: And you understand the response, that it actually second-guesses the level at which they might be employed were they employed. So there is a real variable in any response that could be provided.

MR MULCAHY: I understand, but I am trying to work out the basis on which you hire these contractors. There must be something.

THE CHAIR: Mr Mulcahy, the question has been taken on notice, so we are not going to discuss the question.

MR MULCAHY: All right. The last question is: Treasurer, has your government ever

examined the option of outsourcing the work of InTACT, given the fact that you have now got 80 people as external contractors? Has that been received by your government in the context of any discussions on budgets or elsewhere?

Mr Stanhope: It wasn't considered in this budget, Mr Mulcahy. I would defer to Dr Grimes and, particularly, Mr Vanderheide in relation to any other consideration that may have been given, but it is not consideration that has been given by me as the responsible minister.

MR MULCAHY: Previously?

Mr Stanhope: As I say, I am not privy to any other consideration by a previous responsible minister but, since becoming Treasurer, I have not given consideration to the possibility.

Dr Grimes: Certainly nothing that has been actively raised with me in the time that I have been in my position either.

MR MULCAHY: Have you put it forward as an option?

Dr Grimes: As I was saying the other day, we don't go to the options that we put forward to government, but I have just indicated that this hadn't been something that had been considered, so you will be able to—

MR MULCAHY: You said hadn't been raised with you. We are careful in our language today.

Mr Stanhope: Always, Mr Mulcahy.

MS MacDONALD: The other day I heard a disturbing suggestion that the backup systems of InTACT weren't adequate, so I figured I would take the opportunity to ask Mr Vanderheide what the backup systems are for InTACT because, if they are not adequate, that is of concern to me as a member of the Assembly.

Mr Vanderheide: I defer to Mr Chisnall, who is the acting general manager of InTACT.

Mr Chisnall: The question goes to the backup regime that is offered by InTACT. I think it is fair to say that backup, particularly against an ever-increasing data volume, is something that we constantly monitor. So it is not something that is put in place and then stays the same forever. It is an ongoing issue to ensure that the best possible backups are available at any given time. We have a nightly backup regime. We have backups on a daily basis, incremental backups. We have monthly backups. We have a series of backups going back over a year. There is quite a complex web of backup processes in place that are constantly under review, not only the backup frequency itself but also the technology behind those backups. Something that within the last year and going forward currently and being implemented is a new form of storage structure which enables better quality and better, quicker backups to occur as that volume of data increases. So we are very much aware of backup. We do backups and we continuously improve them.

MS MacDONALD: I am not an IT person. I am not very IT literate at all. I turn on my

computer in the morning and think that is a major achievement on my part. The suggestion was that there was only a partial backup at Macarthur House. I don't know what that means necessarily, but I am concerned to know that if some sort of disaster occurred at Macarthur House—say Macarthur House burnt down—essential services for the territory would be able to be recovered.

Mr Chisnall: We back up all of the ACT territory data. So the suggestion that there is a component of data that is not backed up at Macarthur House I would suggest is wrong. Having said that, the complexity of backups is such that on occasions a backup, for various technical reasons, may fail. In fact, I get a report on my desk every morning of all of the backups that occurred overnight detailing, and we take it very seriously, if there has been a problem in a backup and so on and the restorative measures; but, in terms of the comprehensive coverage of data, I think that is pretty much covered.

MR GENTLEMAN: While we are talking about systems, what measures will InTACT maintain or introduce during the next budget period to ensure continuation of the high level of security that we have at the moment for agencies?

Mr Chisnall: Security is an ongoing issue and one that constantly changes from the point of view of the very hostile environment that modern computing networks exist in. It is fair to say that if you go back six months, or even a year, or even a month the environment associated with protection against denial of service attacks and other attacks on the ACT government network changes and generally gets worse and there really is a war between the people trying to get into systems and the people trying to defend systems.

Specifically, there is a whole range of issues that we are currently involved in improving that security. I will speak to a couple. One is the area of spam filtering. There is a white noise death in terms of information whereby, if you simply have an open inbox, then nowadays that inbox can be filled with any range of pornography and advertising material of various offensive types; it is just the reality.

So we have and continue to implement more and more sophisticated spam filtering. We use a product called Barracuda and a technique which is being worked on at the moment which is a basian algorithm, which essentially says that a person will define what spam is to them, because some things are obviously spam, they are obviously offensive, but what can be one person's spam can be another person's critical business paper. So we are developing techniques and using technologies for the individual to indicate what they consider to be spam.

We maintain a very high level of anti-virus scanning documentation. We are working in areas of providing encryption for portable devices and so on. We are progressively updating the internet gateway. We are actively creating business disaster recovery plans both at a system level and an individual agency level. So there are many areas. We have a security team which is focused on events and indeed planning for added protection for the ACT government network.

MR GENTLEMAN: I am glad that you brought up spam, as it is an interesting topic. This morning in my spam catch filter there was an email from my email address at the Assembly offering me a lottery ticket. Luckily enough, the spam filter caught it, and my

office did not generate it, by the way. I am interested to see how they could use my email address here in their spam.

Mr Chisnall: The techniques of the dark side are many when it comes to spam. One of the ways they do it is by harvesting web sites. They actually have automated software that goes around looking at the internet, focusing on particular web sites and, every time they see an email address, picking it up and adding it to a list that then subsequently becomes the recipient of an unwanted email.

MR GENTLEMAN: I am pleased to say that InTACT acted on it straightaway. I didn't buy a lottery ticket, by the way.

Mr Chisnall: But it really is an appalling nuisance.

MR MULCAHY: I keep getting offered jobs from various places. I don't know if somebody is sending them to me.

DR FOSKEY: Will the broader role of InTACT under the shared services system mean that you will now take responsibility for assisting or even coordinating contracts that departments might draw up? For instance, you are probably aware of the chris21 human resources software problem. Is there some way that our new arrangement will ensure that such won't happen again?

Dr Grimes: I will ask Mr Vanderheide to respond to that question.

Mr Vanderheide: Chris21 is an application that is actually owned by the Chief Minister's Department and the project itself to implement chris21 is driven out of the Chief Minister's Department, so part of that question is probably more appropriately directed towards the Chief Minister's Department than InTACT. The shared services organisation that will be set up will have responsibility for tactical and transactional human resources services which will include payroll, so I am expecting that when we go live on 1 February responsibility for chris21 will transfer to me or to the shared services organisation. Your question is: would we have a similar problem in the future under shared services?

DR FOSKEY: In future, as the shared services body, will you have a role in assisting the departments when they purchase these services?

Mr Vanderheide: Yes.

DR FOSKEY: I am sorry, I know that I do not have the right terminology. In other words, either you will have an advisory role or you will do that directly yourself.

Mr Vanderheide: Yes. Both, in fact, yes.

MR SMYTH: How much, in total, is it costing to set up the shared services department?

Mr Stanhope: I will ask Dr Grimes and Mr Vanderheide to go to some of the details of the establishment costs and arrangements for the Shared Services Centre as we envisage it. Could you go to that, Dr Grimes?

Dr Grimes: Yes, I am happy to provide a high-level overview and Mr Vanderheide can supplement that. We do anticipate that there will be costs in establishing the Shared Services Centre, as you can imagine. A change of this sort does require an investment to be made up front in order to be able to achieve savings down the track.

In terms of set-up costs, there is provision in the budget for \$5 million worth of costs for fit-out of office space. Obviously, in creating a new Shared Services Centre, it is going to be important to co-locate staff, ideally in the one location, certainly for staff working on human resources and finance in the one location. There will obviously be costs there in fitting out that office space. There is provision made for that of about \$5 million.

There is also provision made for about \$1.5 million in other set-up costs. This is putting together a transition team. Indeed, at the moment Mr Vanderheide is overseeing a transition team which has the role of mapping out the new jobs that are going to have to be performed in the new Shared Services Centre, working out how services can be delivered most efficiently. There may be some additional costs over and above that \$1.5 million. We don't expect them to be dramatically higher than that amount, but we do expect that there will be some further costs in integrating systems, bringing IT systems together and so forth.

DR FOSKEY: I have a supplementary question. A really huge project is being undertaken in creating this shared services unit. I am wondering if there is going to be a method of evaluation, apart from bottom line dollars, of the impact on departments, how messages travel through, how influential departments are able to get responsive action and so on. There is a lot more to it than the dollars and I would like to know that there will be an ongoing process of evaluation and the ability to change tack if it appears more sensible, because I know that the decision to have these services happening in the departments were made on good grounds as well. They were possibly different grounds, but we may come up against exactly those problems again which led to there being, instead of a centralised department that doles out services, the location of those services within departments and agencies.

Dr Grimes: One of the things that the government is seeking to achieve with the Shared Services Centre is not just to have simply this isolated central centre doling out services in that way. It is actually very important that this is a shared service. So there is very much the emphasis on the word "shared". As a result, there is a well-developed governance framework to oversee the Shared Services Centre. The Shared Services Centre is actually overseen by a board, and that board is comprised of all of the chief executives of the ACT departments, chaired by the chief executive of the Chief Minister's Department, Mr Harris. That is seen as being an absolutely essential element of the model for a number of reasons, but one of the most important reasons is to ensure that the Shared Services Centre operates in that way, in a shared way, and is able to identify the specific needs of departments and agencies and be responsive to those needs. So, rather than just reporting to a single point, the Shared Services Centre actually reports to an overseeing board which is comprised of all departmental chief executives.

DR FOSKEY: A very top-level evaluation.

Dr Grimes: Indeed. That actually indicates the importance of the project.

DR FOSKEY: So we are relying on bottom-up.

Dr Grimes: It is being driven at both levels, bottom-up and also top-down, by ensuring that the most senior chief executives are very, very heavily involved in the project, but obviously down at the level of the team that is driving this, Mr Vanderheide's implementation team actually involves representatives from all of the departments to ensure that we do have a wide range of expertise, knowledge and indeed interests involved in the transition process.

DR FOSKEY: I don't actually know more about how it is going to be evaluated, except I suppose through asking questions at annual reports meetings and the next estimates because you haven't told me that. You have told me how it will be governed, managed, but you haven't told me how it will be evaluated.

Dr Grimes: Of course, the evaluation of the Shared Services Centre will be determined by its capacity to meet the needs of agencies and to be able to meet those within budget, to be able to provide a good quality service in a timely way.

MR MULCAHY: Why have you set such a low satisfaction target, only 80 per cent, which is very, very low by normal customer satisfaction measures?

Dr Grimes: I defer to Mr Vanderheide on that.

Mr Vanderheide: I am not sure that I agree that it is a low target.

MR MULCAHY: It is, I can assure you of that. By conventional measures of customer service, anything under 90 is very, very low.

THE CHAIR: Mr Mulcahy, let Mr Vanderheide answer the question.

Mr Vanderheide: The targets were set basically in recognition that the organisation is going to be establishing itself this financial year, the coming financial year.

MR MULCAHY: So you are expecting a fair degree of unhappiness initially.

Mr Vanderheide: I am expecting there will be some unhappiness, yes. I am expecting that the majority of agencies will actually be happy, too, about 80 per cent of how happy they could be.

MR MULCAHY: Where are you physically locating, Dr Grimes? The \$6.5 million to set all this up, where will you actually locate all these functions?

Dr Grimes: That is a matter that we are working through at the moment, the physical location. The reason for that is we need to bring together a large number of staff and there is going to have to be shuffle-on effects within the ACT public service. So that is something that we are working through at the moment.

MR MULCAHY: So your fit-out costs really are a guess, the \$5 million, if you don't know where you are going.

Dr Grimes: The \$5 million figure is an estimate of what we think the fit-out costs will be. Indeed, one of the reasons why the Shared Services Centre is to operate from February next year is to allow time to resolve questions around accommodation and to make sure that the transition process is a smooth transition process.

MR SMYTH: I have found the \$5 million for the fit-out on page 110. Is the other \$1.5 million for the transition team and set-up costs the second line, change management, on page 119?

Dr Grimes: That is correct.

MR SMYTH: What is the technology cost of \$1.2 million above that?

Dr Grimes: Before I indicated there would also be some costs in bringing together our systems. I will ask Mr Vanderheide to provide you with some more information on that, but that is the key element there.

Mr Vanderheide: The expectation around the technology costs is primarily around the consolidation of Oracle Financials, and we have got 10 instances of Oracle Financials, all of the same version, being used across government at the moment, and we think that cutting down to one would be good.

MR SMYTH: All up, it is \$5 million for fit-out, \$1.5 million for transition and \$1.2 million for technology. To set up the shared services, you are estimating it will cost \$7.7 million.

Dr Grimes: We have that estimate. The costs could be slightly higher than that amount, they may be slightly lower than that amount, but they will be of that order of magnitude.

MR SMYTH: In terms of the staff, when the Chief Minister initially announced this project there were numbers such as 1,200 staff affected with up to 800 staff moving. I note from your answer on staffing that it now looks a lot more like 600 staff have come across. What are the savings in staff? It might be a question for you, Treasurer. How many staff in the departments are to lose their jobs when the rest of their colleagues transfer to the shared services and how many are staying embedded in the departments?

Mr Stanhope: I don't have that number in my memory, Mr Smyth. It may be that Dr Grimes or Mr Vanderheide can be of further assistance. If not, I would be happy to take the question on notice. I am afraid that that is not a number I have with me, but Dr Grimes or Mr Vanderheide may have more information on that. If not, we will certainly take the question on notice, but I will defer to Dr Grimes in the first instance.

Dr Grimes: Certainly, if we could provide further information on notice, we would be happy to do that. As we may have indicated on the Tuesday, overall staff changes depend very much on the extent to which there may be natural turnover within the service. It will also be the case that there may be some staff who will be redeployed within agencies. We expect the bulk of the staff, obviously, to transfer across to the shared services organisation. There will obviously be some staff savings. There have to be staff savings in aggregate in order to deliver the overall savings written into the budget. But in terms

of a precise number around job reductions, we would have to take that on notice. But it may be difficult for us to be able to precisely identify it for the reasons that I have just mentioned.

MR SMYTH: You mentioned my next question in part of your answer. What are the anticipated savings from all this manoeuvring?

Dr Grimes: As I indicated on Tuesday—and I think I answered some of these questions on Tuesday—the figures are provided in budget paper 3. You will have to forgive me as I just find it. It is page 99, Mr Vanderheide tells me. But I think I ran through these tables on Tuesday.

MR SMYTH: You have savings figures in three or four charts in budget paper 3 from page 99 onwards. On page 26 there are across government savings in the summary of savings revenue measures. How can you estimate those savings if you do not know how many staff are going?

MR PRATT: Or where you are locating?

Dr Grimes: As we indicated, we would be making the staffing changes that are necessary to ensure that savings are delivered. The number of staff that may be redundant depends very much on the level of natural turnover. We saw that very much in the past year, where turnover rates were higher than anticipated and as a result redundancies in the previous year were lower than anticipated. So it is completely consistent. The staff changes will be whatever is necessary to ensure that we deliver those efficiencies and savings.

MR PRATT: So you are saying that all staff coming to the Shared Services Centre will be transferees from existing departmental positions? No net new?

Dr Grimes: Certainly there will not be overall, across government, net new. I cannot say that there will be no new employees in the Shared Services Centre. There may well be people who come in from outside who are employed into the Shared Services Centre.

MR PRATT: Could you perhaps comment on that in your on-notice detail as well, please?

Dr Grimes: To the extent that we can. I do not think I am going to be able to add very much further information on notice. One thing that is important to recognise is that these numbers have been costed in terms of benchmarking the delivery of corporate services to ensure that the Shared Services Centre is going to have the staffing level that it requires to deliver the services. So, if you like, the budget has been worked up from the ground up and so we know how much the Shared Services Centre is going to cost. We have a budget for that.

MR MULCAHY: Not really, because you do not know where you are going. You are just taking a big guess and said \$5 million when it was \$7½ million in all. There is a lot of guesswork.

Dr Grimes: In establishing all budgets estimates always need to be made. But as you

appreciate, it is often swings and roundabouts and we are quite confident the estimates we have at the moment are reasonable estimates.

MR PRATT: So you guarantee you will limit yourself to that budget?

MR SMYTH: Mr Pratt just asked the question I was going to ask: will new staff be brought from outside the existing ACT public service or contractors? If you do not know how many new staff are going to be brought into shared services, how can you guarantee the estimates on your savings?

Dr Grimes: We have an estimate of the staff numbers in the new Shared Services Centre, obviously, so we can provide that information. We would anticipate that the bulk of staff in the Shared Services Centre will indeed be people who transfer across. But with any large organisation, as you can imagine, there is turnover of staff; there are new people coming to our public service every week; and obviously people are leaving the public service as well. So, we are not ruling out the fact that some people may come in from outside into the Shared Services Centre, but our expectation is that that will be very small and that the bulk will obviously be our current employees.

MR SMYTH: Western Australia, according to the Western Australian government web site, employed something like 200 additional staff to set it up. Are you employing additional staff for the transition team or the change management team?

Dr Grimes: We are not employing additional staff for the transition team. The transition team is made up of ACT government employees. It is possible that we may need to draw on external expertise in the transition process. So we may need to rely on some consultants. Mr Vanderheide can correct me immediately if I am wrong. I am not aware that any consultants have been engaged at this stage. The core of the transition team will be ACT government employees, but we may need some specialist advice around the integration of systems and so forth where we will be likely to draw on external consulting expertise.

MR SMYTH: On page 26 of budget paper 3 there is a summary of savings and revenue measures. Where do the savings for shared services appear? Are they in the across government savings?

Dr Grimes: The savings from shared services, as you indicated, are reported as across government savings. Those across government savings will obviously include items that go beyond shared services as well. That is one of the reasons the tables that I referred to on Tuesday, from memory on page 99 onwards, provide you with a breakdown of the various across government savings.

MR SMYTH: In the four areas it adds up to about \$17.2 million in the first year. Is that correct? Is that what you estimate you will save?

Dr Grimes: I am sorry, which figure are you referring to, Mr Smyth?

MR SMYTH: If you add up human resources, information and procurement and general procurement savings, in the first year it is about \$16 million, \$17 million. Is that the saving?

Dr Grimes: I have not added them up in my head, but if you have calculated it across those tables that would be correct. But you recall that on Tuesday I pointed out that those savings will be primarily driven through the Shared Services Centre. They are not entirely Shared Services Centre measures, although they are all related to the Shared Services Centre. That is because, under procurement, agencies will obviously be looking at ways in which they can scale back their procurements of goods and services. The Shared Services Centre is going to have an important role to play in better procurement arrangements, finding ways of reducing the costs of our procurement and the prices that agencies are facing, but agencies may also be making reductions just more generally in their procurement.

MR MULCAHY: In relation to your headcount figures on page 112 of budget paper 4, apart from Mr Vanderheide taking contractors, does the same answer stand as for consultants, that you do not at this stage plan on any new contractors, or is there a batch of contractors that are contemplated for work at this stage?

Dr Grimes: No, there is nothing of that sort contemplated for shared services.

MR MULCAHY: So it is just the 80 or so in InTACT that would—

Dr Grimes: It would be the contractors in InTACT. As Mr Vanderheide indicated, in InTACT, where very special skills are required, traditionally—not just recently and not just with the advent of shared services—over a number of years a number of contractors have been used. But we are not planning that there would be any dramatic change as a result of shared services on those numbers.

THE CHAIR: Thank you. We will go on to procurement now, given that you just touched on that. Are there questions on that output class, class 2 procurement?

DR FOSKEY: Yes. For a start, where do records management and publishing fit into this table? I am not sure where to ask questions about that. Do they go with procurement?

Mr Vanderheide: They are under the financial services part.

DR FOSKEY: Bringing procurement back together to a central agency, what is the ability now for governments to favour local suppliers in their procurement?

Mr Vanderheide: I will refer that to Mr Robertson.

Mr Robertson: Under the Government Procurement Act, the Procurement Board has issued a procurement principles guideline, which is akin to a regulation subject to disallowance by the Assembly. One of the eight procurement principles government agencies must comply with is the local industry development principle. There are a range of others—value for money, probity and ethical behaviour, open and effective competition—so it is in the context of those procurement principles that the territory can engage with the local industry sectors. The government has implemented a number of initiatives over the years, including under the buyers and sellers information service. There is a service that we provide to ACT and region businesses where they can register. They get email notification of tenders and business opportunities in the particular

industry classifications that they have said they have an interest in.

It was stated in the economic white paper that one of the ways the government can assist local industry is to give firms advance notice of what is happening. Quite successfully in recent years, the pre-tender consultation process has been implemented. Obviously a lot of the services we provide are well suited to be performed by local people. A lot of the services that the ACT government consumes—maintenance services and lots of other things—are physically done here so obviously that is done by locally based staff.

MR SMYTH: I noticed the output class 1.4 procurement services support on page 103 of budget paper 4 last year. The description is just about identical in the transfer across, except last year's budget was \$9.089 million and this year's procurement support services budget will be \$10.229 million. How does that represent a saving when we move it into shared services, yet it is going to cost us \$1.2 million more?

Mr Robertson: On 30 June 2005, Procurement Solutions was about 48 staff. Elsewhere in last year's budget papers, the government announced the consolidation of procurement activities within Procurement Solutions and there were similar announcements in relation to InTACT. What has been happening over the past 12 months, and it is a prelude to the broader work that is happening to shared services, is that procurement officers around the territory have been identified and their staff and their funding have moved to Procurement Solutions. Last year's budget paper showed that there was an anticipation of about \$1 million savings this financial year, \$4 million next financial year, which is the same as in the table on page 101 of budget paper 3, and then \$6 million in subsequent years.

We have been finding as we moved people to the centre, that we have been putting in place arrangements to help achieve those savings. So what you have there was a point in time. The government had also decided last year that the education portfolio would not be involved in the initial centralisation that was due to happen from next financial year, but this budget has now brought the education portfolio fully into the consolidation from 1 July this year. That is where the differences come in.

MR SMYTH: You said there were 48 staff at 30 June 2004-05.

Mr Robertson: I said 48, yes.

MR SMYTH: How many will there be at 30 June 2005-06?

Mr Robertson: That is hard to know. As of today we have 85. Yesterday we had 86. Tomorrow we will have 84 and that is because one staff member has taken up an opportunity in the private sector. Another staff member is returning to their agency. They have been on temporary transfer, assisting us. We will be getting a couple of staff transferring next week. I am expecting that around 30 June we will have about 86, which will be probably our average number through the course of next year. We are still having discussions with one agency in relation to whether there are any other staff that need to move as part of the procurement consolidation, so that 86 might vary by one or two.

MR SMYTH: At 30 June 2007, how many staff will be in procurement support services?

Mr Robertson: I am anticipating it will be about the same as Dr Grimes said in response to an earlier question. With a lot of these things we have basically done a zero-based build on the staffing that we need. The nature of the staff may change, of course, and that number might be down. Procurement Solutions over the past four or five years has delivered the bulk of the ACT government's capital works, and a large component of the staff are involved in working with the private sector on the delivery of those projects. Depending on what the capital works budget is in those years, the numbers might vary up or down in small amounts, so somewhere around 86.

MR SMYTH: So from a procurement support services point of view there are no savings in staff?

Mr Robertson: The savings are effectively built into the forward budget. Where a lot of the savings have come is that positions have moved from agencies and as we have structured we have gone to the right levels. Over the course of the past year as we have had staff moving on, I mentioned the \$1 million savings and we are on target to deliver those this year, and they have effectively come out of resources and positions that have moved to Procurement Solutions that we have not needed to backfill to provide improved services to agencies.

Dr Grimes: Mr Smyth, when you are consolidating a function in one area, it is not surprising you are bringing more resources into that area, just as we are doing with the Shared Services Centre more generally. The way in which the savings are achieved is costs across the entire ACT government are reduced substantially, and so are costs and employment levels across the ACT public service.

MR SMYTH: Okay, you start the financial year with 86 staff and you end the financial year with 86 staff. Where are the savings in staffing in this?

Mr Roberson: As we have had the positions move across from the agencies, over the course of this year we have had effectively a lot more than the less than 40 where you get from the 48 through to the 86. What was identified in the lead-up to last year's budget was more like 115 full-time equivalent positions. In some cases, we have had effectively more than 38 new people join Procurement Solutions. Out of the 48 we had this time last year, we have lost two to the commonwealth. A number have taken 54/11 retirement under the CSS scheme, so we have had that natural attrition that Dr Grimes has talked about. In some cases the full-time equivalents that moved were effectively the aggregate of a couple of individuals. In some cases the individuals have moved to us, or parts of their positions, and we have not needed to backfill that. That is how we have been able to deliver this year's \$1 million savings. That million was robust, so the \$4 million in the future year, for this coming financial year, is in my view, equally robust.

MR SMYTH: Your procurement consolidation savings for the coming year, shown in chart 5.2.18 of budget paper 3, are \$3.9 million?

Mr Robertson: I was rounding it to four just for ease of discussion.

MR SMYTH: That is fine. General procurement savings are \$4.9 million, so the government intends to save \$8.951 million in procurement in the coming year?

Mr Robertson: Yes.

MR SMYTH: How do you achieve that? How do you save \$9 million on procurement?

Mr Robertson: The procurement consolidation savings we have talked about. It is essentially more efficient processes within government and fewer staff involved in things. But some of the things that we are doing there to deliver the staff savings—which is a lot of that, the first \$3.9 million—

MR SMYTH: There are no staff savings if you have already made them. You made them in the 2005-06 year. How are you going to make more staff savings in the coming year?

Dr Grimes: As I was clarifying before, Mr Smyth, those savings are being achieved in the individual agencies themselves. That is precisely the reason why that table 5.2.18 is broken down by agency. So the savings have been achieved through reductions in the agency budgets. Those agency budgets can be produced because, instead of having to provide the services within the agency, they are now being provided by Procurement Solutions. So the agency budget has come down. The reason the agency budgets are not immediately adjusted by the full \$6 million is, as you would appreciate, that there needs to be a transition process. You need to phase in savings; you do not bring them all in at once. The savings are being made in the agency budgets, and the agency budgets have been reduced by those amounts.

MR SMYTH: But your budget for 2005-06 is \$9 million, output class 1.4 procurement support system in 2005-06 budget paper 4 at page 102. Your cost for the coming year is \$10 million. It is going up \$1.2 million.

Dr Grimes: As Mr Robertson indicated, Procurement Solutions is taking on additional functions. So it is taking on more work than it was managing in this year. It is primarily around the integration of the Department of Education and Training, CIT, into the procurement arrangements as well. They were not previously in.

MR SMYTH: And you can manage that with the same number of staff?

Dr Grimes: Yes, I believe that it can be managed within the staffing levels that Mr Robertson has indicated.

THE CHAIR: If there are no more questions on procurement we will move onto human resource services output class 3.

MR GENTLEMAN: Treasurer, I refer you to page 132 of BP4, human resources services. Some of the answers that have been given might already have touched on this. In 2007-08 employee expenses increase by some \$7 million but drop for 2008-09 and 2009-10. Can you explain that increase?

Mr Stanhope: Thanks, Mr Gentleman. I will ask Dr Grimes to answer your question.

Dr Grimes: I am happy for Mr Vanderheide to answer that question.

Mr Vanderheide: It is a reflection of the fact that the new organisation does not start until 1 February so, in effect, for the coming financial year we are funded for five-twelfths of the year. The following financial year we will be in operation for the full 12 months.

THE CHAIR: Mr Smyth?

MR SMYTH: I refer to staff movements. How many staff will human services have?

Mr Vanderheide: As Dr Grimes indicated, at this stage it is an approximate figure. The expectation is that there will be approximately 200 staff in both the HR and financial service streams of the new organisation. So there will be 200 in each.

MR SMYTH: Do you know how many staff are currently employed in those departments?

Mr Vanderheide: We know that approximately 650 staff are providing HR and financial services across the whole of government. That is the entire range of services from tactical and transactions, to things like payroll, right up to the strategic end of chief financial officers.

MR SMYTH: So what is happening with the 450 that are not going into human resources services?

Mr Vanderheide: That would be 250.

Dr Grimes: Mr Smyth, it might just be worth noting—and Mr Vanderheide touched on this—in that figure of 650 you have people from the transactional level right through to the strategic level. Of course, those strategic functions remain with the agencies, so a large proportion of those staff will be staying in the agencies. Not all the tactical staff will be transferring across. The reason for that, obviously, is to achieve savings in those services.

MR SMYTH: Sure. Sorry, did I mishear a number? Human resources will have 200 staff?

Dr Grimes: Yes.

MR SMYTH: Currently 650 staff are scattered around the departments?

Mr Vanderheide: Doing both human resources and finance. So approximately 200 staff from human resources will come across, and approximately 200 staff in finance will come across.

MR SMYTH: So it is 200 staff in human resources and 200 staff in finance?

Mr Vanderheide: It is 400 in total.

MR SMYTH: We will get to financial services in a minute, will we not?

THE CHAIR: Yes.

MR SMYTH: So it is 650 staff to HR and finance?

Mr Vanderheide: Yes, and I do not have the split.

MR SMYTH: That leaves approximately 250 staff. They will remain in the departments performing the strategic functions about which you were talking earlier. How many of those 250 are expected to go?

Mr Vanderheide: I think that is the question we took on notice.

MR SMYTH: Is it correct that there will be no state of the service report in 2006-07, or does that come under the Chief Minister?

Mr Stanhope: Yes, that is the Chief Minister's Department.

MR SMYTH: We will get to that later.

Mr Stanhope: The commissioner will be here this afternoon, Mr Smyth.

THE CHAIR: We will deal with output class 4, financial services. Do members have any questions?

MR SMYTH: So 200 staff will go into the financial services output class. Do we know approximately how many finance staff will remain in the departments and what they will be doing?

Mr Vanderheide: Again, it is the strategic end of finance. I do not have a split of that 650 staff.

MR SMYTH: But we will get that information as the question has been taken on notice?

Dr Grimes: We will provide what information we can. I think I indicated earlier, Mr Smyth, that there are always questions about the extent to which people might be redeployed, natural turnover, and so forth. We will do the best we can to see what information we can provide on notice.

MR SMYTH: What software do you use to manage finances across the ACT?

Dr Grimes: Oracle.

MR SMYTH: And each of the departments currently uses a version of Oracle?

Dr Grimes: That is correct.

MR SMYTH: But the links back to Treasury mean that you have consistent use of Oracle across the territory?

Dr Grimes: I think Mr Vanderheide indicated a little earlier that there are several different instances of Oracle. In other words, agencies have tailored them in particular ways, which means they are not completely consistent and integrated in a seamless way.

MR SMYTH: Do they need to be?

Dr Grimes: Yes, it would be desirable if they were. Indeed, that is one of the reasons why there is provision for systems funding in the budget to allow that work to continue.

MR SMYTH: So if they are not consistent at the moment, how have you got over that inconsistency or incompatibility?

Dr Grimes: I might see whether one of our technical experts can take you through that. The short answer is that it has meant the processes have been less efficient than they could have been if the system had been fully integrated. Megan Smithies will be able to provide further information.

Ms Smithies: You asked how we got over that inconsistency. I am not sure what you mean.

MR SMYTH: Does the Department of Treasury have any difficulty in communicating with other departments in relation to their finances?

MR MULCAHY: Despite the fact that they have different systems.

MR SMYTH: Yes, or different versions of the system.

MR MULCAHY: Different versions of Oracle.

Ms Smithies: The financial management model the territory has is a devolved model. So each agency is responsible for its own annual report processes. Therefore, agencies maintain their own systems, their own general ledgers, their own asset management counts, et cetera. They have their own chief finance officers. We use a set of consistent accounting policy principles to gather information across the whole of government. We have two applications that we bridge between the Department of Treasury and each agency. One application gathers information on a monthly basis so we can do our quarterly consolidated financial statement, and the second application relates to budget development.

We run those two applications across all agencies, not only in departments but also in all our statutory authorities and into our territory-owned corporations, so we can do consolidated reporting. To the extent that the reporting in the budget relates to each agency's responsibilities, they use their own instance of Oracle, or whatever finance system they have. To the extent that we need to bridge, we have two small applications that run that bridge.

By running major departments onto one instance of Oracle it means we can avoid upgrading in the future. A lot of the cost around upgrades results from upgrading in each instance, so we pay to upgrade the same package nine or 10 times. This will mean we can upgrade it once, so we have significant future cost avoidance in our upgrade paths. It also

means we will be able to develop things like common charts of accounts, common asset codes, common vendor codes, et cetera.

So we can probably, in a much more effective way, streamline information gathering across a number of agencies across government. In this regard we will not be able to get all agencies because not everyone will still be on Oracle. We will still have major departments, for example, ActewAGL, the Land Development Agency, et cetera, that will continue to have our existing protocols relating to that information gathering.

MR SMYTH: What system does the LDA use?

Ms Smithies: It might use Oracle. I am not aware of the finance system it uses.

MR MULCAHY: What is the issue with ActewAGL?

Ms Smithies: It uses Oracle, but it uses its own instance of Oracle. As a territory-owned corporation we let it introduce a system that best met the management needs of a corporation of that sort. There is no issue in relation to this.

MR MULCAHY: When I said that, I was trying to understand why it had a different approach. There is no plan to bring it into line with the version of the software we are using? Will it still have its own arrangement?

Ms Smithies: That is right, yes.

Dr Grimes: The ACT is in a fortunate position. While we acknowledge that there is scope to integrate the systems better, and we foreshadow that we will be doing that work, we are better placed than some jurisdictions. For example, the financial management information systems used by commonwealth departments and agencies can be very different, not just a different instance of a particular software application, in this case Oracle, but quite different systems. So we have one advantage, and it is an important advantage: we are on the same system, but with different instances of that.

THE CHAIR: We will move to page 135 of BP4, superannuation unit.

MR GENTLEMAN: Treasurer, I refer to page 135 of BP4, 2006-07 priorities. Can you explain the need for the strategic asset allocation review, which is referred to in the second dot point under priorities?

Mr Stanhope: Initially I will get Dr Grimes to give a greater explanation of that requirement.

Dr Grimes: The strategic asset allocation review is something that is undertaken periodically. I think there have been some questions previously of the role of the finance and investment advisory board. Indeed, the finance and investment advisory board considers the strategic asset allocation and provides advice to us in setting that strategic asset allocation. It is periodically reviewed to ensure that the assets are being invested in areas that will generate the returns the government is seeking, which is 7.5 per cent nominal returns over time, in a way that minimises the risk of that level of return.

A strategic asset allocation refers to how all the funds are invested, what proportion is invested in equities, what proportion is invested domestically and overseas, and what proportion is invested, for example, in property portfolios. That is a process we go through periodically to determine the most effective strategic asset allocation for our funds. Further information on that strategic asset allocation is provided in BP4. Mr Broughton may have that reference directly to hand. If not, we would be happy to provide it to you. Pages 137 and 138 of BP3 provide an overview of external fund manager arrangements for the territory. Page 138 provides the asset allocation targets.

MR GENTLEMAN: How long do you think the review will take?

Dr Grimes: As I indicated earlier, this is something that is undertaken periodically. We are currently reviewing the strategic asset allocation, but we will complete that with the government shortly. It is a little like painting the Sydney Harbour Bridge. We never complete the work entirely; it is something that is kept under review because financial markets can vary. They can be quite volatile and it is important that we take that into account. We do not take those factors and update for them.

MR SMYTH: I have a supplementary question. I note on page 153 of last year's BP4 that you have exactly the same dot point: "undertaking a strategic asset allocation review and implementing any changes to the investment portfolio structure as required". What has this year's review determined, and what changes to the portfolio were undertaken as required?

Dr Grimes: As I just indicated to Mr Gentleman, it is almost like painting the Sydney Harbour Bridge. It is something that we do quite frequently. In fact, the table on page 138 of BP3 effectively shows you the outcomes of our current strategic asset allocation thinking. We have an estimated asset allocation as at 30 June this year and then a long-term target asset allocation.

You will see that there are some differences between the two lines. We are saying this is where our allocation is at the moment, and this is where we wish to position the portfolio in the longer term. The natural question would be to wonder why we do not change immediately to the long-term asset allocation. There are very good reasons for that. It is very important that you time your movements into particular assets in a way that will get you into high-quality assets that deliver good returns.

We have a relatively small superannuation fund compared to some other funds. Sometimes there are limited investment opportunities in areas like property, infrastructure assets, and so forth, which mean that from time to time we have to await an opening of a good investment opportunity before entering into that investment opportunity. In the meantime, assets may be held in a particular form, either in equities or in cash, pending a favourable opportunity. That is one of the reasons why we have an asset consultant to provide us with advice on the best time to be making those sorts of changes.

MR MULCAHY: Is Frontier your adviser for the superannuation funds as well?

Dr Grimes: Yes.

MR MULCAHY: Last year the audit report on the superannuation unit was qualified for non-compliance with Australian accounting standards. The effect of the accounting policy was to record \$214 million of actuarial assessed increases, unrealised losses, in the superannuation liability directly against equity rather than expenses, and that is reported on by the Auditor-General. Have those matters been satisfactorily addressed?

Dr Grimes: Indeed they have. The treatment that was applied is a treatment provided for under Australian accounting standards now.

MR MULCAHY: Now, but it was not then.

Dr Grimes: It was in the accounting standards then as well, but to apply from 1 July.

MR SMYTH: You mentioned page 138 of BP3. Subsequent pages refer to the funding strategy. You have changed your strategy. Rather than achieving 90 per cent of the superannuation provision account liability by 2040, the objective is now 2030. Why was that change made and how will you achieve it?

Dr Grimes: That change reflects important changes that the government has made to superannuation in this budget, and also the move to an accumulation scheme. As you know, the territory has had defined benefit schemes in place for a number of years. Those defined benefit schemes were closed to new entries from 1 July 2005.

The level of accumulation funding that is being provided from 1 July this year for new employees is nine per cent, or 10 per cent if an employee makes a contribution of three per cent. As a result of that, it will now be possible for the government to fund its superannuation liabilities over a shorter period. The government has announced a bringing forward of that date to 2030, which generally is in line with the average of other states and territories.

MR SMYTH: Which is what allows you to reduce the allocation from \$47 million to \$25 million this coming year?

Dr Grimes: I am not sure of the figure you are referring to there. Are you able to refer me to the page in the budget papers?

MR SMYTH: I am trying to find the page number.

THE CHAIR: You could take this question on notice.

MR SMYTH: I will put that question on notice.

THE CHAIR: We will move now to pages 413 to 422 of BP4, ACT Gambling and Racing Commission, statement of intent. Mr Stefaniak, do you have any questions?

MR STEFANIAK: Yes, madam chair. I ask the Chief Minister or his officials: how many poker machines are in operation in the ACT?

Mr Stanhope: I will ask Mr Jones to respond to questions on this item.

Mr Jones: Currently, 5,150 machines are licensed in the ACT.

MR STEFANIAK: Is the cap of 5,200 still in operation, Mr Jones? We are 50 short of the cap?

Mr Jones: That is exactly right, yes.

MR STEFANIAK: You might not have these figures off the top of your head, but could you provide a breakdown of how many class C machines are in operation and at which clubs, and how many class B machines are currently licensed to hotels and taverns? If you have those figures I would be grateful if you gave them to me.

Ms Jones: I do not have those exact numbers, not by licensee, Mr Stefaniak. I will take that question on notice.

Mr Stanhope: You want the numbers for individual premises?

MR STEFANIAK: I do. Do you have the number of class B machines?

Mr Jones: Roughly, it is about 70.

MR STEFANIAK: I ask you to take the rest of that question on notice. Referring to the class Bs, in recent times most of us received documentation relating to the fact that class Bs are outdated machines and they are difficult to replace. There is a concern that clubs and taverns were sold a bit of a pup. Those machines are now outdated and they are virtually impossible to replace. I think the competition policy people, in their last report, made mention of that. Is the government considering issuing class C machines or allowing class C machines to be utilised by pubs and taverns, using that statutory break-up of not more than 10 for certain types of establishments and not more than two for other types of establishments?

Mr Stanhope: That is not a decision that the government has taken, Mr Stefaniak.

MR STEFANIAK: In light of concerns raised by hotels and taverns relating to competition policy issues, is the government considering taking that decision?

Mr Stanhope: The government would give due consideration to competition cost issues and the implications of that. But at this stage the government does not have before it a proposal to change its positional policy in relation to class B machines. As the government has no such proposal before it I do not anticipate it will be changing its position.

MR STEFANIAK: You said that the government does not have any proposal before it but you are aware of competition policy concerns.

Mr Stanhope: I am aware of an ongoing debate about competition. Some people have put a certain position relating to the implications of the competition imperatives that apply. The government has to accept that position. Of course, if the case were made absolutely the government might reconsider its position. At this stage the government has no position before it for consideration, and at this stage I do not expect the government to

be changing its position.

MR STEFANIAK: I refer to pages 418, 421 and 422 of BP4 and to taxes, fees and fines, estimated outcome for 2005-06. In the budget this year there is a variance of minus two per cent, which indicates a decrease of \$1.021 million. You state that that is as a result of the impact of the introduction of smoking bans, effective from 1 December 2006. Minister and officials, no doubt you are well aware of concerns that the club industry has relating to the increased taxes to apply to poker machines on 1 July 2007.

In your estimates for 2007-08 and 2008-09 I note a 10 per cent increase for taxes, fees and fines, bringing the figure up to \$55,180,000, and that figure will increase by another \$2 million in each of the two outyears. On what do you base that estimate, given the club industry indicated that a number of clubs could well go to the wall in these difficult economic times? That tax will mean significant hardship for a number of clubs. They will be cutting back on their programs and, more likely than not, people will be spending less on poker machines.

Mr Stanhope: I will give a broad overview and ask Mr Jones to respond to the detail concerning the numbers. The government is acutely conscious of and sensitive to the implications of policy decisions that have been made by it for the club industry, particularly in relation to smoking, issues concerning gambling and problem gambling, and the level of fees, charges and taxes that apply to the club industry. The government has taken decisions relating to smoking and it stands by those decisions. Generally and broadly they are accepted by the club industry as reasonable and responsible. In the context of the impact of smoking and passive smoking on the health of Australians the case is unimpeachable.

As you are aware from announcements made by the Minister for Health, Ms Gallagher, the government will continue to pursue the health of the community by progressively removing those public areas that are used for smoking. This reform or change, which has impacted on the community, has broad community acceptance. In my conversations with clubs I established that almost all clubs accept it as necessary and as part of their civic responsibility. Clubs increasingly have a legal duty to people occupying or visiting their premises. We are aware of the fact that that has had an impact.

Decisions that the government has taken relating to attempts to protect some individuals from their own unrestrained gambling have also had an impact. The government accepts that note acceptors and other initiatives have had an impact. Once again, we believe that the overarching policy position is sound, and it is generally supported. There are issues for continuing debate. We continue to have arguments about the efficiency and efficacy of some proposals that have been pursued, such as note acceptors. We are aware of those arguments. I think the efficacy and effect of those proposals should be monitored.

Referring to the regime of taxes, charges and fees across the board, the ACT government is conscious—this was inherent in a question asked earlier relating to class B versus class C machines—that the licensed club industry in the ACT is unique nationally. It has been vested with an important essential monopoly relating to poker machines in this territory. That is unusual, as it is a monopoly that clubs in other jurisdictions do not enjoy, and for very good reasons. I do not need to go into those reasons today but I would be more than happy to expand on them.

This government is strongly and fully supportive of the club industry, its social cement, the community cohesion it creates, and the support it gives. But it has to be said that clubs have a monopoly position. They are the beneficiaries of a very significant benefit in their access to poker machines.

MR STEFANIAK: I think we understand that, Chief Minister. I referred to the figures.

Mr Stanhope: You need to understand, Bill. Mr Jones will deal with the figures.

MR STEFANIAK: I want you to tell me how, given all those factors, you came up with those figures?

Mr Stanhope: Mr Jones will refer to the figures. However, he might not appropriately refer to the fact that interstate comparisons of gaming revenue show the ACT is not a high imposer when comparisons are made across jurisdictions relating to this charge and to the charge Mr Jones is happy to expand on relating to amount and perhaps computation. That background is vital in any discussion about licensed clubs and taxing regimes within the territory. I ask Mr Jones to add to that.

Mr Jones: Just to reinforce what the Chief Minister said, the ACT is the lowest taxed jurisdiction in relation to gaming machines throughout Australia. That position will be maintained, even with the increase in taxes on 1 July next year. We will still be the lowest taxed jurisdiction. Referring to specific figures, the two per cent decrease that you identified is from the smoking bans which come in on 1 December, so that is exactly correct.

Referring to the increase of between nine per cent and 10 per cent the following year, the factors indicating that are, firstly, an ongoing continuing growth, which has been experienced over quite a number of years, in gaming machine revenue. That is an ongoing growth. Secondly, there is expected to be a significant recovery from the decrease in smoking. In other words, we are expecting an initial impact, which mostly will be short term. We expect a decrease in the first six to 12 months and then a significant increase back to previous levels. That is based on experience in both Victoria and Tasmania.

MR MULCAHY: What do you believe to be the outcome there? The data we discussed before estimates committee hearings last year showed Victoria sustained a permanent reduction in activity, and I understand Tasmania did the same. From where do you get the figure that shows everything returns back to normal?

Mr Jones: We get that from the Victorian gambling and racing commission. The figures it provided us as recently as two months ago at a national regulators conference indicated that its activity was either equal to or higher than what it was prior to the smoking bans.

MR STEFANIAK: Did you not also get a drop when note acceptors came in? You might be able to supply us with figures to show how that has affected your revenue. I understand it has improved somewhat as people have got used to it, but that led to a drop, did it not? That increase in tax is seen by industry as a bit of a double whammy, coming six months after the introduction of the smoking bans. I suggest to you that your figure

looks highly optimistic. Obviously, if that is the case, the bottom line is that it will have an impact on government revenue.

Mr Jones: Sure. The rest of the increase, the nine per cent to 10 per cent increase in 2007-08, is a reflection of the increase in taxes. We are still forecasting approximately \$5 million in additional gaming machine revenue. On the point you made about the note acceptors, there is some debate about whether note acceptors or other factors in the economy indicate a reduction. They may have had an influence.

MR STEFANIAK: There was a drop pretty well as soon as they came in.

Mr Jones: There was a drop at about the same time, but a number of other factors were coincidental, such as petrol prices. There was a small increase in interest rates but a number of other factors were ongoing at that time as well. But you rightly said that whatever those influences were, note acceptors or a combination of factors, revenue effectively has recovered. We are now seeing revenue at the level it was pre note acceptor, or before that point in time. So revenue levels are back to where they were.

MR MULCAHY: I ask a supplementary question. Have you seen any data that convinces you that the changes made to note acceptors had any positive impact on reducing problem gambling?

Mr Jones: There has been no specific research on that. Anecdotal evidence shows—

MR MULCAHY: Have there been fewer calls to Lifeline? That is not what I am hearing.

Mr Jones: Again, it is difficult to pinpoint the exact cause. Most problem gambling issues tend to be multiple cause issues. It is always difficult to isolate just one factor.

MR STEFANIAK: I have heard from several clubs that their big punters simply bet online; they take up a different form of punting. It does not seem to affect the average punter but it has affected big punters. Big punters, who might have sufficient funds to gamble with and to lose or win, tend not to use the clubs. In the early days it certainly affected their revenue but that might have picked up. I would be interested to see any figures you could supply relating to that. All the feedback I am getting, albeit anecdotally, is that it does not seem to have had any effect on problem gamblers; it has just changed the gambling patterns for bigger gamblers.

Mr Jones: That is certainly possible. There has been no specific research on that so I guess the outcomes are speculative. The fact that there is a reduction in revenue, if it is attributable to note acceptors, indicates that that, as a harm minimisation policy, at least has been marginally accepted.

THE CHAIR: We need to move on, but before doing that I need to clarify several issues. We have not yet dealt with the ACT Insurance Authority, the Independent Competition and Regulatory Commission, the Exhibition Park in Canberra, Rhodium Asset Solutions, and ACTTAB. Are those officials able to return in the afternoon? Are there any officials that are not able to return in the afternoon?

Mr Sadler: I have a meeting with the Exhibition Park Trust this afternoon.

Mr Stanhope: If there are any questions for Exhibition Park perhaps they could be taken now.

THE CHAIR: Yes.

Mr Moore: Rhodium Asset Solutions has a board meeting this afternoon.

MR MULCAHY: I think we will want Rhodium, madam chair.

MS MacDONALD: Yes, Rhodium will need to come back.

MR MULCAHY: We cannot do justice to Rhodium in three or four minutes, given the issues that are involved.

MR STEFANIAK: This might be the time to ask these gentlemen one more question.

MS MacDONALD: Madam chair, if there are any questions of Exhibition Park we need to deal with them now.

MR STEFANIAK: Yes, I agree with that. If the member is quiet I might be able to ask them a question, they could give a 10-second answer, and we could get on with it.

MS MacDONALD: Mr Stefaniak, let me finish what I was going to say. Obviously, Rhodium representatives will have to come back on one of the recall days. I agree with the comment that we cannot do them justice in three or four minutes. If we need to question representatives from Exhibition Park we should deal with them now. We have been dealing with the ACT Gambling and Racing Commission for 20 minutes. If Mr Stefaniak has further questions perhaps he should place them on notice.

THE CHAIR: I ask Mr Stefaniak to place the rest of his questions on notice.

MR STEFANIAK: Is that your ruling, madam chair? That is fine.

THE CHAIR: We will deal now with Exhibition Park because the representative has a commitment this afternoon. We will call Rhodium back on another day. We need to bring back all other officials this afternoon.

MR GENTLEMAN: Or only those dealing with output classes.

THE CHAIR: We still have a day.

DR FOSKEY: I would rather that we used the spill-over day, otherwise this hearing will spill over to this afternoon's hearing.

THE CHAIR: We will bring those people back on 4 and 5 July.

Mr Stanhope: That would be more logical. The morning of 4 July is convenient to me. If it is convenient to the committee I think it would be easier for Treasury officials. They

would prefer to be recalled on 4 July rather than come back after lunch.

THE CHAIR: Thank you. That is what we will do. Do members have questions of the representative from Exhibition Park?

MR SMYTH: Exhibition Park has a master plan for its future. I understand that it would like to expand to certain areas of land that are currently not under its control. I also understand that the new youth detention facility will go on one of those blocks. Have you asked the government for any additional land? If so, what response did you get from the government?

Mr Sadler: Yes. The trust approached the ACT government seeking the granting of block 751, Gungahlin. That block was under consideration as one of the areas on which the youth detention centre might be located. It has subsequently been resolved that the youth detention centre will go on block 740, which is adjacent to 751. Dr Grimes met with the trust and we are forming a working party with the decision makers to work through issues regarding the possibility of EPIC getting block 751.

MR SMYTH: So your future expansion has not been put at risk because the youth detention centre has now gone on a different path?

Mr Sadler: No it has not; that has been resolved.

MR STEFANIAK: Obviously the Summernats event is going well and it will remain?

Mr Sadler: Yes. It had a bit of a decline in numbers this year but that was as a result of ethnic problems at Cronulla that spilled into the event here. A large number of ethnic groups traditionally attend the Summernats. There were not as many there this year. I think some members of the general public were a little concerned about what may or may not happen at the Summernats. Subsequently that was not an issue at all.

MR MULCAHY: Are you contracted to host the Summernats in the longer term?

Mr Sadler: Yes. Currently, it is the policy of the trust to have five-year contracts with all big events.

MR STEFANIAK: When does that contract run out?

DR FOSKEY: I have a supplementary question that relates to something Mr Sadler said. How can you be sure that events at Cronulla influenced the attendance? Surely that is supposition?

Mr Sadler: That was the indication given to me by the promoter from the information he had.

DR FOSKEY: So he had been talking to people about why they did not come?

Mr Sadler: Yes. The car industry people are quite a niche market.

MR STEFANIAK: When does the Summernats five-year contract run out?

Mr Sadler: I think the current one has three years to go, Mr Stefaniak; I am not entirely sure.

MR STEFANIAK: And the harness racing is still there. How many events do they have?

Mr Sadler: They have 20 a year. They came to see us in the last week. They are now moving to a Monday night. TAB has been able to secure a spot on Sky television so they will get a little more.

MR STEFANIAK: Is that for a five-year term?

Mr Sadler: No. That 20-year contract was done some time ago. I think it runs out in 2011 or 2013, or something like that.

MR STEFANIAK: So the Monday night part stays until 2011 or 2013?

Mr Sadler: Yes. We have gone through the scheduling of all our other events. That is a good night for us as well.

MR STEFANIAK: Your Canberra region farmers market is very good too.

Mr Sadler: Yes, it is; it is terrific.

THE CHAIR: Thank you very much.

Meeting adjourned from 12.29 to 2.04 pm.

Appearances:

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

Chief Minister's Department

Harris, Mr Mike, Chief Executive
Davoren, Ms Pam, Deputy Chief Executive
Hall, Ms Sue, Director, Community Affairs
Hudson, Ms Cathy, Director, Social Policy
Tardif, Mr Phil, Director, Cabinet Office
Dorling, Dr Philip, Senior Manager, Cabinet Office
Ellis, Mr Greg, Director, Economic, Regional and Planning
Lasek, Mr Jeremy, Executive Director, Executive Support
Phillips, Mr Karl, Chief Finance Officer, Finance
Heinemann, Mr John, Manager, Finance
Tomlins, Mr George, Executive Director, Strategic Projects and Implementation
Mitchell, Mr Philip, Executive Director, Priority Projects
Kelly, Ms Elizabeth, Deputy Chief Executive—Governance, Public Sector Management and Industrial Relations
Cooper, Dr Maxine, Executive Director, Arts, Heritage and Environment
Featherstone, Mr Nigel, Manager Arts Development Arts ACT
Stanwell, Mr John, Manager, Arts Infrastructure, Arts, Heritage and Environment
Butt, Mr David, Director, Office of Sustainability
d'Este, Mr Martin, Senior Manager, Energy Policy
Chapman, Mr Stuart, Acting Senior Manager, Water Policy

Department of Economic Development

Hawkins, Mr Lincoln, Chief Executive,
Cox, Mr Ian, A/g Director, Business and Economic Policy
Hunt, Mr Dita, Manager, Business ACT

Department of Disability, Housing and Community Services

Lambert, Ms Sandra, Chief Executive
Manikis, Mr Nick, Director, Multicultural Affairs and Community Development
Harwood, Mr Neil, Director of Aboriginal and Torres Strait Islander Services

Cultural Facilities Corporation

Elvin, Ms Harriet, Chief Executive Officer
Wicks, Mr John, Finance Manager
Ramsay, Mr Alan, Business Manager

ACTEW Corporation Ltd

Service, Mr Jim, Chairman
Costello, Mr Michael, Managing Director
Baria, Mr Aspi, Technical Specialist, Water
Knee, Mr Ross, Principal Strategic Planner
Webber, Mr Simon, Technical Manager
Wallace, Mr Simon, Acting Chief Finance Executive

THE CHAIR: Good afternoon to all the 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 in this public hearing. It also means 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. I am sure you all understand that. Chief Minister, do you want to make an opening statement?

Mr Stanhope: Thank you, madam chair. I do not have a specific statement that I would wish to make today, other than of course to indicate that we thank the committee for the opportunity to appear today. Mr Harris, the head of the Chief Minister's Department, and I and all of my officials stand ready and very willing to respond to any questions that you and the members of the committee may ask. Thank you, madam chair.

THE CHAIR: Thank you. Mr Gentleman, you have an overview question?

MR GENTLEMAN: Yes. Chief Minister, I take you to page 28 of budget paper No 4 and refer you to the staffing headcount. The estimated outcome for 2005-06 was 459. That is now reduced to 160. Is that a result of the shared services portfolio?

Mr Stanhope: Thank you for the question, Mr Gentleman. It is a result of a combination of decisions taken in the budget and as a consequence of new administrative arrangements that I also announced earlier this year. In relation to a more detailed breakdown of those numbers, I will ask Mr Harris if he would go through the changes in administrative arrangements and the changes of operations that have led to that significant reduction within the department.

Mr Harris: Some of the variation is certainly shared services. The majority of the variation relates to the transfer of the environment and heritage sections of the department into territory and municipal services, and some of the Office of Sustainability as well.

MR SMYTH: Can I ask a supplementary question?

THE CHAIR: Yes.

MR SMYTH: Is that actual job losses?

Mr Harris: Actual job losses?

MR SMYTH: Yes.

Mr Harris: We will not know until we have gone through the consultative process with the unions and worked out how we are actually going to manage our bottom line. There will be some job losses in CMD, I would expect but, until I have been through that process, I cannot give you a definitive number.

MR SMYTH: Most other organisations have been able to give us a number. Is there any reason why your organisation cannot?

Mr Harris: Until I go through the consultative process with the unions to define structure and comply with the requirements of the certified agreements, I am not able to give you a definitive number.

MR SMYTH: Thank you.

Mr Harris: I hope it will be a very small number.

MR MULCAHY: Chair, without wanting to transcend the standing orders, I did put a question on notice to Mr Stanhope as Treasurer about the COAG national reform agenda. Notwithstanding that impediment, there have been developments, I think this week, that would be, I think, of interest to the committee. I am wondering if either Mr Stanhope or Mr Harris could provide an update on the status of our participation in the COAG national reform agenda.

Mr Stanhope: Thank you, Mr Mulcahy. You are quite right. It is a very significant new reform agenda that was agreed on by heads of government at the most recent meeting, which was, I think, in February this year. At that meeting it was agreed that significant work would continue by senior COAG officials in relation to new arrangements around a new national reform agenda. It is a way forward, particularly in relation to issues around human services skills and employment, and much of that work is continuing.

I acknowledge the leadership of both the Prime Minister and the Premier of Victoria, Steve Bracks, in leading the debate and the development of initial policy in relation to a new reform agenda. It was very much initially a debate on agenda sparked by work which the Victorian government, at Premier Bracks's instigation, had initiated and which the Prime Minister joined and supported, along with all other heads of government. But in the context of the officer level work and the working groups that have been progressing the reform agenda, Mr Harris could give more detail, Mr Mulcahy.

Mr Harris: The most recent meeting of the senior officers group that supports the COAG process was last Thursday and Friday in Melbourne, where the details of the agenda for the coming COAG meeting on 14 July were determined. That agenda certainly does include the national reform agenda and, as the Chief Minister said, the major components of that are attempts to increase productivity by increasing work force participation and the health of the work force as well. It is to do with productivity, and a combination of productivity and participation is what drives the projected GDP results.

It is an outcomes-based agenda and it is quite ambitious. In terms of developments, I note two stories in the press during the week, one in the *Financial Review*, I think yesterday, and another one in the *Australian* today. I am unaware of any agreement pre COAG that would lead anybody to the conclusion that there is an agreement at this point in time. The purpose of the COAG meeting is in fact to attempt to reach such an agreement.

MR MULCAHY: So it is unresolved, unsettled at this point?

Mr Harris: The components of the reform agenda are agreed, and at official level we are working our way through the detail of that process. The COAG meeting in July will

examine the next stage of that process. What is not agreed and unresolved at the moment is how the states, territories and commonwealth will share in both the costs and the benefits of the process.

MR MULCAHY: Just in relation to the approved work force participation, what is the expectation of the territory administration in terms of achieving that? How do skills shortages in particular figure in your objectives there for addressing skills shortages?

Mr Harris: That national reform agenda works on the basis of increasing participation and productivity by making a difference as far as outcomes are concerned. So it tackles the problem in a number of different areas, particularly early intervention in health, and mental health in particular, issues to do with increasing the educational capability of the work force by interventions in literacy and numeracy and tackling a variety of health issues on a national basis, such as diabetes, overweight, those sorts of things. A combination of those impacts will make a difference. However, it is deliberately structured that way so that jurisdictions can mix and match the areas that they wish to target, given that every jurisdiction in terms of literacy and numeracy, for example, is at a different level on the scale.

MR MULCAHY: Thank you.

Mr Stanhope: I might just say by way of conclusion, Mr Mulcahy, that in the context of early agreement, that has not been achieved and, as Mr Harris indicated, it is a significant outstanding issue. Much work has been done since February through the whole range of working groups in which the ACT is actually participating, but there is a threshold issue around the issue of the appropriate sharing of the costs and the benefits. As you are probably aware, previous reform agendas have to some extent been driven very much by the national competition payments regime. The commonwealth has signalled that it is not inclined to continue that particular process or structure.

There is an issue for the states and territories in agreeing, as we are all inclined to do, in a very cooperative way to a new reform agenda. But the up-front costs of pursuing particular reforms are often met by states and territories, and much of the long-term benefit is a benefit that accrues to the commonwealth when one reduces these things to the cost.

MR MULCAHY: There is a full commitment in mental health, is there not?

Mr Stanhope: There is, admittedly, matched by the states and territories. That is one of the outstanding issues where much of the future progress in relation to a new national reform agenda will be determined.

THE CHAIR: Thank you. Do you have any more overview questions, Mr Smyth?

MR SMYTH: I do. Chief Minister, in terms of the all-up staffing of the ACT public service, in your budget speech you said that there would be a reduction in the size of the ACT public service in 2006-07 of about 500. If you add up the numbers supplied in the documents, it would appear to be an increase of about 500, not a reduction. Where are the 500 jobs that are disappearing coming from if all of the agencies, as listed, end up with an increase?

Mr Stanhope: I will ask Mr Harris and perhaps other officials to go to the detail of the computation of numbers and expectations in relation to staff. The new administrative arrangements are very complex and quite difficult across the board, particularly with the reintegration of a number of statutory authorities and independent bodies into various government departments. The actual computation is quite difficult. I do not have that with me. I will just go to my notes and see if there is some greater explanation of it.

The position that you put as the staff position is quite true. Some departments are increasing significantly. The department of justice is, I think, the prime example as a result of the reincorporation within the bureaucratic structure of the Emergency Services Authority. That has had a dramatic impact. Nevertheless, when one takes account of the new boundaries of the organisation, overall there will be a reduction in staffing by including it within that portfolio. That is the case across the board.

It is our expectation that, as a result of the initiatives within this budget, the overall number of people on the public payroll within the territory service will reduce by somewhere in the order of 500. Mr Harris may be able to give some more explicit detail—I hope he can—on the way in which the numbers were computed. Perhaps the public service commissioner may be able to assist.

Mr Harris: Thank you, Chief Minister. My understanding of the numbers in the budget papers is that the budget papers deal with budget funded staff numbers. As the Chief Minister has indicated, the changed administrative arrangements bring a number of staff, particularly in statutory authorities, which will no longer be statutory authorities, which were not in the budget context last year into the budget context. An example is ACTION. I do not have a particular breakdown in front of me, but I can certainly provide that.

MR SMYTH: All right. That being said, ACTION is accounted for in this list. JACS is accounted for in this list with ESA. It still adds up to 489 more officers, rather than 500 less. Is it possible to get a reconciliation of what is coming in, what is going out and how it adds up to this minus 500 number?

Mr Harris: The Emergency Services Authority, WorkCover, tourism, stadiums and Healthpact, for example, were not previously included in these figures and are now included in these figures.

MR SMYTH: But the sum total I have got already includes emergency services and ACTION. I went through the statement of intent and gathered up as many of the numbers as I could from the current independent groups and it is still approximately 500 more.

Mr Harris: Well, I can assure you, Mr Smyth, that the indications that I have are that the staffing numbers in the service, as the Chief Minister has indicated, will reduce, not increase.

MR SMYTH: Is it possible to get a reconciliation of the numbers?

Mr Harris: We will attempt to provide you with the reconciliation you have sought but, as the Chief Minister has indicated, staffing levels within the public service, within any

large organisation, fluctuate from time to time and from day to day. They also fluctuate in our peculiar circumstances between headcount and FTE count, as I am sure you will appreciate.

MR SMYTH: So is the 500 reduction FTE or is the 500 reduction a headcount?

Mr Harris: Headcount.

MR SMYTH: It is a 500 headcount?

Mr Harris: Yes.

MR SMYTH: And the FTE equivalent would be what?

Mr Harris: That is impossible to determine until we know where the headcount comes from. If the headcount contained a very large number of partial jobs, then the FTE number would vary. If it were entirely full-time jobs, then the headcount and the full-time equivalent would be the same.

MR SMYTH: You have said 500 jobs are going and you have based the savings on 500 jobs going. Have you counted on 500 FTE as savings or have you counted on 500 heads as savings?

Mr Harris: Nobody has actually said exactly 500, and the answer to your question will depend upon how many actually leave. Every chief executive makes an assessment about how to manage his or her budget bottom line. One of the mechanisms available to us is staff reduction, obviously. The fewer staff we can reduce, the better off we will be in terms of delivering service. I cannot answer your question until I have been through the process and determined exactly who and where and when people leave.

MR STEFANIAK: It has certainly been reported in the media that the Chief Minister has indicated a figure of 500 for the next financial year, budget year.

Mr Harris: Of around 500.

MR STEFANIAK: Around, yes.

Mr Harris: Now, around 500 might be 520; it might be 450. It is impossible to assess at this point in time.

MR SMYTH: Well, what savings have you—

Mr Harris: I do not, as I sit here today, have a target list of 500 people, if that is your next question.

MR SMYTH: Were all of the departments given a specific number to reduce or were they just given a dollar savings figure?

Mr Harris: Every chief executive has a budget bottom line that he has to manage and will use, as I have said in this place many times before, every possible mechanism

available to them to manage that bottom line. In some cases that will include staff reduction. In some cases it will include managing vacancy rates.

MR SMYTH: So LDA, for instance, were not told to cut their staff by half?

Mr Harris: Nobody has been told to cut staff by any particular figure. Every chief executive has been given a budget bottom line and told to deliver against that budget bottom line.

MR SMYTH: As an example, ACTLA were before the committee yesterday and they were able to tell us exactly the number of cuts. They were even able to tell us which areas the cuts are coming from. Surely when you put a budget together you have got to know where these numbers are coming from or are we just making up numbers?

Mr Harris: I am certainly not making up numbers and, as I have indicated earlier on, at this point in time, until I have been through the consultative process with the unions and I have determined structure right through the organisation, it is impossible for me to tell you who, where and when. ACTPLA are a much smaller organisation and presumably have already been through that formal process, have their structure sorted out, have discussed it with the unions and are in a position to make the statements they did. I am not in that position.

MR SMYTH: Okay. What is the dollar saving expected in the budget from staff reductions?

Mr Harris: Well, I have a budget bottom line that I am managing to.

MR STEFANIAK: Well, what is that?

Mr Harris: It is the budget bottom line indicated in the budget papers. We are allocating our budget between the divisions at this point in time. My senior managers will then come to me and indicate to me how they intend to manage that bottom line, and that will include staff reductions in some cases. For example, I can tell you numbers in economic development.

MR SMYTH: Yes. It goes down to 17.

Mr Harris: We have 54 people at the present time. There will be 22 engaged in economic development activities in 2006-07, 18 of whom will be in the division of economic development and three of whom will be in policy development. That is 21, not 22. I never could count, except when I was under-treasurer.

MR SMYTH: Can you see the inconsistency, though? You frame a budget on which you have an expected outcome based on a dollar value. We hear the Chief Minister say in his budget speech that around 500 staff will go, which would indicate there is an assumption there on how much that will save the bottom line of the budget. What is the assumption on that saving? Otherwise, why announce 500 jobs losses?

Mr Harris: It is reasonable to assume that when at least 70 per cent of your cost base is reflected in staff costs the vast majority of savings will come from staff reductions. That

is a reasonable assumption to make.

MR SMYTH: Okay.

Mr Harris: If you wish then to extrapolate in broad terms what that might translate into, as far as numbers are concerned, it will generate a number of the order of 500 people. As we go through the year, budgets are estimates. If I am sitting here next year attempting to answer questions about what happened to my budget, as opposed to what I am speculating this year will happen to my budget, I can tell you, as I sit here, the outcome will be vastly different. Now, if I say to you today I will, as a matter of course, of necessity, reduce staff in my department by redundancy or natural attrition by 17 people, I can assure you, if I am sitting here next year, that number will not be 17. It is not 17 now.

MR SMYTH: Okay. There are other elements in a budget that depend on this, though: how much you put aside for superannuation and the superannuation payments listed; how much you spend on IT; how much you spend on rent; how many motor vehicles you have to have and what is the procurement cost. If you do not know how many staff you are going to have—

Mr Harris: I do.

MR SMYTH: and where the 500 are coming from—

Mr Harris: The budget papers estimate that over the year on average I will have 160 staff.

MR SMYTH: I am sorry. I am talking across the whole of the ACT public service. You have got 160 directly under your control.

Mr Harris: Estimated on average over the coming 12 months.

THE CHAIR: Yes. Let us move along.

MR SMYTH: It is unsatisfactory that we cannot be told how much the government is going to save from staffing—

DR FOSKEY: It does not look like you are going to be told, though, Mr Smyth.

MR SMYTH: Well, don't you find that unacceptable?

DR FOSKEY: I do not see that going on for another hour is going to make me feel any less—

MR SMYTH: So you will take the question on notice and give us a reconciliation of what units are coming in and what are going out and where the reductions are?

Mr Harris: I certainly will.

MR SMYTH: And we will have a reconciliation.

MR STEFANIAK: I think so, because if you add the figures in budget paper No 4 to what my colleague Mr Smyth has indicated from digging in the other documents as well, you get got a completely different figure there.

Mr Harris: I have indicated I will provide a reconciliation.

MR STEFANIAK: All right. Thank you.

THE CHAIR: We are taking this on notice, so we will move on. Ms MacDonald?

MS MACDONALD: Page 92 of budget paper No 3 refers to additional funding to the private sector for mentoring and support to business. Who will be providing it? How do you envisage that it will actually be delivered?

Mr Harris: The mentoring program could be delivered either by private sector providers or by the department itself, or a combination of the two. In essence, what we are talking about is assistance primarily to very small businesses to get them through particular phases, either start-up or first product or whatever. We have given an undertaking to the private sector, to the business community in Canberra, that we would sit down and work through with them the best way of providing that mentoring service.

The first of those discussions happened, in fact, yesterday with a couple of people, and those discussions will continue. My expectation is that the majority of the support will come not from the public sector but from the private sector. It will come by finding appropriate partners to put together with the small businesses in Canberra, a little like the angel program or those sorts of programs.

MS MACDONALD: For example, the Canberra Business Advisory Service might be utilised?

Mr Harris: It could be, but in most cases this is about finding the right person to sit with a business entrepreneur or prospective entrepreneur and making sure that they are getting the almost, in some cases, appropriate psychological support to make sure that they keep going, get to where they need to get to or, alternatively, provide the right contacts for them, the right people to talk to to resolve a particular issue or answer a particular question or access a particular market or find a particular piece of technology. In some cases they are very private contacts, too, I have to say.

MS MACDONALD: I appreciate that. You have talked specifically about mentoring. Mentoring is different from information services—

Mr Harris: Absolutely.

MS MACDONALD: which you also mentioned here.

Mr Harris: Yes.

MS MACDONALD: Will the information service be dealt with by the department or will it be once again you still working out which is the best way?

Mr Harris: That will be a combination of both.

MS MACDONALD: Okay.

Mr Harris: We intend to provide a first point of contact, if you like. We have a large array of information available to us now, but we will also point people in the right direction, show them where to get the information they need and who to talk to in respect of a particular question. That will be a combination of the private sector and ourselves.

MR STEFANIAK: I have a quick supplementary on that, which people might like to take up later, too. I refer to page 38 of budget paper No 4. You mentioned the Canberra Business Advisory Service being involved there. I note that the number of anticipated new clients and total clients assisted have dramatically dropped.

Mr Stanhope: The Canberra Business Advisory Service contract I think ends at the end of this year, Mr Stefaniak. I do not know whether that is part of the explanation for that or not. It may be that that is a—

MR STEFANIAK: It shows 1,400 new clients assisted this current financial year, dropping to 350 and 2,700 total clients assisted, dropping to 675. That is a huge drop, about an 80 per cent drop.

Mr Harris: That is pro rata for the contract continuation. At the moment, as the Chief Minister indicated, the contract is coming to an end. We have not necessarily foreshadowed an extension of that contract. Therefore those numbers relate simply to the period of time the contract has to run.

Mr Stanhope: It is through the new initiative that has been announced that new arrangements will be put in place, Mr Stefaniak, under the terms that Mr Harris has described in relation to supporting entrepreneurship and providing the mentoring and support that is part of the initiative that was the subject of a question which Ms MacDonald asked. Those new arrangements, of course, may very well involve something of a continuation of the work of CanBAS or they may involve a completely different approach. That is an issue that will be determined over this next short period.

We will go to a full design of the policy to implement the decision that has been announced. That will probably be a project that goes to tender. It may very well be that, as a result of this new initiative and the arrangements that are put in place, CanBAS may even continue. That is the rationale for the change in numbers. One scheme, supported by CanBAS, finishes at the end of December this year a new one will commence.

THE CHAIR: Do you have any overview questions, Mr Smyth?

MR SMYTH: Yes. Would this be the appropriate time to ask about chris21 or is it more specific to one of the output classes in Chief Minister's?

Mr Stanhope: I am more than happy for the issue to be aired now, Mr Smyth, if you have a specific question. Just by way of explanation, questions were raised this morning of Treasury. It was suggested by Dr Grimes appropriately that matters in relation to

chris21, until a transfer of responsibility for chris21 to the Shared Services Centre, might be taken by the Chief Minister's Department. So I am more than happy, Mr Smyth, for you to re-pose that question.

MR SMYTH: Dr Foskey has a few as well, I am sure. How much additional expenditure has the implementation of chris21 incurred, given operational defects, in that it cannot calculate things like the carryover for long service leave, et cetera?

Mr Harris: It is unreasonable to suggest that that is an operational defect. Chris21 had particular functionality attached to it when we engaged upon this process. The initial funding for chris21 to the end of 2005-06 was \$9.613 million. Of this, \$7.6 million, in round terms, was capital and just over \$2 million was operating expense. There is also a small amount of money for a changed management process attached with chris21. There is also some additional money for software licences and for professional services from Frontier to support the implementation. There is also a small project team whose life has been extended to the end of June to complete the configuration work. The expected cost of that team is around \$358,000. There are some additional pay centre agency implementation costs as a consequence of the implementation of chris21. They consist primarily of additional data input and processing staff, and are estimated, for the Department of Education and Training, to be around \$640,000; for ACT Health to be around \$784,000; for the Department of Urban Services to be of the order of \$303,000; and for CIT around \$170,000. If you take those costs into account, the total implementation cost for chris21 is about \$11.4 million.

MR SMYTH: So it has gone from \$9.6 million to \$11.4 million?

Mr Harris: It was always expected that there would be agency costs attached to the implementation.

MR SMYTH: Were the agencies told that before it was implemented?

Mr Harris: Absolutely.

MR SMYTH: So why is it that education, health, DUS and CIT have to employ extra staff to enter data? Was that not part of the contract to transfer and migrate data from the existing system to a new system?

Mr Harris: It is certainly true that the migration of data, particularly annual leave and long service leave information, was more difficult than originally expected. That is the case for a variety of reasons. One primary reason is caused by the withdrawal of the then provider of these services some six to 12 months earlier than originally indicated. That meant that we had to compress the implementation process for chris21, which required more resource in order to achieve an outcome we had expected to be able to achieve over a longer period of time.

MR SMYTH: The previous software was called?

Mr Harris: The previous provider was a Queensland provider by the name of CITEC.

MR SMYTH: Why did CITEC withdraw its support six to 12 months earlier than

expected?

Mr Harris: It unilaterally decided to close down and not provide the support.

MR SMYTH: Do we have any claim against CITEC for the lack of that provision?

Mr Harris: No.

MR SMYTH: Chris21 was due to come operational on 1 July 2005. Was all the functionality that was promised available on 1 July 2005?

Mr Harris: Not completely, as I am aware.

MR SMYTH: What was not available?

Mr Harris: I might just ask Ms Kelly, who has more of the detail than I do.

Ms Kelly: The functionality that did not come on line on 1 July was related largely to annual leave, long service leave and superannuation. They progressively came on line past that date.

Mr Harris: Partly for the reason that I indicated earlier, the compressed timetable for introducing the new system caused by the earlier withdrawal of the previous provider meant we had to make some decisions about what came when.

MR SMYTH: So the direct costs, then, to the four departments that you mentioned were because of the compressed timetable?

Mr Harris: No, not entirely. As I said before, it had always been expected and agencies were always aware that part of the implementation cost would be borne by them within their own organisations. It is true that some additional cost was borne by agencies as a consequence of the extra time it took to get the leave components of the system up to scratch.

DR FOSKEY: Are all the hitches in the system fixed now, so that people are getting their right pay and leave loadings, et cetera?

Mr Harris: To my knowledge there has never been a difficulty with the right pay. The pay functionality has been right.

DR FOSKEY: Where there was any deviation or issue.

Mr Harris: There were some deviations initially, but very short-lived, as I am advised. As far as I am aware, there has not been any difficulty with the amounts people have been paid, effectively, since implementation. There have been, as I have indicated, difficulties in getting annual leave, long service leave and superannuation correct. Annual leave, as I am advised, is now correct and has been for some little time progressively implemented across agencies. Unless Ms Kelly has some different information, I understand all agencies' annual leave issues have been resolved.

DR FOSKEY: Do you think that the bringing together of IT services through the shared services unit will ensure that difficulties like this are less likely to occur in the future?

Mr Harris: I do not think you could say that. This is a complex IT system and a complex payroll system.

DR FOSKEY: But there were problems with project management, I take it. What was not written into the contract apparently was that after installation service that became an extra cost. So you would hope that you could avoid that? I know that IT is difficult.

Mr Harris: I was only going to make the observation that if the shared services group were to go through a similar implementation process, I do not think you could say in advance with any certainty that they would not experience some difficulty at some point in the implementation of that program. That is the only observation I was going to make.

DR FOSKEY: You would hope there were some benefits, though?

Ms Kelly: The key advantage would be that rather than implementing across five pay centres you would be implementing only against one. So to that extent the process would be easier in the Shared Services Centre.

DR FOSKEY: Either that or if there were a problem it would be bigger.

MR SMYTH: That may be the case. Are the staff that were employed to do the additional processing still employed and if so, till when?

Mr Harris: In other agencies?

MR SMYTH: Yes.

Mr Harris: I cannot answer that question on behalf of other agencies. Whether Ms Kelly knows, I do not know.

Ms Kelly: I am advised that over 80 per cent of all leave is now processed. So that is being wound down. Agencies have different arrangements. Some agencies use additional contract staff; some agencies rearrange the priorities of their existing staff to do processing. So, it would depend. Certainly the processing task is now coming to an end, so those staff would no longer be required.

MR SMYTH: Is there any threat to the end-of-year processing that will have to be done to set the accruals and the carryovers for next year because of these failings?

Ms Kelly: Not that I am aware of. We do maintain liaison with the Auditor-General's Office about those issues.

MR SMYTH: As a final question, did the departments bear the extra cost of the processing or did Chief Minister's Department pay for it, as it was its project?

Mr Harris: My understanding is that some of the processing cost was paid centrally until we had expended budget, and then the balance was paid by agencies. I think that is

right.

Ms Kelly: In relation to most of the additional processing required, obviously assistance was provided from the Chief Minister's Department in manuals and training for staff, but my understanding is that the bulk of the staff costs were paid by agencies for the processing.

MR SMYTH: Can we have a reconciliation of what the CMD paid and what the agency had to pay?

Mr Harris: Sure.

THE CHAIR: So you will take that on notice?

Mr Harris: Yes.

MR STEFANIAK: Just on the overview, on page 27 of budget paper 4, the bottom point is "providing support to the Canberra 100 taskforce". Is there a budget for that and, if so, what?

Mr Stanhope: There had not previously been a separate budget I believe, Mr Stefaniak, but in this budget \$200,000 has been provided. This was for the centenary?

THE CHAIR: Yes.

MR STEFANIAK: Yes.

Mr Stanhope: A budget of \$200,000 has been provided in this budget for this coming financial year.

MR STEFANIAK: For 2006-07?

Mr Stanhope: Yes, just to ensure that we have some capacity to continue the start-up work and the preliminary planning spiral for the celebration. So there is \$200,000 this year. We did not budget beyond that amount, did we?

Mr Harris: No.

Mr Stanhope: But it is a budget line that will have to incrementally increase and it is my expectation that it will.

MR STEFANIAK: Are you talking to the commonwealth, so that we have some joint celebrations?

Mr Stanhope: Absolutely.

MR STEFANIAK: I understood there were some potential problems there, that there perhaps has not been as much communication as there should have been?

Mr Stanhope: On our behalf, Mr Stefaniak, that is most decidedly not the case. The

ACT government, through Mr Lincoln Hawkins, has been more than active and vigorous in communications, consultation and attempts at consultation throughout the entire ACT community, most particularly and certainly in relation to the commonwealth. We are absolutely indisputably aware that the success of the centenary celebration of Canberra 100 depends on the celebration being embraced by the commonwealth. To some extent the commonwealth will make or break the quality of the celebration. We are aware of that. I have met a number of times with Jim Lloyd and discussed the issue. Mr Lloyd is quite enthusiastic and he is determined to support the celebration. We are working very closely with the NCA. The NCA is fundamentally important to the success of the celebration. The commonwealth has provided us at this stage with communications and lines of communications with Mr Lloyd's department of territories.

As you know, I have appointed a task force from the Chief Minister's Department. I have asked the Prime Minister for an appointment for me and my Chief Minister's Department colleagues to meet with him personally. That is a longstanding request now which is yet to be responded to by the commonwealth. But Mr Hawkins meets regularly with commonwealth officials and speaks with them regularly. I meet at regular intervals with Mr Lloyd and I always raise the issue of the centenary celebration and our determination to work with the commonwealth.

I requested a meeting with the Prime Minister as long ago as February this year and that is yet to be actioned by the commonwealth. That was a request for a meeting of the entire Chief Minister's task force. We are doing everything within our power, Mr Stefaniak, to engage the commonwealth. We recognise its importance to the success, essentially being number one stakeholder, in the context of this being a celebration of the establishment of our national capital, Australia's national capital. At one level, this is very much a commonwealth celebration. This is a celebration for the nation of the establishment of its national capital and there is a genuine leadership role for the commonwealth in that national aspect.

The ACT government's interest is very much about we as a community celebrating our centenary, but I accept implicitly the role of the Prime Minister and the commonwealth government in leading the celebration on behalf of the nation. Those issues are yet to be worked through in our arrangements with the commonwealth. Mr Hawkins, in the preliminary work that he has done, has developed a proposed structure of a collaborative arrangement that the commonwealth and the ACT government may choose to pursue. Once again, the ACT government is awaiting a response from the commonwealth on our proposals on how we might work together and the nature of the government's structure that might apply. At this stage we await a commonwealth response to our proposals in that regard as well.

MR SMYTH: Mr Harris, who employs senior executives? Who signs off on them? Is that your job or is it the minister or is it the Chief Minister?

Mr Harris: I sign the contracts.

MR SMYTH: Do you have to get approval for an additional senior executive or is that a delegated approval to you?

Mr Harris: Chief executive level ministers and cabinet have an involvement, but

essentially the responsibility is mine. So the direct answer to your question is that, in consultation with the Public Service Commissioner, I can create or abolish executive positions.

Mr Stanhope: They are not created by the minister, Mr Smyth.

MR SMYTH: Yes. How many senior executives are there in the ACT public service at this time?

Mr Harris: Off the top of my head, today around 148, if my memory serves me correctly. My memory does serve me correctly.

MR SMYTH: Very good. Well done to your memory. On 8 December the Public Service Commissioner said there were 159 SES officers at the end of 2004-05 and a further four to her knowledge had been employed in the start of 2005-06, which makes it 163. So have we dropped from 163 to 148 SES officers since that time?

Mr Harris: Yes. And in the next day or two we will probably go up by a couple.

MR STEFANIAK: Why is that?

Mr Harris: It is for a variety of reasons, but one of the peculiarities of the Public Sector Management Act is that if for operational reasons I need to transfer an executive—as I have just done from CMD to territory and municipal services—if there is no specific position there to move the person into, I have to create the position to put the executive into. But because the person is there on transfer secondment arrangements I am not able to abolish the position that he has come from. So the net effect of that on the table is to increase the number of executives by one.

MR STEFANIAK: Are you looking over the next financial year to drop the number of senior executives in the ACT service?

Mr Harris: I would imagine it would, yes.

MR STEFANIAK: You imagine it would?

Mr Harris: I have every expectation that a number of senior executives will leave in the next 12 months.

MR SMYTH: Could you take on notice to provide a list of the position numbers and the positions—not the individual names—of the 15 positions that have been abolished?

Mr Harris: That have been abolished?

MR SMYTH: Yes.

Mr Harris: Over what time period?

MR SMYTH: Well, you just said the number had just dropped from 163 to 148.

Mr Harris: That is right. But it does not mean I have abolished positions. It means the number of heads has changed.

MR SMYTH: Can you provide a list of all the SES positions then?

Mr Harris: For example, if the chief executive officer were to leave I am not going to abolish that position. But for a period of time until I employ another chief executive I have one less person.

MR SMYTH: To keep this quick, can you provide a list of the SES positions, their numbers, what their title is and whether or not they are filled?

Mr Harris: At today's date?

MR SMYTH: Today's date would be fine.

Mr Harris: Yes, sure, happy to do that.

DR FOSKEY: As a result of the functional review there will be cuts. We are expecting job cuts in all departments. Will there be cuts at the senior executive level, and what is the consequence of making cuts there? Are there payments that need to be made? Is it sometimes cheaper to keep people on than to remove them from positions?

Mr Harris: In the long term, it is never cheaper to employ people than to not employ people. That is a fact of life.

DR FOSKEY: Long term, but governments do not usually live long term.

Mr Harris: In terms of cost, if an executive, or any other employee for that matter, is made redundant as a consequence of restructuring, then normally a separation payment is made and that separation payment is determined by the length of service that the employee has had primarily, but is capped at a maximum of 52 weeks, or the equivalent of 52 weeks salary. If employees choose to leave of their own accord, as many do, then no separation payment is payable. So it depends entirely on the circumstances of the individual concerned. There is no difference in entitlement between executives or any other employees.

THE CHAIR: We will go on to output 1.1. Do you have a question, Mr Gentleman?

MR GENTLEMAN: Yes, chair. Chief Minister, page 29 of budget paper 4, under "Output Description", says that strategic policy and implementation will lead whole of government initiatives to promote their effective delivery. Can you explain that a bit further for me? Could you give an example, perhaps?

Mr Stanhope: One of the significant changes in administrative arrangement and responsibility that is inherent in the new administrative responsibilities to the Chief Minister's Department is encapsulated in the establishment of this capacity within the Chief Minister's Department. I have been minded—as all heads of government in all public services are—of the importance of ensuring a cross-government policy development. One of the issues we are regularly confronted with, say, in relation to an

issue such as indigenous affairs—if I could use it by way of example—or affordable housing, by way of example, is that there are a number of departments or agencies who have a role in the development of policy, and a delivery of services in relation to issues such as that. It is important to ensure that we are achieving the policy outcomes we want; that there be a whole-of-government perspective or capacity to ensure that policy is integrated, and that we are all working to the beat of the same drum; that different organisations or different departments do not stop communicating what it is that they are doing and how their part of the jigsaw puzzle in relation to the delivery of a service in relation to a particular issue fits with all other work that the government is doing.

I am aware of some of the difficulties in communication or co-consistency in policy delivery, say, in relation to the interconnectedness of issues in addressing indigenous disadvantage, which is a good example, between health outcomes or health status, housing status, educational opportunity, employment and a whole range of issues such as that, in the context of ensuring that indigenous families are supported and that we can deliver some of the outcomes that we have set for ourselves in relation to the status of indigenous people within the community. I want the capacity within my department, the Chief Minister's Department, from time to time through this process to lead on an issue which I will identify from time to time as deserving of an all-of-government consideration led by the Chief Minister's Department, the capacity to pursue coherent policy development and program delivery in different areas.

I use indigenous affairs by way of example. We have made enormous progress in the territory. We lead the nation in relation to indigenous employment, educational outcomes, health status, but we are still an awful long way from achieving good quality of outcomes for indigenous people within the community. I have already asked Mr Harris to begin the whole of government process to review how all the different parts of indigenous policy within the territory are working and how we can enhance our outcomes. We have made enormous steps, for instance, in relation to the educational outcomes and performance of indigenous children in years 3 and 5, but we tail away dramatically once children get to high school. We can beat away with educational policy, but if we ignore the fact that 13 or 14-year-old indigenous children are not performing at school because absolutely nobody at home can assist them with their homework, or provide the support and nurturing that they need in their homes because of the health status of their parents, then there is no sense in banging on in relation to additional education support for a 13-year-old indigenous child whose home life is completely dysfunctional or non-existent. They are the sorts of issues I now wish, through a new approach, to deal with in relation to indigenous affairs.

I am also conscious of the different roles different departments play, for instance, in relation to issues around affordability. We have ACTLA for the LDA, and housing, all involved at different levels. I am mindful of the capacity through a central office involvement to look again at the interconnectedness of the different issues that affect affordability, capacity and, for first homeowners, for instance, to enter a market in an environment where house prices have risen in the way that they have. I use that as another example of an area where I intend the Chief Minister's Department through this administrative structure to become involved in accepting a leadership role.

Another example is the caravan park. There were different agencies, most particularly ACTLA and housing, with very direct interests in the outcome of the Narrabundah

caravan park initiative. I resolved there that, because of the all-of-government consequences of the decisions that we finally take to overcome the issue facing the people at the Narrabundah caravan park, it was appropriate that the Chief Minister's Department lead the task force that was established to co-ordinate all the ACT government agencies with an interest—housing, because of implications for it; ACTLA, because of some of the planning implications; and very much Treasury, because of the potential costs that might arise from any resolution of that issue. So I have created this structure to allow the Chief Minister's Department much more real capacity to provide central agency leadership on issues with an all-of-government perspective.

DR FOSKEY: Yes. One of those initiatives I believe was the creation of the Office of Sustainability, which had the aim of ensuring the consistent implementation of sustainability policies across the whole of government. With this budget these functions have been split into two departments, yours and territory and municipal services. The budget for strategic policy and implementation has now been almost halved within CMD. How do you think your department will still be able to provide—it would be nice to have just a one-word answer, but I want something more than that—the necessary leadership on sustainability and triple bottom line issues?

Mr Stanhope: I would like to give a one-word answer, but I don't think I can in the context of the question. In relation to the change in the quantum of the budget, there is of course a very ready explanation in relation to functions which have been relinquished to other departments, most notably the Department of Territory and Municipal Services. That is some explanation—well, I think it is probably the explanation—for the change in the numbers that appear in that particular line.

As to the substance of the issue around sustainability, with significant reluctance I have to say, I decided to relinquish responsibility for environment and sustainability, in the sense that it was structured within the Chief Minister's Department. It was a portfolio which I enjoyed that I had, and continue to have, a very significant interest in. I would very much like to have been able to maintain the involvement at the level that I did in those areas. It is something of a wrench to me to pass those responsibilities on to Mr Hargreaves, but I did that for very good reason.

There is, in the new administrative arrangements pertaining to the Department of Territory and Municipal Services, a very good logic and significant good sense in relation to the bringing together within the one portfolio responsibility for all of those functions that might be categorised as territorial and municipal, including, significantly, responsibility for land management. That was the basis behind the major structural change that was part and parcel of that reform.

Having made that decision—having transferred responsibility for environment and all the land management responsibilities included within Environment ACT to a department with responsibility for other areas of land management—one was then faced with a question. Environment was transferring much of the work, and particularly the project work of the Office of Sustainability, which was related directly to environmental initiatives. They worked closely within my department with Environment ACT; it was where the synergies were. To separate them out and have them in separate departments has a real illogicality around it.

I was then faced with the decision of whether to retain the Office of Sustainability holus bolus within the Chief Minister's Department and I believe there was very good reason, upon the establishment of the office and incorporating it within Chief Minister's Department, to give some indication in a symbolic sense, at least, that this was an issue of paramount importance, and it is.

I retain, through responsibility for water and energy policy, a direct management and managerial stake in issues around water and energy and sustainability. The Office of Sustainability, particularly in relation to its project delivery function, will be located in the Department of Territory and Municipal Services where I believe it better fits in relation to the new administrative arrangements.

There is no diminution of government support to sustainability or commitment to it. There is no doubt that climate change is, perhaps along with the need for peace in the world, the significant next greatest issue—I believe—facing the world. That is my personal view. Whilst we live in a privileged community, we are significant per capita major contributors to greenhouse gas emissions. We have a real leadership role to play in reducing emissions and making our contribution internationally.

We will do, within our resources, what we can. It is a priority issue for this government and, within the scope of the resources available to this government, we will continue to seek to provide leadership to this community, and even nationally, in relation to climate change and sustainability. I believe we are doing that. We were the first Australian jurisdiction to create a separate office of sustainability. We were the first; we led the way. We lead the way in a whole range of areas and will continue to do that.

MR SMYTH: We were also the first jurisdiction to have a greenhouse strategy.

DR FOSKEY: I am just wondering, then, where the position papers on sustainability legislation are at, and the broader consultation on that. That included discussion papers prepared for government agencies and community groups. They were supposed to be finalised in CMD before the end of the financial year—that is, before the office shifted. Perhaps you could give me an update on how that is progressing.

Mr Stanhope: I know the administrative arrangements or changes are of very recent date, but I am no longer the minister responsible for that particular project; Mr Hargreaves is. This should be confirmed with Mr Hargreaves when he appears before your committee but my understanding is that the minister, on advice from his department, has agreed—as I say, this would need to be confirmed—to an extension of those time frames until the end of the year. But I would suggest that that statement be confirmed with the minister when he comes before you tomorrow.

DR FOSKEY: Is Mr Butt here? I notice on the list of those from the Office of Sustainability that it is not Peter Ottesen but Mr Butt.

Mr Harris: He is here.

DR FOSKEY: I do not think I am in a position to actually ask him to come to the table, am I?

MR SMYTH: You have got away with it so far.

Mr Stanhope: If you have a question, I am sure he would be happy to answer it.

DR FOSKEY: You probably heard my questions to the Chief Minister. Well, perhaps you did not. Could you alert me to the progress on the sustainability legislation and also on the other work that your office is doing. I understand you are staying in the Chief Minister's Department, Mr Butt. Is that right? With which responsibilities?

Mr Harris: I have not decided yet.

Mr Butt: I am at Mr Harris's discretion.

DR FOSKEY: You are here today.

Mr Stanhope: Mr Butt, I sought to answer the question but was not quite up to date in respect of a recent discussion paper under preparation which has been consulted on in relation to the further development of a climate change strategy. Perhaps you could inform the committee about that.

DR FOSKEY: Sustainability legislation, but we will have the climate change strategy too.

Mr Stanhope: I thought you were referring to the climate change strategy. I beg your pardon. I was under a misapprehension. I thought the question related to the work which has currently been consulted on in relation to a climate change strategy only. I must say that, in answering the question the way I did, I did not have in my mind that the question related also to work which had commenced on sustainability legislation.

DR FOSKEY: Primarily the question is about that. I think you have informed me that the climate change strategy is due around the end of the year.

Mr Stanhope: Yes, that is my understanding. In relation to the sustainable legislation project, that is work which has not been proceeding at this stage and I do not believe there is, at this stage, a time frame.

In relation to Office of Sustainability priorities, at some stage earlier this year I indicated to the department that work on sustainability legislation should give way to other office priorities, and most particularly the development of the climate change strategy; that in relation to resources available, the appropriate level of commitment to both projects could not, in my view, be maintained. I asked the department to devote the available resources to the climate change strategy at the expense of the sustainable legislation project. So there is no time frame at this stage for the sustainability legislation.

Mr Butt might be able to confirm, if he has the information, that the time line for consultation or production and release of the discussion paper in relation to climate change has been extended—I believe to the end of the year. Mr Butt, you may correct me if I am wrong.

Mr Butt: That is correct. The community consultation with both the climate change and

the energy policy proposals was extended and the time frame for written submissions in response to those two policies was extended. We have had, I think at last count, 44 submissions from members of the public on the policies. In light of that, a recommendation was made and, I understand, accepted by the Minister for the Territory and Municipal Services that the time frame for developing a government policy on energy and climate change would be extended to December.

DR FOSKEY: With the sustainability legislation it could be that we would have less urgency about that if we had a real triple bottom line approach in budget preparations and so on. One of the things the Auditor-General suggested in her report on ecologically sustainable development was that the office might take the lead on that.

I am just wondering how much you are involved with Treasury in discussions about how to actually create a triple bottom line framework for the budget. Also, I think most particularly, the concern seems to be developing appropriate indicators to see where we are going on that one.

Mr Butt: We have been working quite closely with Treasury in the development of a triple bottom line approach to the budget. Treasury have carriage and leadership of that particular task. I believe we will probably be devoting more resources to it in the near future, given that some of the work pressure has come off now. I understand that we will be taking a whole-of-government approach to the development of that triple bottom line policy for the government to adopt.

MR SMYTH: Mr Harris, I note that, on page 29, note No 2 says that output class 1.1, strategic policy and implementation, combines the old output classes 1.1 and 1.2 in last year's budget. In last year's budget the sum of their budgets would be \$13.8 million. I notice the outcome is only \$10.2 million this year. How have you achieved those savings? If anything has not been done, what has not been addressed?

DR FOSKEY: Page 29.

MR STEFANIAK: The second point on page 29.

MR SMYTH: In last year's budget paper No 4 on page 28, the budgets for output classes 1.1 and 1.2 sum to \$13.871 million. I notice the outcome is only \$10.265 million—and, indeed, next year the budget drops to \$6.975 million, effectively halving that budget.

Mr Harris: The change reflects a different treatment for the community inclusion fund. We have also got the full year transfer effect of ACTIM to InTACT. ACTIM was part of the policy group last year. With ACTIM, which has now moved to InTACT, we had the cessation of funding for the digital divide program, the community inclusion fund I referred to and redistribution of some of the corporate overheads. It is reflective of changed structure, not only within the department, but across two or three departments. They are comparative numbers, though—or at least Treasury assure me they are.

MR SMYTH: Will this output have the major projects group in it as well?

Mr Harris: Yes, although in the major projects group, as such, the personnel have been

rolled into the policy group. Most of the projects are now at delivery stage and have been transferred to the respective departments—largely territory and municipal services.

MR SMYTH: We asked Minister Corbell yesterday whether or not the government has made a submission to the Sartor inquiry. He said that it had and that it was probably due for release soon, but he suggested we ask you, Chief Minister. Can you confirm that that has been made, and will you make a copy of the submission available to the committee?

Mr Stanhope: Yes, a submission has been made. I am more than happy to make it publicly available, subject to advice from the commission of inquiry. I would need to take some advice on what their public release program is. On receipt of that advice, I would have no issue making it available to the committee. I will take advice on what the commission itself is doing with submissions, just as a matter of courtesy. I don't know what it is doing in relation to other submissions—whether it is receiving them or whether it has some process of its own.

MR SMYTH: I understand they are publishing them.

Mr Stanhope: Certainly once we confirm that, I will provide a copy to the committee.

MR SMYTH: The minister, Mr Corbell, also said we should refer to you the issue of a new convention centre for the ACT. He said that was not being done by ACTPLA but was being handled by chief minister's. Can you tell us where that is at? Is there a proposal before the government? I understand an IDC was formed to progress this issue.

Mr Stanhope: That is correct.

MR SMYTH: Is that still in operation? When can we have some outcomes?

Mr Stanhope: Yes. As you are aware—and you are quite correct—it is consistent very much with the new all-of-government strategic focus which I propose chief minister's, as the major central agency, takes. The Chief Minister's Department is to lead an IDC on the issues that need to be addressed in relation to our determination as a community to ensure that our convention facilities, into the medium term, are met in a timely way.

The government's position and opinion is that the \$30 million refurbishment of the existing convention facility provides us with a breathing space, but we acknowledge that it is only a breathing space, that it is not a final or ultimate solution to the convention needs of the territory.

We believe that gives us that breathing space, and that certainly is very much the view of business in relation to the existing facility. The work that I asked the department to do is to develop, through consultation with business, industry and stakeholders and across government, all of the issues and parameters that need to be addressed in order to take the matter forward.

The IDC has prepared a submission to cabinet and cabinet has considered that. It is a cabinet document, but I am happy to inform you that a major outcome in terms of the identification of issues faced and next steps was an acknowledgment that the cooperation of the commonwealth and a genuine partnership with the commonwealth is

fundamentally important.

In the context of possible costs of a convention centre befitting the national capital and appropriate to our needs, there is a significant cost, almost certainly in the order of \$300 million, give or take maybe \$50 million. We are looking at a project for a facility that it is anticipated, on the basis of the parameters that industry tell us are reasonable in terms of size, location, capacity and security, would cost say between \$250 and \$350 million. That is beyond the capacity of the ACT government.

In relation to advice from the convention industry and business and stakeholders, the most significant percentage of conferences or conventions of a government nature undertaken, within the territory at least, are of course conventions associated with or involving the commonwealth. The commonwealth obviously has a major interest and stake in a first-class, appropriate convention facility. The attitude we are adopting and now pursuing quite directly is the need to establish a genuine inter-governmental ministerial steering group to determine the future prospects for the development of a convention centre for the territory.

We wish to work genuinely collaboratively with the commonwealth on a way forward. We have decided that the threshold issue in relation to the delivery of such a convention centre, say in seven or eight years—or five or six years or whatever might be achieved through cooperation with the commonwealth—is commonwealth participation and involvement in a genuine way. We believe the threshold issue now is that we, through the work the IDC has done in consultation with industry, develop an appropriate set of parameters around size, scale, nature, et cetera.

MR MULCAHY: Is that on the agenda for your proposed meeting with the Prime Minister? Is that one of the matters you have flagged that you want to discuss with him?

Mr Stanhope: Cabinet has directed the Chief Minister's Department to now appropriately, through its good offices and contacts, develop a way forward in the establishment of a genuine joint ministerial convention centre steering committee, comprising appropriate commonwealth/territory representation.

This is a decision, I might say, that has only been taken in the last two weeks. I have not yet been updated on progress or a way forward in relation to the decision cabinet has taken. But the decision the government has taken is to seek the establishment of an appropriately—hopefully—ministerial level joint commonwealth/territory steering group.

MR MULCAHY: Would it be right to assume that this is possibly a gift that you might be looking for the commonwealth to make to the people of Canberra for our centenary?

Mr Stanhope: That is a suggestion that I have made to the commonwealth and it has been very much part and parcel of polite suggestions that I have made in conversation with Mr Jim Lloyd and with other commonwealth representatives. Certainly it is an issue that I would have proposed would be on the agenda.

I would not wish to be prescriptive in any discussion with the Prime Minister, or to pre-empt those discussions, but I believe it is reasonable and appropriate for us at this

juncture, seven years out from our centenary, to at least explore the possibility of commonwealth involvement perhaps wholly, one would hope—there is no reason to not think expansively initially. But we have at least a hope and expectation that the commonwealth would work with the territory.

MR MULCAHY: You have not ruled out the territory putting dollars into it?

Mr Stanhope: Absolutely not.

MR MULCAHY: Even though you may have expressed doubts in the past of the territory getting involved with funding a convention centre.

Mr Stanhope: No. We are directly funding the existing convention centre to the tune of \$30 million. I am not ruling out at all the territory being involved, whilst I would like to think that the commonwealth would seriously consider, for the centenary of Canberra, a convention centre as an appropriate piece of commonwealth infrastructure. I think it is quite appropriate.

This is the head of the commonwealth. The ACT was established as a home for the federal parliament and its public service and bureaucracy. A vital part of the infrastructure for a government, for a national capital, is a convention centre. I think there is a very reasonable argument that a convention centre for the national capital is as much in the commonwealth's interests as it is in the interests of the ACT government and the people of the ACT.

MR STEFANIAK: I take it you have not had any response from him yet. It is early days.

Mr Stanhope: No, it is far too early. I do not wish to pre-empt and I do not wish to say too much. I am simply, in response to the question, signalling that work is progressing at this stage we believe to the next best step and the fundamental step—the threshold. The threshold issue, I believe genuinely, in the delivery of a convention centre of the sort which we all desire, is commonwealth support and involvement. We are genuinely seeking that.

MR SMYTH: You mentioned the breathing space that is being bought by the \$30 million upgrade. You used the numbers five or six years and seven or eight years. What do you perceive the breathing space to be?

Mr Stanhope: It is a catch-22 or chicken and egg question or response that one is forced to give. I harbour a genuine, and I hope not too ambitious, hope that the commonwealth, in its consideration of the celebration of the centenary of Canberra, will see itself able to deliver a significant gift in recognition and honour of the occasion. If the commonwealth government is minded to celebrate the centenary of Australia's national capital through vesting, the development of, or investing in, a major piece of infrastructure, my preference would be that the commonwealth look first and foremost at the construction of a convention centre.

MR PRATT: Is that a budgetary expectation?

Mr Stanhope: I believe that, in terms of major infrastructure needs facing the territory, that is the most significant and the most important at this stage in our development. So I am hoping that the commonwealth, when it contemplates the celebration of the centenary of the nation's national capital, will give serious consideration to a convention centre. In that context, I would hope that that would be a piece of infrastructure, or a convention centre, that will be delivered in 2013. That is why I say it is a difficult question.

If the commonwealth were not to deliver, in partnership, perhaps, with business and business interests and the ACT government, a convention centre by 2013—which I hope it does—there is another question about what we would do in the event that the commonwealth says, “Well, we are just not interested,” which I do not believe they will.

MR MULCAHY: You have such a good relationship; I would not imagine that would be the reply.

Mr Stanhope: I have a solid professional relationship with the commonwealth.

MR PRATT: You could always sue the parliament.

DR FOSKEY: We might even lobby for this one, Richard.

Mr Stanhope: We are all politicians. We are all professionals.

MR SMYTH: Is there a report from the IDC that can be released to the committee?

Mr Stanhope: I would like to take that question on advice. Perhaps there is not an issue, but I will take the question on advice. I will respond to the question, but I need to take some advice.

DR FOSKEY: Looking at page 43 of budget paper No 4, it looks as though the community inclusion fund is going to expire in 2008-09, bringing a saving. It is seen as a saving here, though some might question that. Can you confirm whether that is the case and, if so, why?

Mr Stanhope: It is the case that funding for the community inclusion board fund does not continue beyond 2007-08, I think it is.

DR FOSKEY: 2008-09, according to the budget.

Mr Stanhope: Yes. I could not quite recall. It is the case that when the community inclusion board was established and the funding first appropriated, it was proposed that this be a scheme with a time certain. There is always, of course, a difficulty which all governments are aware of in relation particularly to three-year funding for significant community programs or grants in relation to the programs that are developed.

Part of the rationale or the thinking behind the community inclusion board and fund was that gaps within community service provision which led to social exclusion or a lack of inclusion or capacity to participate in society by people who have a difficulty joining in the life of the community would be identified and funded jointly between the community and ACT government.

I think you would be aware that every one of the funded projects is a joint community-government agency sponsored program. They are programs that go very much to ensuring that people excluded, marginalised or having trouble entering society, are included. For instance, there is the breakfast that is provided by the Uniting Church on Northbourne Avenue.

There are the specific indigenous programs at Birragi; the hips and sips program which allows almost, I think wholly, widowed or single elderly people living in their own homes to congregate every week for exercise and some community association and fraternising; there are the Special Olympics, which are held at Disability ACT.

There is the Karinya House for Mothers and Babies partnership, providing support and services for young women who are pregnant or parenting; there is the Community Enterprises/Volunteering ACT/Department of Education and Training program for high school students aged 12 to 15 at risk of dropping out of school before getting to year 10. There is the mums at home in the community program between the Majura Women's Community Group and ACT Health, which provides support for disadvantaged people within Majura in relation to mothers who have trouble re-engaging in society, and so on.

There is the hope, opportunity and choice program—a partnership between the Domestic Violence Crisis Service and the Office for Children, Youth, and Family Support—which provides an early intervention program for kids who are living in houses where violence is endemic, et cetera.

DR FOSKEY: These things are really great. That is why I want to know why you are stopping them.

Mr Stanhope: They are really great.

DR FOSKEY: Are all these needs going to be covered systemically?

Mr Stanhope: They are all great and I laboured the point in relation to this. I would like to go through them all because the Liberal Party does not believe any of these programs should have been funded.

DR FOSKEY: But they have won. If you stop this program, you are actually giving in to them.

Mr Stanhope: Let me answer, without debating it or haranguing me.

DR FOSKEY: Giving them the satisfaction.

Mr Stanhope: I make this point, without being overtly political, just to draw attention to the fact that the Liberal Party do not believe any of these programs should have been funded in the first place. The philosophy in identifying gaps in community inclusion and their joint funding in this way was designed to ensure that those programs that provided the sorts of outcomes or interventions which we believed produced the results in relation to enhanced capacity to participate would, of their own force, become programs that would be supported either by the community itself or by government on their merits.

There is always a difficulty that all governments face. One of the great conundrums in initiating any grants, scheme or rolling program is the expectation or the demand that it will persist into infinity. That, of course, is the difficulty governments and agencies get themselves into when they begin to fund most worthy programs and try to fill gaps in the provision of support for social programs such as these.

At this stage, what I can say is that I think this has been a fantastic program, to the extent that, through the members of the board and their association with the community and their understanding of poverty and social exclusion, they have identified a range of programs that fit precisely the definition the program was designed to deal with—social exclusion. We have sought, through this seed funding, to explore how programs such as these might aid community inclusion.

It was never intended that they persist forever but that they be assessed and that, if they work, other mechanisms be identified or developed for ensuring that they persist; that the government not be the sole source of response to meeting these issues around exclusion; that the community itself respond through the initiation of projects such as this to ensure that we embrace and include people.

As you say, the funding will not continue beyond 2008-09 as such, but I would fully expect that many of these programs will be incorporated into ongoing departmental arrangements and community sector support arrangements.

DR FOSKEY: The whole point of the community inclusion board funding was to fund innovative programs. It is not a matter of these programs continuing; it is a matter of being able to respond to the particular times and their needs, and the ideas that come up from the community. That has to be separate from systemic government funding. Something like the community inclusion fund is going to be needed, even if it is not called that.

Mr Stanhope: I don't disagree with the need and the value of these projects. I think they are absolutely fantastic. They have made an incredible difference to the lives of a significant number of Canberrans. I don't doubt that for a second. There have been great consciousness raising programs that have forced us to confront issues of exclusion and poverty and forced us to identify that extensive range of people within our community who just don't have the capacity, the wherewithal or the resources to participate in life to the extent that everybody has a right to participate.

As we enter, essentially, a second phase of the community inclusion board in its operations, there has been a renewal. The original chair's term has expired. Ms Lyn Hatfield-Dodds is the new chair of the community inclusion board. There will be some changes in personnel as we refocus on the delivery, through the board, of detailed policies in relation to how to better deal with issues around poverty and exclusion.

The new role—acknowledging that there is some ongoing funding, but a new and much more focused role and policy advice—will be a primary function of the community inclusion board going ahead. It may be through that process, particularly having regard for my dedication to programs such as this, that there will indeed, when this round of funding expires in two years time, be additional funding for community inclusion. It will be in the run up to an election too.

MR STEFANIAK: Will that be in a different format then?

Mr Stanhope: That just occurred to me.

MR MULCAHY: Under a new tax regime or a new levy?

Mr Stanhope: What was that unencumbered cash figure that Dr Grimes gave us this morning? It may have been \$300 million.

MR MULCAHY: The pea and thimble trick, I think it is called.

Mr Stanhope: Cash is cash. It is hard, Mr Mulcahy.

Meeting adjourned from 3.37 to 4.00 pm.

THE CHAIR: Mr Harris is now able to provide us with some information that members asked for before. The members who wanted the information are not here, but he can read it into *Hansard*, if you are happy with that, Chief Minister.

Mr Stanhope: Yes.

Mr Harris: In relation to the question that Mr Smyth asked concerning overall numbers and the movement in overall numbers in the budget papers, it is important to understand that budget paper 4 for 2006-07 indicates that the staffing levels would be 15,887. Budget paper 4 for 2006-07 also indicates that for 2005-06 the estimated staffing levels would be 15,388. That suggests that staffing goes up, not down. It is important to realise, though, that those two numbers are not comparable. They are not based on equivalent structures.

For example, for Chief Minister's Department the 2006-07 estimate is 160 people. The 2005-06 estimate is 459 people. The 2006-07 estimate of 160 people includes the economic development staff. However, the 2005-06 table does not include any economic development staff because in the 2006-07 budget papers there is no economic development department.

Therefore, when you make the comparisons, the comparable numbers are: for 2006-07, a staffing level of 15,887 and for 2005-06, 16,205. That takes account of ESA, WorkCover, economic development, tourism, stadiums and Healthpact, whose staffing numbers for 2005-06 are not included in the 2006-07 budget paper 4. Those comparable numbers therefore show a decline in staffing levels of 318.

THE CHAIR: Thank you very much for reading that into *Hansard*, Mr Harris.

Mr Harris: Can I assume therefore that I no longer need to provide it on notice?

THE CHAIR: Yes, you can assume that.

MR SMYTH: Could you table that document?

Mr Harris: I am not able to table this document.

THE CHAIR: Mr Gentleman, do you have a question on output 1.2?

MR GENTLEMAN: Yes. Chief Minister, I bring you to page 30 of budget paper 4. There is quite a dramatic saving in the line at the top. Can you expand on that?

Mr Stanhope: I defer to Mr Harris for an explanation of the change in the line.

MR GENTLEMAN: From 2005-06 to 2006-07.

Mr Harris: Yes. A number of transfers occurred across the year. I made reference in answer to an earlier question to the transfer of ACTIM from the policy group to InTACT. Indeed, ACTIM is a much travelled entity because before we moved it to the policy group it resided in the governance group and this number partly reflects that internal transfer before the external transfer occurred. In addition, there has been the removal of a number of one-off impacts related to the chris21 initiative that we discussed before and some savings as a consequence of budget decisions. All that adds to roughly \$2 million.

MR GENTLEMAN: On the same page there is a reference to improved profile data in relation to the public service. Would you be able to tell me what you would use that data for and also how the privacy of employees would be assured?

Mr Harris: I might get the Commissioner for Public Administration to answer that question.

Ms Kelly: Mr Gentleman, there would not be any identifiable information that would be involved in that. The work force profile data relates to developing consistent definitions for the purpose of measuring the work force, things like definitions of FTE and how you take account of casual employees. It is very much that. That is an issue of great concern to all of the commissioners because there isn't consistency either within public sectors or across public sectors, so there isn't an ability to produce reliable information either internally or for comparison between jurisdictions. So the group of commissioners, who meet twice a year, have identified that as a significant issue and are doing work, and four states are joining together in a project to develop some comparable and consistent data definitions for the purpose of measuring public sector work forces. They are very complex work forces and it is a known area that that work needs to be done on in order to get reliable information.

DR FOSKEY: Given the constant problem we have of losing people from our public service to the commonwealth public service and given that when one sheds jobs one often loses very valuable people, not the ones perhaps one intended to lose, what is the government doing to make the public service more attractive in comparison with the federal public service, to make good people want to stay, basically?

Ms Kelly: I think the answer to that is that every chief executive recognises that maintaining the capability of their work force is critical in delivering the business of the agency, so it is really the responsibility of every chief executive to give that the priority that they need in order to perform the agency's functions efficiently. There is a strategic

HR capacity within the Chief Minister's Department which is developing a work force planning framework which encourages agencies to think ahead about their capability, develop their existing work force, identify areas where they will seek new employees and engage in that planning process which focuses on attraction and retention. We have provided that to agencies and agencies are in the process of considering that and different agencies are pursuing it in different ways. But it is really a fundamental management recognition that your employees are critical to developing the business of the agency and delivering the business of the agency.

DR FOSKEY: When you are looking at reduced employer contributions to superannuation and the sort of stress that can go with downsizing a department, I guess there are things like family-friendly policies that one would think would be absolutely essential to make the ACT public service an employer of choice.

Ms Kelly: There is a significant number of provisions in the existing template certified agreement that provide for that approach. I think that is one of the issues where the ACT is known to provide a greater level of flexibility and access to things like the special leave provision in the certified agreement recognising family and caring responsibilities. A lot of those circumstances have already been attended to in the certified agreement. Of course, it is up for renegotiation. It expires on 31 March next year, so there is a possibility to look at issues again.

MR STEFANIAK: Mr Harris, I overheard you mention a figure of 318 for job losses. Does that relate just to the Chief Minister's Department, because that is fairly close to your figure in BP4, or does it relate to the anticipated loss of positions over the next 12 months?

Mr Harris: It is an estimate of potential loss of positions across the service in the next 12 months.

MR STEFANIAK: In BP4 you have, I think, 299, going from 459 down to 160.

Mr Harris: Most of those are transfers, though, of the environment and heritage staff from Chief Minister's Department across to municipal services.

MR STEFANIAK: So 318 right across the service, and that relates to the information I think you undertook to get this morning.

Mr Harris: Yes.

MR SMYTH: Madam chair, I would like a written reconciliation of that, given that Mr Harris is unable to table it today. So I would like that question to remain on notice, please.

MR STEFANIAK: That is a very precise figure, Mr Harris. Will you be able to break it down into agencies?

Mr Harris: Yes. Bear in mind it is an estimate. I should also state, just for the record, that, consistent with my earlier statements, it is not a target number.

MR SMYTH: I have a question on 1.2, but maybe it should have been 1.1. I see from page 51 that the completion of the strategic projects implementation initiative has occurred. What was the strategic projects implementation initiative, what did it achieve and what benefit have the people of the ACT got from it?

Mr Harris: We had a small group sitting within Chief Minister's Department whose responsibility it was to ensure delivery of certain key projects which had across-government elements to them, the dragway being one, work on the convention centre—

MR STEFANIAK: Just on that, why was that transferred, if you could answer that after your answer here?

Mr Harris: I have already answered the question earlier today, but I am happy to repeat the answer.

MR STEFANIAK: No.

MR SMYTH: It is completed, not transferred, yes.

Mr Harris: A variety of other projects of that nature—some work on Stromlo arboretum, for example. Most of those projects are out of the planning phase now and into the delivery phase and have been transferred to the responsible line agency, as with the dragway. The group themselves have been, effectively, wound down. The remaining members of the group transferred into the policy group and will largely be occupied on the whole-of-government task force issues that the Chief Minister referred to in answer to Mr Gentleman's earlier question.

Mr Mulcahy: In relation to the EBA, the head EBA as opposed to the subsets for each agency, when are you going to recommence negotiations? Does that expire in November 2007?

Mr Harris: No, it is March, I think. March. So we will start negotiations later this year. We have a number of other issues that are occupying ourselves and the unions at the moment.

THE CHAIR: We will go on to output 1.4.

MR GENTLEMAN: Chief Minister, one of the dot points on page 31 talks about ACT government community events. Can you expand on this? Can you tell us what community events are budgeted for in this?

Mr Stanhope: I think members would be aware of the significantly enhanced community events which have been provided, supported by the government, in recent times, over the last couple of years most particularly; that is, a very significantly enhanced New Year's Eve celebration, Australia Day celebration and Canberra Day celebration, as well as continued enhancement of the celebration of our sister city relationship with Nara through the Nara Candle Festival, which really is growing and I think last year attracted almost 5,000 people to Nara Park.

Significantly, I might just say by way of follow-up on that particular observation that this year is the year of exchange between Australia and Japan as appointed by the Prime Minister, so Australia and Japan will see a very significant celebration of our sister city relationship with Nara in, I think, October. In October of this year the mayor of Nara is to visit Canberra and we are looking forward very much to an enhanced celebration of our relationship at that time in Nara Park at this year's Nara Candle Festival. That is one of the events that is supported by communication and, in a restructured department as a result of decisions taken this year, that particular unit will have a slightly expanded range of services.

I might ask Mr Lasek to give further detail of the continued support of New Year's Eve, Australia Day and Canberra Day events. These are very significant celebrations now, involving some real organisation and some significant funding. One of the very pleasing aspects in addition to just the nature of the celebration is the range of corporate and community support and sponsorship which is allowing us to continue to develop these celebrations into celebrations that I know many Canberrans, tens of thousands of Canberrans, are now marking into their calendar a year ahead or year by year as a result of the quality of the event and the entertainment, and just the great celebration that each of these events represents. Mr Lasek, perhaps you could talk briefly about continued planning and the role of your unit in relation to events.

Mr Lasek: The events have been made possible through four years of funding through the social plan, in the order of \$300,000 per year. The Chief Minister has mentioned most of those events. The other one we do support is the Christmas in the city program, which has enlivened Civic. The highlight would be the lighting of the Christmas tree on the first Saturday in December.

The numbers have been tremendous. We have a very small team involved in putting these events together. The Chief Minister is right: an important part of it has been accessing corporate support from supporters around the city, business groups and so on, and that has enabled the program to expand even beyond what it was capable of a year or so ago. We are already well into the planning phase for this year for the Nara Candle Festival. We are pretty close to locking in a band for New Year's Eve and everyone is very excited about that after a great roll-up last year. Australia Day is another area in which we have taken a greater leadership role with the retirement of the long-standing committee this year.

MR SMYTH: Sorry, retirement or shutting down?

MR STEFANIAK: You shut them down.

Mr Lasek: Retirement.

MR SMYTH: That is not how they see it.

MR STEFANIAK: They see it very differently. You are not using them any more. That might be the best way of putting it.

Mr Lasek: Australia Day is going to be bigger and better than ever, with some great events at the Cotter and in Glebe Park for the youth. We are looking to expand the

indigenous component this year. We are working very closely with the National Australia Day Council, which has enthusiastically embraced the new management structure and has welcomed the ACT government's involvement, and with the NCA, who are a major stakeholder in Australia Day. They, of course, are the major sponsor of the events on the 25th in front of Parliament House. And Canberra's birthday, building to the centenary, through the ACTTAB sponsorship. We've got another three years of sponsorship there and all indications are ACTTAB would like to be there right the way through to the centenary. Yes, the events program seems to be moving along nicely.

MR GENTLEMAN: I have a supplementary question on that. What are some of the other corporate partners you have been working with? You have mentioned ACTTAB. Who else is involved?

Mr Lasek: ACTTAB and ActewAGL. The Canberra Centre, through QIC, has had an involvement in some of the Christmas events. There are lots of smaller sponsors. Some of it is in-kind sponsorship. Even people who provide sound and lighting are doing special deals for us to enhance the program because we are able to give them work that they otherwise wouldn't have. We are able to provide local performers with the opportunity at times to perform with national acts. In a sense, it is providing an expanded or enhanced opportunity for people to be involved in events and cut their teeth before perhaps they launch themselves onto a bigger stage.

DR FOSKEY: First of all, I would like the minister to table the actual itemised list of key ACT government community events mentioned in output 1.4 and details of the amount of funding provided for each. In the context of that, I would like to know, given that you are talking about successful sponsorship, why the budget is going up this year by \$500,000 when everything else is going down. I note that it still does not look as though we have got a lot of private sponsorship; we are still looking at territory-corporate sponsorship there aplenty.

Mr Stanhope: Dr Foskey, I am more than happy to take the first part of your question on notice and provide the information you seek. In relation to the budget line, I am sure that either Mr Lasek or Mr Harris can advise you. This year, I think more than any other year, with the very significant overhaul and restructuring of ACT government agencies, the numbers jump as they jump not as a result of an injection of additional funding for events but as a result of a significant change in the nature of individual administrative unit responsibilities. I don't know what this particular budget item represents, but this is not about another event or more funding for events. I will let Mr Lasek or Mr Harris confirm it, but this is about I am sure—I hope—a change in administrative arrangements.

Mr Harris: The majority of the increase comes from the transfer from arts into this now combined arts-events unit of money which the arts division had for festivals, plus, because the group is a larger group now, there is an extra amount of corporate overhead attached to it. They are the main components of the increase.

DR FOSKEY: One of the events that have been taking place is the *Groovin' in Garema* lunchtime entertainment program and I note that \$70,000 for that was taken from the renew community infrastructure and facilities grant, which I would not have thought was really a place that could afford to give away \$70,000. On what basis was it considered a good idea to take the money from there and in what way did it fulfil the same aims

generally as that fund was set up to fulfil?

Mr Stanhope: That is a decision I took in the context of building community. The renew community infrastructure grants scheme served a very useful purpose. There was, however, in its implementation a very significant overlap between ongoing, in-built departmental infrastructure support and renewal budgets and the renew community infrastructure grants scheme. It transpired through the administration of the particular scheme that much of the support provided through the renew community infrastructure scheme went to renewing or refurbishing government-owned buildings which were occupied by community organisations. I think the vast majority of the funding was utilised in refurbishing government-owned buildings.

I took the view that rolling refurbishments and upgrades of government buildings were the responsibilities of government building managers and, essentially, we should not have a separate infrastructure scheme over and above the annual budget process for maintenance, which each department pursues as a matter of course in every budget and for which each department receives funding in every capital budget. It was actually a double-up. It was a double-up in my mind and a confusion. It served a useful purpose but, indeed, \$1 million of the renew community infrastructure grants scheme was returned to budget last year and, of the funds that remained, I took the opportunity in a community building mindset to provide some of those funds to community building, albeit not bricks and mortar but community building and renewal through the broad community—

DR FOSKEY: Who happened to be passing by at lunchtime.

Mr Stanhope: I wasn't aware that the Greens opposed public music and performance and art. But the bottom line, Dr Foskey, is that the community infrastructure grants scheme served a useful purpose but the government did not continue it.

MR GENTLEMAN: Chief Minister, on the same output class, under the last dot point, it is stated that government communications and support will be responsible for the whole-of-government emergency response. Can you expand on this? Has it happened in the past and is it a new area for the communications area?

Mr Stanhope: A very important aspect indeed of the work which Mr Lasek does is his involvement in relation to communications around the government's emergency response regime, and I will ask Mr Lasek to go to that involvement. This is an area in relation to which the government, particularly in relation to the experience of the 2003 bushfire, has put in enormous effort and it is an area in which Mr Lasek has provided the leadership in developing a whole-of-government emergency response capacity. It is an issue that we have taken incredibly seriously, but Mr Lasek can respond in relation to work, not just around fires, but indeed in relation to the new terrorist environment in which we still live and the need for appropriate all-of-government communication encapsulated in the threats and the issues which our terrorism preparations present in relation to the need for fine lines of communications and well understood protocols and arrangements in relation to all emergency situations certainly, but particularly with the example of fire in the need for a finely tuned capacity to respond at all levels to a possible terrorist incident. Mr Lasek can provide further detail of the work that we have undertaken.

Mr Lasek: Coming out of the fires, lots of lessons were learnt, and one was that the government and the community need to be better prepared on the next occasion when we have an emergency or a disaster. I think we all know it will happen in some shape or form; hopefully, it is a long way away. Essentially, the role I am now in was created as a necessary step to take in terms of increasing the capability of the government to respond. We have done a number of things. We have formed a communications group across government which has the ability, at relatively short notice, to bring together resources from the different communications areas across government to respond to any disaster, be it a bushfire or a terrorism threat. That group is regularly exercised and our next exercise is to be in July, with another one in August, and they are counter-terrorism exercises. They happen frequently.

I represent the ACT on a national counter-terrorism committee subgroup which relates to media and communications and we meet regularly. Our next meeting, I think, is again in July, where we will look at national responses because, if Canberra is threatened, as the national capital it is likely that we will be dealing with issues at a national-commonwealth level and dealing with the states' communications issues. We have been the first jurisdiction in Australia to sign MOUs with the media. That took a lot of work but we now have in place MOUs which mean that the local media have committed to supporting in a communications and a public information sense the getting out of information at any time 24 hours a day, seven days a week to the Canberra community. So if we do face a similar situation to January 2003 the community can confidently expect to get the information, be it scrolled across their television screens or broadcast on whatever main radio station they are listening to on the AM-FM band. They will get the information they need, which wasn't in place prior to the bushfire. Yes, it has been an expanded role in terms of whole-of-government communications and emergency communications, and it is ongoing in terms of the learning. There has been tremendous support right across all the agencies at a chief executive level down into their communications teams.

MR GENTLEMAN: That national meeting that you were talking about, are PSEC involved in that meeting?

Mr Lasek: Yes. The federal Attorney-General's Department is the coordinator of that group. These meetings are held around about quarterly. They coincide with the national counterterrorism committee meetings and our subcommittee reports to the NCTC on a regular basis. We look at our preparedness. The national committee is very interested in our MOUs with the media. As we are the first to do that, they are looking to learn how we manage to pull that together. One of the advantages we have, being in a smaller city state, is that we can get the media together in one room. As disastrous as January 2003 was, it made the media very conscious and aware of the important role they need to play when there is a disaster. In some sense it helped us in our negotiations.

MR SMYTH: Mr Harris, how much exactly is the transfer from arts? You said in the main the extra \$496,000 came from arts.

Mr Harris: It is \$227,000 from arts and another \$100,000 as a consequence of additional corporate overheads because of the larger number of staff.

MR SMYTH: That is \$327,000. The other \$160,000 comes from where?

Mr Harris: There is an extra \$200,000, an additional \$200,000 there as well.

MR SMYTH: Chief Minister, \$200,000 would keep Tharwa school open. Do we need more government communications or should we keep Tharwa school open for \$200,000?

Mr Stanhope: I would have to take advice on the \$200,000. I must say I cannot recall at this stage exactly—

MR SMYTH: Your chief executive just said it was extra funding.

Mr Stanhope: Yes, but I am not sure what it is devoted to at this stage, Mr Smyth.

MR STEFANIAK: Was it extra staff?

Mr Stanhope: In any initiative or decision that the government takes in relation to a diminution or a change of support for a particular issue, one can always engage in a debate: should government do this or should government do that? Should we purchase an additional linear accelerator or should we maintain a 20 per cent overexpend on government school education?

MR MULCAHY: Or run an efficient health agency.

Mr Stanhope: What should we do? Should we look at a school that currently has an enrolment of 25, 17 of whom are not in the priority enrolment area, nine of whom live within the priority enrolment area in a school with a staff-student ratio of just over five to one at a cost of \$500,000 to the taxpayer—in other words, a cost of \$50,000 or thereabouts per priority enrolled child—or should we think about whether or not that is an appropriate use of ACT ratepayers' funds?

MR STEFANIAK: Maybe we should use Hall as an example, Chief Minister. It is a lot cheaper.

Mr Stanhope: Let us look at Hall.

MR STEFANIAK: It satisfies all your criteria, actually.

Mr Stanhope: This is an interesting debate. Let us go back to Tharwa, a school with a student-staff ratio of around five to one. That is totally. Nine children from the priority enrolment area for the school are enrolled in the school. The majority of children travel from city to country to attend the school at a cost of over \$550,000 to the ACT ratepayer, a cost of \$50,000 per child against an average of \$8,000.

There is a debate that must be had—and we are having it—in consultation with the community of Tharwa about the costs involved and the broad issue of equity in relation to a school at which there are nine children from Tharwa and environs being maintained at a cost of \$500,000, with 4½ staff. That is a student-staff ratio of nearly five to one or six to one.

MR PRATT: A school that is not allowed to expand.

Mr Stanhope: You say that this is a sort of luxury that the Liberal Party is prepared to persist in? This is the sort of decision that the Liberal Party believes is appropriate?

MR SMYTH: No. It is a question to you.

Mr Stanhope: We are consulting with the community of Tharwa in relation to those levels of expenditure and those particular issues. Mr Stefaniak stands up as a champion for Hall primary school.

MR PRATT: Somebody has to.

Mr Stanhope: Hall primary school is a school at which nine per cent of the students attending live within the priority enrolment area. Ninety-one per cent of the students at Hall primary school do not live within the priority enrolment area for that school. Sixty-four per cent of the students of the school live in New South Wales, the majority at Murrumbateman. There is a debate—

MR STEFANIAK: They will be going to other ACT schools if you close it.

Mr Stanhope: Absolutely, and we welcome them. We embrace them and we wish them a good education in the ACT system, but in a way which allows us in our delivery of this service to the students of Hall, the nine per cent from the enrolment priority area who choose to attend the school—

DR FOSKEY: Can we just leave this to education?

Mr Stanhope: The question was asked and now we have the leader and the ex-leader of the Liberal Party standing up to defend the expenditure decisions inherent in the maintenance of Tharwa and Hall primary schools. It is a debate that we must have. This is an environment in which the Liberal Party would slate the government for its management and its preparedness to take decisions in relation to meeting its fiscal responsibilities. It is a debate and a consultation that we must have. We want efficiencies. We want an efficient system and we want to maintain our excellent educational outcomes. We cannot do it by maintaining a system that just accepts the reality of those factual situations at Tharwa and Hall without some deep consideration and a capacity to take tough decisions, which this government has shown that it has.

THE CHAIR: Chief Minister, I think we can find out about the \$200,000 on notice.

Mr Stanhope: I will take that on notice, yes.

THE CHAIR: We will move on.

MR SMYTH: One last supplementary on communications?

THE CHAIR: We are going to deal with this matter when the minister is in front of us.

MR MULCAHY: Can you not just answer the question Mr Smyth asked?

THE CHAIR: He has answered that question.

MR MULCAHY: No, he has not. He said he does not know.

MR STEFANIAK: They might know.

THE CHAIR: He said he would supply it.

Mr Stanhope: Mr Lasek can respond.

MR STEFANIAK: Yes. It saves time.

Mr Lasek: I think, without putting a dollar amount against each one, you would probably be aware that the CMD communications area has had a major involvement in the Live In Canberra campaign. That has been getting communications and marketing together, organising and travelling on roadshows and procuring sponsorship from outside of government. We have had a major role in Canberra's centenary in communicating with the public and supporting that particular project.

It was funded in the previous financial year for the Chief Minister's Department. My understanding is part of this money would assist us to continue with what I think is very important work in those areas. For me to continue to participate in the national counterterrorism exercises and so on, the ACT government has to find the money for that. Also now, with economic development coming into Chief Minister's, we will be supporting in a communications sense the Focus on Business event this September.

We have the opening of the new glassworks, which again will require marketing and communications. We have also, as I mentioned, assumed management of Australia Day. That is not a small task and we will need additional resources to be able to do that.

THE CHAIR: Thank you very much. That is a very good explanation, Mr Lasek.

MR SMYTH: Last night the chair and I and a number of other members went to the Syrian embassy for a Syrian-Australia friendship meeting, which was very, very enjoyable. On the way home, surfing the radio, I managed to get on to 2CC on the Stan Zemanek program. Was that your voice I heard defending the ACT?

Mr Lasek: Stan had the night off. It was Glen Wheeler, I think. Yes, it was.

MR SMYTH: So part of your role as communications manager is to surf the net and ring up when radio jocks in Sydney attack your Chief Minister?

Mr Lasek: No. They were attacking the ACT and the Live in Canberra project. There was a caller who said that he did not think people in Sydney should consider moving to Canberra. I see it as part of my job, not to surf the net or the airways, but if I hear something I think is inaccurate, to respond. If you heard it, I—

MR SMYTH: I missed the start of it. I just got in the car and heard it. Do you sit at home on Wednesday nights and listen to 2CC or did somebody ring you up and ask—

Mr Lasek: I had had a very enjoyable night out. I tune into talk radio. I think it is a great way to find out what the world is thinking. Someone from Canberra rang up and, I thought, was unfairly critical, not of the Live in Canberra project but of why people should move to Canberra, and I thought I better put the record straight.

THE CHAIR: Thank you very much. We will move on to 1.5.

MR STEFANIAK: I have one last question. In communications, how much has the recent publicity campaigns on the budget and the teachers' EDA cost? I do not know whether that is actually under emergency responses.

DR FOSKEY: That is industrial relations.

THE CHAIR: I think that is industrial relations.

MR STEFANIAK: The recent publicity campaigns on the budget and teachers' EDA?

Mr Stanhope: Mr Lasek again, I think, Mr Stefaniak.

MR STEFANIAK: I would say it is probably under emergency responses.

Mr Lasek: There was an advertisement in the *Canberra Times* regarding the situation with the teachers—\$5,698. There was an ad about the situation with superannuation—same price. There was a detailed information ad on the ACT budget that ran in the *Word*, *City News*, the *Chronicle* and the *Canberra Times*—total \$11,867. There was some design work from Publishing Services for \$495. There were a series of ads about Canberra's future that ran in the four newspapers I mentioned earlier—approximately \$17,000. There was a letter from the Chief Minister to all Canberra households—\$15,723. The total is \$56,481.

THE CHAIR: Thank you, Mr Lasek. We will move on to 1.5, arts. You have a question, Dr Foskey?

DR FOSKEY: In relation to grants, will the grants process for the arts continue to be run through Arts ACT or will it be affected by the streamlining of grants in general? Will the same grants approval process continue where peers assess grants applications, making the process independent of a minister?

Mr Stanhope: I think the short answer to the first question was no and to the others it is yes.

DR FOSKEY: It will continue to run through Arts ACT?

Mr Stanhope: No. I think the answer to that question is no, but the answer to all the other questions was yes. Of course Arts ACT will be fundamentally involved. I think it is important to understand the—

DR FOSKEY: So it will be through the grants approval—

Mr Stanhope: Yes.

DR FOSKEY: I am sorry. I want to know which bit he is answering.

Mr Stanhope: I was just about to go to that and then I was going to ask Mr Harris and others to give some more detailed explanation of the new arrangements that apply across the board in relation to grants. I might say the new streamline to grant approach to grants within the territory has been welcomed broadly, particularly by the community sector, in relation to the efficiencies that will be generated. But because we are centralising and now providing two main streams of grant application administration, we are not removing from specialist agencies such as Arts ACT their role in the assessment and classifying of applications and decisions around the ranking of applications. But Mr Harris can give some further explanation.

Mr Harris: The intention is to centralise arts grants. The final decision on that is yet to be taken. The reason it is yet to be taken is, as the Chief Minister has outlined, a desire to ensure that the appropriate assessment process is put in place for arts grants. It may be that at the end of the day we do not transfer that grants program. It will depend upon our ability to ensure the assessment process is reasonable and relevant.

DR FOSKEY: When you say that, do you mean continuing in the existing style of assessment or something else?

Mr Harris: We remain committed to peer assessment.

DR FOSKEY: That is important. I notice that the arts will receive about \$9 million this year. How does this compare to last year?

MR MULCAHY: What figure did you say?

DR FOSKEY: \$9.303 million.

MR MULCAHY: My information is that it has gone from \$11.3 million to \$8.9 million.

DR FOSKEY: Hopefully I will get clarification about that. It is page 32. The concern from arts organisations is that they requested indexation and yet, in the 2002-05 agreements, they got less than two per cent. In the 2005-07 period they will get zero per cent. Most organisations are running at 2002 funding levels. I was a bit surprised to find that, unlike the community sector, the arts sector has not been granted indexation, which makes them a very impoverished group of people indeed.

Mr Harris: The 2006-07 budget is \$9.3 million, as you have indicated, Dr Foskey. The comparable number for last year was \$8.9 million. There is in fact a slight increase.

DR FOSKEY: The indexation issue?

Mr Harris: Grants for the arts are assessed on the basis of applications and money available. There is no automatic indexation of those grants. Many of those grants are three-year grant programs.

DR FOSKEY: How would you suggest the arts community should go about achieving what the community sector has achieved, that is, indexation?

Mr Harris: Arts grants are different from community service grants. There is no ongoing provision of a service to the community as far as arts grants are concerned. These organisations make application for money from a limited pool of funds.

DR FOSKEY: So you do not feel they have any grounds for seeking or receiving indexation—

Mr Harris: Indexation would apply an ongoing commitment forever to a particular grant and to a particular organisation. That is entirely not relevant as far as grants to the arts are concerned. They are one-off applications.

DR FOSKEY: I will probably have to seek a little bit more information on that because, of course, that is their job and their income.

Mr Harris: But they are not our employees.

MR MULCAHY Supplementary to that, have you looked at the issue of the timing of grants for arts organisations, the fact that they seem to come very late in the fiscal year for people to lodge and know where they stand? Obviously they have got to make decisions in relation to staffing and so on, depending on the success or otherwise of those applications.

Mr Stanhope: I indicate that Dr Cooper will answer that question.

Dr Cooper: That is an issue that we are very well aware of and in the current process we are looking at bringing some of those forward, programming them so that they can come out a bit earlier. That is something the cultural council and Arts ACT have looked at. We are trying to adjust that a bit.

MR MULCAHY: All right. Notwithstanding what you have just said, Mr Harris, I seem to have received conflicting information from the Chief Minister's office. I will put that aside. Can you clarify if there are any plans to significantly reduce programs or activities in the arts this year? There may be people who succeed or otherwise with applications for grants, but are there any plans to drop arts activities programs?

Mr Harris: I am not aware of any, Mr Mulcahy. We go through assessment processes all the time as far as our bottom line budgets are concerned. We have a number of ongoing commitments to the arts, and those commitments stand at this point in time.

DR FOSKEY: In regard to public art, is there a committee that oversees the choice of pieces of public art? In that group is there a sculptor, given that sculpture is often the art of choice for outdoor and public art? Is this process independent of the minister, as is the grants approval process, given that obviously a commission is work and like a grant to an artist?

Mr Stanhope: I will ask Dr Cooper to give some detail on that, but by way of short explanation or background let me make the point that I asked the department to arrange

for the appointment of a public art advisory committee as a means of ensuring rigorous assessment of the process of the commissioning of public art. I am enthusiastic about the arts, but I acknowledge my shortcomings in my capacity to judge or appreciate—

DR FOSKEY: “I know what I like but I don’t know why I like it.”

Mr Stanhope: Yes, that is essentially it. I confess I do not have the capacity to make those decisions. I agree with you that the assessment process and the procurement process for public art must be rigorous. I believe it is enhanced by a group of people with the capacity to assess the quality or the merit of particular designs or proposals. It was in that vein that I asked the department to appoint a public art advisory committee.

I did indicate that I was attracted to the notion that the head of the cultural council, Dr Paul Hetherington, also chair of the public art advisory committee, could provide a nexus between that committee and the cultural council. Dr Hetherington agreed that he would, as chair of the cultural council, also be very pleased for those reasons to chair essentially a subcommittee of the cultural council in the public art advisory committee. Appointed also to the committee were Mr Ian Templeman, an ex-chairman of the cultural council, G W Bott, a noted artist, and Graham Humphries, one of the ACT’s leading architects. Those people comprise the public art advisory committee.

MR MULCAHY: What were the factors that caused the rollover of \$486,000 for public art?

Mr Stanhope: I do not know whether I can provide explanations specifically or point to a particular reason for a rollover of that particular funding. We have had over this past year some significant works commissioned and undertaken in the bushfire memorial, in the new work for the forecourt of the library and Canberra Theatre, the new National Memorial, the Ngunnawal artwork that is being pursued in relation to the centre of the city and a work for Ginninderra Town Centre.

There are currently in train five or six significant pieces of public art. The moneys that had been earlier appropriated, the bulk of the rollover, simply have not been accessed in the face of a fairly busy program. I cannot point to a single reason, Mr Mulcahy, other than to say that it is a time lag. It is a capital process, an extensive process.

MR MULCAHY: So they are being commissioned? It is not a matter of people wanting to do works that just do not—

Mr Stanhope: No, it is not. I must say that the commissions have not been sought. For those funds rolled over, I do not think there is a process yet in place in relation to those funds.

DR FOSKEY: Mr Stanhope, did you say there was a sculptor on the—

Mr Stanhope: No.

DR FOSKEY: There is not one?

Mr Stanhope: No. The current head of the cultural council is a poet and author.

DR FOSKEY: None of them are sculptors?

Mr Stanhope: I do not believe they are. Dr Hetherington I know is a writer and poet. Mr Templeman is a publisher and writer. G W Bott is an artist, not a sculptor. Graham Humphries is an architect. So there is no sculptor.

DR FOSKEY: All right. I have just one more question, and that is regarding the Cultural Facilities Corporation.

THE CHAIR: That is next.

DR FOSKEY: Is that not part of the arts?

MRS DUNNE: Can I just ask about public art while we are on that?

DR FOSKEY: Yes.

MRS DUNNE: Will the public art advisory committee be advising corrective services on the \$100,000 public art for the—

Mr Stanhope: Yes. The committee is involved in that process.

MRS DUNNE: I hope it will be high-quality art.

Mr Stanhope: Yes. We do with all of our public art.

MR MULCAHY: How much of your budget split is going to Arts ACT or the ACT Arts fund? How much is going to managing the funding agreement with the ANU Faculty of Arts? What part is going to the cultural council and what part is going to the development and management of government's arts facilities and public art? Are those figures readily available?

Mr Stanhope: Dr Cooper suggests she would like to take the question on notice, Mr Mulcahy.

THE CHAIR: You will take the question on notice. Did you get your question answered, Mrs Dunne?

MRS DUNNE: I got an answer to my question, yes.

THE CHAIR: Thank you. We will go to the Cultural Facilities Corporation.

DR FOSKEY: Good afternoon. In the context of the CMD staff decreasing from 459 to 160, how will this affect staffing, how will it reflect on the Cultural Facilities Corporation and how will it deal with any cuts in staffing that it will have to endure?

Mr Harris: The 160 relates to the Chief Minister's Department not to the Cultural Facilities Corporation.

DR FOSKEY: Anyway, the question still stands—the staffing cuts that the Cultural Facilities Corporation will receive?

Ms Elvin: We anticipate that in view of the cuts to our subvention we will need to make a saving somewhere in the order of five positions across the corporation.

MRS DUNNE: Out of an establishment of what?

Ms Elvin: At the moment we have a full-time equivalent staffing level of about 100, but that is counting all our casual staff. Our full-time and part-time staff, our core staff, are about 67 at the moment. In our statement of intent we forecast a drop to 62 from 67.

MRS DUNNE: So it will be a drop to your core staff not to your casuals, who might come in as usherettes or guides or whatever?

Ms Elvin: Yes. The drop of five would be to core staff. There may be some reductions in casual staffing. Casual staffing varies a lot anyway. In theatre it is highly dependent on what shows we have in and what staffing needs we have for those shows. Casual staffing is also used in, for example, our historic places and our Canberra Museum and Gallery. If, as part of the budget cuts, we need to make some changes to the opening hours or those facilities, that would also have an impact on casual staffing costs.

MR MULCAHY: Although it is only a modest reduction, you indicate that you are going to have fewer visitors to the facilities in 2006-07 compared to 2005-06. I assume it is because you are projecting to have one fewer exhibition. Would one not be expecting the numbers generally to be growing? In a number of other national institutions the visitor traffic is going up. Is that not something that you would expect? I know they are not as high profile in most cases.

Ms Elvin: Notes on the variances to the visitor targets are set out in the statement of intent for the corporation. I do not know whether you have access to a copy of those?.

MR MULCAHY: I have it, but I do not have it with me.

Ms Elvin: If I could just summarise those for you. Essentially, we took this year's targets and made adjustments to those for known events. For example, this year we had a target of 10,000 for off-site attendance at *Circus Oz*, which was held on the old futsal slab, the lakeside arena, if you remember.

MR MULCAHY: Yes, I was there.

Ms Elvin: That will not be happening next year. I suppose as an offset to that or a partial offset to that, the new link will be opening. So we anticipate that functions there will provide an offsetting amount to that loss from that activity on the lakeside arena.

MR MULCAHY: More or less a neutral outcome, or slightly less?

Ms Elvin: Just slightly less.

MR MULCAHY: Under normal circumstances do you aim for growth, or are you really

looking to hold the current level of attendance at these Bruce facilities?

Ms Elvin: Overall we are looking for gradual upward movement. Obviously, with our historic facilities we have to balance conservation needs with visitation outcomes. On the theatre side it really is highly dependent on what theatre product is available from year to year. This year, for example, we did have *Circus Oz*. Next year we have some high-profile events like *Porgy and Bess*, for example. *Swan Lake on Ice* is also coming, and the *Pirates of Penzance*. Those are all big-ticket items. At the same time we are conscious that *Cirque du Soleil*, which is not going to be happening in our venues, may have an impact on our patron numbers. That is likely to take a lot of discretionary income out of the market.

MR MULCAHY: That will be in Canberra but not under your wing?

Ms Elvin: That will be in Canberra but, unfortunately, it is not something that is coming to us, so we will not be benefiting from that.

MR MULCAHY: In relation to details of the revised funding arrangements for CFC, with the resulting \$6.4 million worth of appropriations, can you just explain the basis for revision?

Ms Elvin: I think the best way to explain it is if you could look at page 477 of the budget papers, and there is a set of adjustments to appropriation. If you take out the consolidating information technology services figure—which I understand is neutral in that we have lost that amount from our funding but we will not be paying that amount in IT service charges—the other amounts, the adjustments across government for procurement, the consolidation of human resources and finance for motor vehicle expenses and the general savings figure, give you an outcome of a cut of \$557,000 in 2006-07 rising to \$624,000 in 2007-08.

MR MULCAHY: So no individual dramatic change is evident in there anyway, no unusual circumstance, only the transfer of IT variant?

Ms Elvin: I am sorry, I do not quite know what you mean by unusual circumstances?

MR MULCAHY: Are any unusual circumstances at play here that have led to these adjustments?

Ms Elvin: I suppose they are all adjustments that come out of the current budget decisions.

MRS DUNNE: I just want to go back, Ms Elvin, to where we are with the Nolan Gallery.

Ms Elvin: Well, it is still open; it is still in that location. As you know, we did feasibility studies some years ago to look at future options, and you may also recall that coming out of that feasibility study was quite a strongly expressed view, admittedly from a few people, that the Nolan collection should stay in its location at the Nolan Gallery and that that indeed was the wish of the late Sir Sidney Nolan.

MRS DUNNE: My recollection is that you had discussions with Lady Nolan as well about that.

Ms Elvin: We did, yes. But I have to be honest, I do not think the matter is yet closed, because I remain concerned at the low visitor numbers there. For a collection of such international importance to attract somewhere under 7,000 visitors a year is very disappointing. So we are continuing to look at ways we can boost that visitation, including through discussions with the commonwealth, looking at whether removing the admission fee will result in increased visitation. I would still like to look in the future at having a combined Lanyon Visitor Centre and Nolan Gallery so that all visitors to the Lanyon estate would arrive at the Nolan Gallery as a point of entry. That could perhaps introduce them to the Nolan collection, but also give them a wider introduction to the Lanyon estate. So, there are still things that we can pursue to increase visitation without moving the collection, although that again is something we will need to reconsider in the future.

MRS DUNNE: Is it really that you have a small, discrete gallery for a single purpose in a slightly out of the way place?

Ms Elvin: Certainly its location and now that there are so many competing attractions in the city centre make it difficult to attract people there, and a visitor to an historic estate may not necessarily be interested in a very modernist artist. So you have quite a disjunction of activities there. But if we can encourage people to combine their visit to the historic Lanyon estate with a visit to the Nolan Gallery, let us hope we can increase visitation.

MRS DUNNE: But you would still be getting people who are essentially captive visitors rather than voluntary visitors?

Ms Elvin: Although I would like to think that we might capture them and they might enjoy that experience.

MR MULCAHY: You will have your work cut out with 85,500 going to Lanyon and 6,000 to Nolan.

Ms Elvin: That also shows the potential, I think.

MR MULCAHY: It also shows where people's priorities probably are.

MRS DUNNE: Maybe it is the wrong mix of the colonial country experience and the modernist artist?

Ms Elvin: Although some people think that is the attraction, and that is what Sir Sidney Nolan would have wanted, to show the collection in that landscape. So there are difficulties but I also think there are opportunities.

THE CHAIR: Thank you very much. By agreement, we now move on to Actew. I welcome Mr Costello and Mr Service and remind them that they 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 you are protected from certain legal actions such as being sued for defamation for what you say in this public hearing. It also means 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. I am sure that you understand that. Did you want to make any opening remarks?

Mr Stanhope: I do not, madam chair. Again, I thank the committee for inviting Actew to appear. The chairman and the chief executive officer, Mr Service and Mr Costello, are most willing to assist the committee in any way the committee should require. Thank you.

THE CHAIR: Thank you very much, Chief Minister. Mr Pratt?

MR PRATT: Chief Minister, I am looking at the second-last dot point in the 2006-07 priorities on page 435 of budget paper 4: “continuing the urgent rehabilitation of the Lower Cotter”. I assume the urgent rehabilitation has taken on an increased urgency, given the work done there since the 2003 disaster and the hazard reduction accident which seems to have occurred on 16 May. Considering what has been reliably reported, including some eminent advice from eminent persons from the ANU as to the significant damage done by that fire, can you tell us how far that mistake has set you back? How far has that mistake set you back in the rehabilitation of the catchment?

Mr Stanhope: Let me just say, Mr Pratt, do not believe everything you read in the *Canberra Times*.

MR PRATT: I should disregard two professors, one doctor and three other professionals?

Mr Stanhope: It is a sterling journal and one I read assiduously every day.

MR PRATT: Professor White lied, did he?

Mr Stanhope: But, as Dr Cooper in a response to that article has advised, the department acknowledges that the fire, which was deliberately set to burn significant piles of windrow pine waste, burned extremely hot. The waste, in its unburned state, represented a significant fire hazard. The fire was approved and the burning operation was overseen by the Commissioner for the Emergency Services Authority, Mr Peter Dunn. The methodology that was used in the burning of the windrows was approved by the Emergency Services Authority.

Some fires were not part of the plan. They were inappropriately lit and burned an area of regenerating forest that it would have been preferable not be burnt. The windrows themselves did burn extremely hotly and certainly there was damage to the soil. There was an increased or enhanced risk, as a result of the burning of the windrows, of erosion with consequent run-off into the Cotter Dam.

However, I will not apologise for rendering Canberra safe from bushfires. I simply refuse to apologise. Burning windrows may have an impact on water quality in the short term, but the burning of the windrows, on the advice available to me, was essential to removing a significant continuing fire risk. I will not apologise for steps taken by ACT

Emergency Services and ACT land managers to render the community safe from fire. Let me put that unequivocally.

We can acknowledge that aspects of the burn were conducted in a way that was not approved. There were outcomes from the fire, particularly the prospect in a savage storm, of significant run-off into the Cotter Dam, which, as you now know, as a result of new arrangements put into place by Actew to secure the Googong Dam through the transfer arrangement, is now a significant part of our water storage infrastructure. I do not walk away from the fact that we need to do everything possible to protect that water source, and that is the point about the new arrangements that have been announced in relation to the Cotter catchment.

The Cotter Dam is now a significant part of our water storage infrastructure. Three years ago it was not. It is now a significant part in a way that it had not been for over 20 years. We are doing everything within our capacity, consistent with the best scientific evidence and advice available to us, to protect that water catchment. We say, continually, and we mean it, that the imperative in the Cotter catchment now is water quality and we are doing everything possible consistent with the best advice available to us to restore the catchment and to protect the quality of the water.

I do not know whether Dr Cooper might add anything in relation to the scientific advice we took in relation to the burn and the way in which the burn was conducted, or whether Dr Cooper can add to what I have just said, but I reject the suggestion that we were cavalier or cowboys running amok in the burn. It was done for public safety purposes in a fragile and valuable catchment and environment. We had competing and conflicting responsibilities and interests: one, to render this town safe from fire; and, secondly, to manage that catchment to the best of our ability. Dr Cooper has acknowledged that some aspects of the burn were not approved, and we wish that the burn in some aspects may have been conducted in certain other ways. I do not know whether there is anything you can add, Dr Cooper, but I particularly would welcome a response to the issue that scientific advice quoted in a *Canberra Times* article was the only scientific advice and that there is not a contrary view.

Dr Cooper: We take a range of advice, as you would appreciate. We had a multidisciplinary team involving ecologists, forest ecologists, the fire people, the land managers and Actew staff. There was a range of people involved. They met, they went over various aspects of the proposed plan and then it was handed to our operational people to implement. Unfortunately, as I have said publicly in a letter in the paper, we did have a field person ignite an area that they should not have. Following that we did go out and ensure that any movement of the soils that could possibly be prevented was prevented and, if it were to occur, that the impact on the water quality was controlled. So we do acknowledge that.

MR PRATT: Did the exercise itself go according to the plan that you had signed off on? Where the fire was lit under the conditions at that time, did the lighting actions undertaken accord with the plan that you had signed off on? I am not talking about the fact that it finally got away from you. That is another matter.

Mr Stanhope: I do not think it did get away.

Dr Cooper: I am sorry, I am a bit confused at the question.

MR PRATT: Are you happy that the burn-off was executed in accordance with the plan that ACT Environment signed off on?

Dr Cooper: No, I am not, because there were some areas burnt that we have said quite openly should not have been burnt, Mr Pratt.

MR PRATT: Can you quantify the ground that was burnt severely? I am led to believe that the ground will now be very hard to take any regrowth from now until October. Is that report correct? What amount of space do you think that that would incorporate?

Dr Cooper: Mr Pratt, I am sure you would appreciate the complexities of dealing with that catchment. The prescribed burns that were undertaken are not new. We have had prescribed burns in there for the past couple of years, since 2003. I can take you out to the field and I can show you where natural regrowth has come back on those areas that were burnt with the same intensity as the ones we have just burnt. There are other areas where the vegetation has not come back and we have then had to put into place some revegetation programs. Importantly, where even some of these other ones were burnt recently, I was out there a couple of days later, just after the rains, and you could see some green shoots on different areas.

So to give a general answer to your general question, I feel it is more appropriate if you go to a particular area—or if you like to go out on site, we can certainly show you—and it is about the long term that we are aiming. This is a landscape that needs to recover in the long term. So the actions we take today are looking to the future and minimising the fire risk in the future, but also looking for the water quality outcomes that we need. I can show you plots that were burnt a few years ago and now the vegetation in those windrow areas is far thicker than in the surrounding vegetation that was not burnt.

MR PRATT: So you reject the notion that there have been significant areas burnt to the ground, such that erosion is now fairly active—into the border, of course?

Dr Cooper: As I said, after the rains we went and did surveillance and we have put in place measures to control that. So you are not seeing huge gullies; you are not seeing massive movements. I am not saying that will not occur in some areas, but also you have to look at the different parts of the landscape. It is very easy to take a micro view in one particular area. We always have to keep focused on the long-term objectives and what we are trying to achieve. I think we are doing that across the entire catchment.

MR PRATT: By the way, Chief Minister, I do not think anybody was asking you to apologise; nor was the committee attacking the fact that fire prevention action has been taken. What proportion of that \$20 million clearly identified for the total rehabilitation program will now need to be spent to correct the difficulties coming out of 16 May?

Dr Cooper: A very small amount—incredibly small. It would be in the 0.0 range—probably 0.00. It would be small. The way we are managing that catchment is looking at where soils can move, and a whole lot of mechanisms are in place to prevent that. Could I answer Ms Dunne's previous question, madam chair? You wanted to know—

MRS DUNNE: You had a signed-off plan and the burn did not go according to plan because somebody burned an area that was not on the plan. How does that come about and what actions do you take to ensure that does not happen in the future?

Dr Cooper: Ms Dunne, immediately after the events, staff do a major debriefing, as I am sure you are aware is the practice, and we certainly looked at how this did happen. The people involved said, “Well, we just did it.” So it is one of those moments where it is a human error completely. We checked mapping. We checked communication. We checked the process that was there, and it just happened, as things do. We have looked at everything we possibly can do in the future to minimise that. There really is no one reason.

Mr Stanhope: Madam chair, could I just make the point that Dr Cooper is not with Actew, and I cannot ask Actew to come back on 4 July.

THE CHAIR: No, that is right.

MR GENTLEMAN: My question is for Actew but it is off the beginning of Mr Pratt’s question and it goes to the second-last dot point on the rehabilitation of the Lower Cotter. Can you tell us what work Actew has been doing down there on rehabilitation and can you address the erosion problems that have been raised?

Mr Costello: I will ask Mr Knee, who is the person responsible in Actew for dealing with the catchment remediation issues, to speak. Just quickly on the fire and the prescribed burn up there, clearly the mistakes that were made have not had an adverse impact on the water supply there yet. We test the water all the time. There is no increased turbidity there that would create a problem. It is true that if we have heavy rain up there, having had a burn there, it will probably have an impact. But the impact a heavy downpour would have in the area that has just been burnt adds nothing to the impact a heavy downpour would have as a result of what happened in the fire in 2003.

I am trying to put it in context. The real dangers up there come to us from the very bad things that happened in 2003 and to some extent up in the Bendora and Corin, of course. So heavy rain—very heavy downpours—are going to have an impact regardless of whether the burn had happened. That is why we are trying to do the best we can. Ross here might tell you of some of the things we are trying to do up there to ameliorate that.

Mr Knee: A major risk we have in the Cotter catchment is from sediment movement. As Dr Cooper said, we have identified the areas of highest risk, high sediment movement, and they are mainly roads, run-off from roads, bringing the gravels on the roads into the waterways. So we are closing as many roads as we can. We are also putting in culverts—where natural stream flows across the land are crossing the roads and eroding the roads—and gabion structures, which are stabilising the landform around the roads and culverts. We are also putting in sediment basins which collect any sediment that does run off the land, and also putting in wetlands which are basically a final filter from any water that runs off, and sediment is collected in the sediment ponds and they are filtered out through the wetlands. We are also helping Environment ACT with any vegetation of native grasses or native trees and shrubs.

DR FOSKEY: I guess in a way this issue goes to governance and management in a

sense. I gather that Actew has a role in water catchment, which is to look after the water, but Environment ACT has a role, and it looks like the emergency section, whatever it is called now, has a role. I am wondering about governance in relation to the Cotter and those rivers within our system and how it works. I note that you are working on these issues across the border with the Googong and the Murrumbidgee catchment areas as well. So I would like you to address the issue of governance in those two aspects, please, and how it helps and hinders your aims.

Mr Costello: The question of governance is a matter for the government to decide, not Actew. We can play our part in it.

DR FOSKEY: But you know what goes on. You can tell me, I guess. That is what I want to know: what happens?

MR PRATT: Perhaps the Chief Minister can answer that.

Mr Costello: I think it is a more appropriate question for the government to answer. The government's arrangements are for the government; not me and not for Actew.

DR FOSKEY: But I'm addressing the issues here. It is appropriate to talk about it now, chair, because it is about Actew.

Mr Costello: I am not saying that, but the question of what governance arrangements will apply to the catchments, is by definition a matter for government.

MR PRATT: The co-ordination of four agencies is probably for Actew.

Mr Costello: It is not my decision to say how we will co-ordinate work.

MR SMYTH: Does Actew own the catchment?

Mr Costello: No.

MR SMYTH: Does Actew have direct control of the catchment?

Mr Costello: No.

Mr Stanhope: No. The land manager is the Department of Territory and Municipal Services. Until now it has been a function pursued by Environment ACT as part of the Chief Minister's Department. Over the past 18 months we have pursued the question of an ongoing or a permanent governance arrangement for the management of the Cotter and all other catchments within the territory, including the Googong catchment, which of course is in New South Wales. So, there are two parts to the question—Googong and the Googong catchment. As you are aware, we believe it was an accident at the time of self-government that the ownership of Googong was not transferred to the ACT government. We are in the process now of negotiating to a point where that particular issue will, we believe, be regularised. That of itself is not particularly relevant, but, in relation to the suite of actions that have been undertaken in Googong and the Googong catchment, it is.

One of the steps that are currently being taken in relation to Googong is the transfer of

ownership of the dam to the territory. We are, through the cross-border water arrangements MOU we have negotiated, entering into new management protocols with New South Wales in relation to the better management of the Googong catchment. One of the serious issues that we face in relation to that catchment—other than the fact that it has been affected by something of a rain shadow in recent years and the thing simply refuses to fill—is that the catchment is, and has been, significantly affected by rural residential development within its boundaries. It has not been, I think in the view of ACT authorities, managed as appropriately as it might. But through the cross-border negotiations and agreements we have concluded in recent times, that is an issue which we now will address with New South Wales in relation to the responsibility of New South Wales to allow the appropriate management of that catchment, which, of course, is in New South Wales, although we accept responsibility for the foreshore.

Those are issues that have been pursued in relation to the Googong catchment and enhance acknowledgement of individual jurisdiction responsibilities for Googong. In relation to Cotter, I think you are aware that somewhere in the order of 18 or so months ago—Dr Cooper may be able assist me in relation to this—I appointed Professor Gary Jones of the eWater CRC to head a catchment management group which included a number of other experts, including Mr Costello, to advise on issues in relation to the management and to provide some recommendations for a permanent governance regime for our Cotter catchment. In relation to the ongoing implementation of governance arrangements, I will defer to Dr Cooper. My memory is failing a little.

Dr Cooper: Could I just put this in context. When we look at governance arrangements over catchments in jurisdictions, we look at the number of players involved. Around Googong you have a far larger number of players. Around the lower Cotter catchment, one thing the government has done is brought together the two land managers. Previously we had parks and conservation and we had forestry. Those two land managers managed the lower Cotter catchment and the entire Cotter catchment. The government brought those two land managers together. In that process we also had Professor Jones's group advising us, and some options have been put up for the government to consider. Also, in considering that, the context in which those governance arrangements now will be considered is different from when it started 18 months ago because of the merger of the parks and conservation and forestry agents.

The other thing we have done, as the land manager, is work under the strategic bushfire management plan. That is also quite clear, and we now have with Actew a deed of agreement about how we go about the restoration works there. Also set up during that time has been a high-level group involving Actew, ESA and the conservation and land management group, which is now the merger of those two other land managers plus wildlife for search and monitoring. So, we have a system at the moment where communication is quite robust and integrated.

Mr Stanhope: I go back to where my memory began to fail me. I have not yet concluded the consideration of Professor Jones's recommendations in relation to a permanent governance arrangement for the catchments. That was my hesitation.

DR FOSKEY: So that is what we were waiting for?

Mr Stanhope: We are waiting for me.

DR FOSKEY: Environment ACT, so far as I can see, is not a separate entity anymore, so I am really asking about the future.

Mrs Dunne: I think that is a question for tomorrow.

THE CHAIR: I think we could discuss this tomorrow because we have Actew.

DR FOSKEY: Okay. Could you please tell me Actew's role in the management of the lower Cotter catchment?

THE CHAIR: Perhaps that one can be answered this afternoon.

Mr Stanhope: Well, Actew is not the land manager.

DR FOSKEY: No, I know. It says here "seeking to achieve".

MR SMYTH: Perhaps I can clarify. Budget paper 4 says that one of your strategic and operational issues to be pursued this year, Mr Service and Mr Costello, is "seeking to achieve appropriate catchment management" and "continuing the urgent rehabilitation of the Lower Cotter Catchment".

Mr Costello: We are putting our points of view to the government on what those arrangements ought to be and we are waiting for the government to make a decision, but I don't know what that decision is yet because it has not been made.

MR SMYTH: Can you tell us what your point of view is in this matter?

Mr Costello: They wanted input from a variety of people. We do want a focal point of decision making somewhere. We do want scientific involvement, and there is no secret in that. I believe all the options that are being put forward will include those two things. Our current arrangements are that we are supplying money in our own interest to ensure the quality of water in the lower Cotter through remediation. It is directly related to our needs. In supplying that money, we have to have some sort of arrangement, which we now have through this deed of agreement, with the government under which those moneys are supplied, otherwise we have no right to operate in there.

MR SMYTH: How much money are you providing? Can we see the deed of agreement?

Mr Costello: Sure, I have no problem with you seeing the deed of agreement, no problem.

MR SMYTH: And how much money are you providing?

Mr Costello: I think we have spent about \$3 million this year and we will be spending about another \$8 million, we think, over the coming year.

MR PRATT: I have a question on notice. You may rule that it is for tomorrow, but let's try it for size. Chief Minister, can you provide some details on what areas were meant to be burnt off, hectares and square kilometres, versus that which was actually burnt off?

Mr Stanhope: Dr Cooper says that there is an operational plan for that proposed burn and she is more than happy to make that available. I presume, Dr Cooper, that you could indicate on the plan the areas that were actually burned.

MR PRATT: I would appreciate that.

Mr Stanhope: We would be happy to provide that, Mr Pratt.

MR MULCAHY: I wish to ask something of Actew in relation to the dividend. The dividend will rise, I believe, by \$6.1 million in the next fiscal year. How is that increase determined?

Mr Costello: We expect next year to sell more water than we did last year because we won't have restrictions next year. There are price rises, as you know, if I could just find the exact amounts of money.

THE CHAIR: While you are searching for that, Mr Costello, it is true that we have conservation measures in place, is it not, notwithstanding that we don't have restrictions?

Mr Costello: We have permanent conservation measures in place which will reduce consumption, we believe, by eight per cent.

MRS DUNNE: What is your aim for average household consumption?

Mr Costello: We do not have an aim—we carry out what the government says—but we work our calculations on about 250 megalitres a year per household. That is the basis of our calculation and that is about what we do. It used to be about 280, but, with the reduction in consumption, it seems to be down close to the 250 and that is what we are working on.

Mr Service: The policy of successive governments since self-government and since Actew was corporatised has been that Actew would pay to government 100 per cent of its profits every year. Every government has taken that view. There have been times when the Actew board has suggested to governments, naturally, that we would prefer that the dividend was rather less than 100 per cent, because we would like to have some of those funds available for us to do things. Governments, for perfectly understandable reasons, have not shared that view and we expect that process to continue. So the quantum of the dividend in the end is determined by how much profit Actew makes each year.

Mr Costello: Just to let you know the increase in revenue, and then we will talk about the profit, revenue went up \$37 million from the 2005-06 budget. That was due to increased consumption because we had planned for drought, a stage 3 drought, when we did the earlier budget. We did not have that; we got some rain. Instead, we got higher consumption than we expected and we expect to have higher consumption this year than we planned for in that year. Prices have gone up, as you know, through the regulator. The WAC has been increased by \$16.2 million and \$14 million of that relates to the new charge.

MR MULCAHY: That is what I was coming to.

Mr Costello: if you want the details of the break-up of how the revenue comes in, I can give you that.

MR MULCAHY: Yes, that would be good. I want particularly to focus on the water abstraction charge as to how much that is going to contribute to your ability to produce an extra \$6.1 million in the dividend.

Mr Costello: Yes. The WAC in 2006-07 will be \$137 per household. Actew's charges will be \$334 per household. The new utilities charge, if the regulator agrees to it, will be \$15 per household.

MR MULCAHY: I'm sorry, could you just run through those figures again?

Mr Costello: Sure. Actew's charges per household for water will be about \$334. That is on 250 kilolitres a year. The impact of the utilities charge, if the regulator accepts it as a pass through, and that is for the regulator to decide, not us, will be \$15. The impact of the WAC will be \$137.

MR MULCAHY: On a typical household.

Mr Costello: That is on 250 kilolitres.

MR MULCAHY: Who will decide the way in which to use that, or is it simply part of your overall revenue mix?

Mr Costello: The WAC simply is a pass through. We collect it on behalf of the government; it does not go to our bottom line. We have to include it in our revenue, but it is not included in our profit, the WAC. So it is just a pass straight through to the government.

MR MULCAHY: Maybe Mr Stanhope can answer how the water abstraction charge will be used.

Mr Stanhope: Appropriately.

MR MULCAHY: Can we have a little more detail, Chief Minister?

Mr Stanhope: I am happy to take the question on notice, Mr Mulcahy.

MRS DUNNE: On the subject of the WAC and how it is used, there has been considerable discussion in the ICRC over a number of years about the appropriateness of the water abstraction charge if it is not applied to water utilities. Are you running the risk, Chief Minister, that you are using the WAC as an excise and therefore it is illegal and you will end up being deprived of the tax if it is not diverted?

Mr Stanhope: That, essentially, was the nature of my response to Mr Mulcahy and I can make it seriously. I am happy to give him further detail in relation to that. But the government is acutely aware of issues in relation to its constitutional capacity and would

not inappropriately use the WAC. We know the basis on which it can be levied and collected. We know our constitutional capacity and we will not transgress, obviously. And when I say we will utilise the WAC appropriately, I mean precisely that. The government is not going to go out and use moneys which it receives inappropriately or inconsistent with its constitutional power. We are going to use the WAC for the purposes for which it is able to be collected, that is, to support the provision of water to the community.

MRS DUNNE: How much are you going to receive from the water abstraction charge in sum?

Mr Stanhope: That is how we will use the money, but if you want detail on precisely how and where and in what capacity, I will take that on notice. Of course, the government is responsible and will act responsibly. We understand the limitations and the basis and the parameters around the WAC and we will use the WAC appropriately.

MRS DUNNE: Correct me if I am wrong, Chief Minister, but during the last election campaign there was some discussion about applying the water abstraction charge to water users only and my recollection is that it was the view of yourself in particular and the government in general that that was not appropriate.

Mr Stanhope: I beg your pardon?

MRS DUNNE: My recollection of the discussion during the last election campaign in relation to whether or not the water abstraction charge should be, essentially, hypothecated to water users only is that you disagreed with that proposition. What brought about the change of heart?

Mr Stanhope: Mrs Dunne, it is probably more appropriate that I take the question on notice. As a result of the debate to which you refer—I remember it well and I remember participating in it—the government, as you would expect, sought advice from the ACT Government Solicitor, I believe, in relation to the points that were being made in that debate about whether it was an excise or not, whether it had to be an excise and was it inappropriate if it wasn't. I can't recall the precise nature of the advice or indeed of comments that I made but I know, and am very aware, of the issue. I know and recall receiving advice, I believe and am almost certain, from the ACT Government Solicitor. I would need to refresh my memory on the questions that you raise about the detail as to the extent to which the WAC could be used or how it might appropriately be used.

MRS DUNNE: When you refresh your memory, Chief Minister, could you take into account the countless requests that I and others have made for the legal advice that goes back to the previous government about the nature of the WAC and would you consider releasing that advice, of which I have been deprived and even those people who commissioned the advice in the previous government?

Mr Stanhope: I will take note of your request, Mrs Dunne.

MR MULCAHY: In relation to TransACT, if I recall correctly regarding the last Auditor-General's report on financial audits, I think the cost to you or to the Actew organisation was \$45 million that has gone as a result of the investment in TransACT. Is

that figure correct?

Mr Service: No, it is not correct, Mr Mulcahy. When you say it has gone, and I speak now as Chairman of TransACT, not of Actew—

MR MULCAHY: I think, with respect, that you are here actually as Chairman of Actew.

Mr Service: But I am also Chairman of TransACT, with great respect, and in that capacity I have responsibilities to a large number of shareholders in TransACT who are not the ACT government. I am also perhaps more informed wearing that hat than I am as the Actew chair.

We take the view that the long-term capacity of TransACT is good. It is having enormous success in sales. It is, with great respect to Telstra, Optus and others, continuing to take a substantial market share from them. TransACT's only problem at the moment is the problem of success. We are having so many sales that we have to keep spending a great deal of money on providing additional installations to people, and that is a considerable challenge.

MR MULCAHY: Will we receive a return on our investment?

Mr Service: My view is that eventually, yes. Whether I will live to see it at my age may be another question.

MR MULCAHY: That was written off, was it not, in your accounts?

Mr Service: It was.

MR MULCAHY: Or written down.

Mr Service: It stands in our accounts at nil.

MR MULCAHY: So there is no near or medium-term prospect that the organisation will see that money again.

Mr Service: That is not a view that I would share, but some others may have a different view.

MR MULCAHY: Do you believe that those funds will ever be repatriated or returned?

Mr Costello: Under the way you value these things in your assets, the advice we got was that if you could not see a return on them in the reasonably near future, even if you thought it was going to come good in the longer term, you should write them down—not write them off, write them down—to zero. If, as time goes by, we start to see the possibility of a return on those shares, then we could write them back up again, but at the moment—

MR MULCAHY: Nothing you have seen as managing director would suggest to you that that is about to change, though.

Mr Costello: Not in the shortest term, no. That investment was made some six years ago, wasn't it?

MR MULCAHY: Yes. In terms of your establishment, Mr Costello, last time we spoke in this forum you had 13 people employed by the corporation.

Mr Costello: Yes.

MR MULCAHY: Have those numbers changed since?

Mr Costello: What we had at the time was 13 people and we had the drought task force, which was there as a temporary thing to deal with the drought. Now we have the permanent conservation measures, we have been asked to implement those and oversee them. We also have now, since we are trying to be part of the effort to reduce per capita water consumption, an educative role and so on. So we have a number of people now—I think an extra three or four—who we employ to answer phones, answer queries about the permanent water restrictions, go to schools, do educational things and so on. So, yes, there are some medium to low-level people.

MR MULCAHY: What would you be up to now, how many, on the team?

Mr Costello: There might be about 17—17 or 18.

MR MULCAHY: So not significant.

Mr Costello: No.

MR MULCAHY: The increase of over a third of a million dollars in the estimated outcome of the original budget for employees' super and expenses, it says here, is due to the impact of an external salary review and the creation of a new position. So it is one job. How much of that is because of the new position and how much is related to a salary review?

Mr Costello: A bit of it would have been for the major salary review. We got the Hays group to do a report for us, based on comparisons, and we found that we had not been paying our people anything close to the market rates. That is why I lost one of my best people. We now pay them either on the median or slightly below the median.

MR MULCAHY: But what is the breakdown of that \$350,000 figure? Do you have one?

Mr Wallace: The new position was about 0.15.

MR MULCAHY: \$150,000.

Mr Wallace: Yes, with on-costs, including all those.

MR MULCAHY: And the Hays review of salaries was \$200,000.

Mr Wallace: That would be the balance.

MR MULCAHY: How many people were involved in the salaries review, the full 17 employees?

Mr Costello: No, including the new person, 14.

MR MULCAHY: It seems a pretty expensive exercise to review the salaries of 13 people, \$200,000.

Mr Service: No, that is the cost of the salaries, not the cost of the review.

MR MULCAHY: That is what I am asking you. It says here that it is the impact of the review. You are just saying that was the adjustment in wages, not the actual review.

Mr Costello: Yes. No, the review cost about \$5,000 or \$10,000.

MR MULCAHY: Finally, what is the position cost for the managing director's role now for the Actew Corporation, the total position cost?

Mr Service: It is as disclosed in the annual report.

MR MULCAHY: What is that figure, Mr Service?

Mr Service: I don't know off the top of my head.

MR MULCAHY: Can somebody here tell me?

Mr Costello: It is a range in the annual report, I think. Can you remember what it is?

Mr Service: No.

Mr Costello: We will supply it to you.

MR MULCAHY: I would appreciate that.

THE CHAIR: On page 443, the notes to the balance sheets refer to new borrowings of \$25 million to cover increased capital expenditure. Could you advise the committee specifically what these funds were used to purchase?

Mr Costello: Yes. As you know, we have to give 100 per cent of the dividends we return to the government. Normally, we fund our normal capital works program through our depreciation charges and so on. This year we have to complete the building of the Cotter-Googong bulk transfer. We spent \$12 million this year and we are to spend \$13 million in this coming financial year and, effectively, what it really comes down to is that we have had to borrow the money, as you would on a major new capital work. You don't fund it out of expenses; you fund it out of borrowings. We have already applied for and sensibly will get a modest rate of return.

MR SMYTH: How much does Actew spend annually on advertising?

Mr Costello: I apologise, I should have the answer at my fingertips but I don't. Most of the advertising we have done has been on the water restrictions matter and the Stop the Drop campaign. Water restrictions and now the permanent water stuff; that is what we do it on. I will get you the detail of that and break it down.

MR SMYTH: Can you give us a breakdown of each of the campaigns you ran last year?

Mr Costello: Yes, I am happy to.

MR PRATT: Including brand awareness.

Mr Costello: No, that is entirely a matter for ActewAGL.

MRS DUNNE: On the subject of ActewAGL, your 2006-07 priorities refer to monitoring and managing implications of the AGL-Alinta demerger. Could you outline what that actually means for the territory?

Mr Service: At the moment, we don't entirely know what it means, except that we clearly have a responsibility to ensure that the interests of Actew and therefore of the ACT taxpayers are protected and that neither AGL nor Alinta take any steps which we would regard as damaging to those interests. We have had extensive discussions firstly with AGL when they had their own program proposed of a demerger and subsequently when they changed tack and, I put this very loosely, merged and then proposed to demerge with Alinta. We have spoken at length with Alinta.

We have conveyed quite a number of issues to both of those parties, and of course we have kept the government fully informed, but the fundamental issue we have conveyed on the ActewAGL venture, which of course was approved by the ACT Assembly and is governed by a relevant act, is that we will not have those arrangements disturbed and that anything AGL and Alinta want to do as part of their affairs, good luck to them as long as they don't do anything that in any sense we consider damaging. We are taking that position very firmly.

I've got to say that so far both AGL and Alinta have been very positively responsive to that position, but we will take very great care with any legal or practical issues that may arise. There was an announcement today to the stock exchange by AGL that they and Alinta have signed what I might loosely call the final documents for their arrangements which will go to their shareholders, I think, in October. So there is still a long way to run in this process.

DR FOSKEY: What criteria does Actew use to choose the groups and events that it assists, the final dot point there?

THE CHAIR: In addition to that, perhaps we could have an example of some of the events.

Mr Costello: We provide \$300,000 annually to fund and sponsor various activities. Last year we sponsored 32 organisations, a 20 per cent increase in the number that we sponsored the year before. We have four broad things we test against and they are not necessarily cumulative. One is that we look at whether the program, event or body we

are sponsoring plays a role in the support of initiatives and events that benefit the ACT community and surrounding areas; two, if it is relevant to Actew's broad interests, activities, responsibilities and mandate; three, positions us and discharges our responsibilities as a socially responsible organisation and good corporate citizen; and, four, helps us provide opportunities to form networks and relationships within the business environment and community at large. They won't all apply in each case. Sometimes they will.

We sponsor things like the Canberra Symphony Orchestra, \$30,000 a year, and the science festival, which does a lot of work in our area. We do that with ActewAGL. We sponsor that to \$105,000 a year. They are two large ones. The Murray-Darling Basin Commission have a youth river health conference. The Murray-Darling Basin Commission is an important organisation for us. We put \$8,5000 into them. We put quite a bit of money into the Salvation Army this year, St Vincent de Paul, the Smith Family and the Red Cross. As to the walk being done by Ms Amy Banson at the moment, we, with ActewAGL, have provided a lot of help in kind and we have also sponsored it to the tune of \$15,000. We think we will—ActewAGL, anyway—get some branding out of that. Those are the sorts of things we do.

DR FOSKEY: Do community organisations make submissions to you or do you choose them?

Mr Costello: They submit to us.

DR FOSKEY: Do you choose from the submissions?

Mr Costello: Yes.

DR FOSKEY: That would be a tricky operation.

Mr Costello: You can make a huge welter of it or you can say that you have got a certain amount of money and quite a bit of it does go on two big things, the Australian Science Festival and the Canberra Symphony Orchestra, almost half of it, things which we have done for quite some time and which we think are very worthwhile for the Canberra community, particularly the science festival. We have quite an active input to science. Our Ecowise people tend to be involved, our ActewAGL water people tend to be involved, and we tend to be involved.

DR FOSKEY: With regard to the Red Cross, St Vincent de Paul, et cetera, is it for specific projects, things they are doing, or is it just a donation?

Mr Costello: Sometimes it will be, sometimes we will give them a donation. We believe we should be, and our shareholders certainly believe we should be, actively supporting bodies and the local chapters of these major organisations, and so we do.

DR FOSKEY: Have you given any money to Koomarri?

Mr Costello: Yes, we have given them \$6,000 at a fundraising dinner and auction. We attended that dinner and participated. We didn't participate in the auction but we participated in the dinner.

MR MULCAHY: Mr Costello, do you have a completely free hand in exploring commercial options for water sale across the border or are you in some way constrained by the shareholders' wishes in these matters?

Mr Costello: I am not constrained by the shareholder in the capacity of shareholder, but the government own the water here, not me, and they have to decide whether and in what circumstances Actew or anybody else can supply water to anybody else. Until now, under an agreement we have supplied water to Queanbeyan, set down in a certain defined area of Queanbeyan, what you might call old Queanbeyan, as it was defined under the old council borders. If they want water beyond that, the fact that we can supply it both in technological terms and whether we have got enough, the government has made clear in the memorandum that it has negotiated with New South Wales that if it is to supply water it will be on very clear conditions. One is that it will not impinge on the security of supply to the people of Canberra. That is priority one. The second one is that the cost of any of this will be fully met by New South Wales and that they will not, I believe, pay less than the people of Canberra in the cost of their water. There is a variety of other conditions that I am sure the Chief Minister can tell you about.

MR MULCAHY: Minister, have they basically been accepted now by New South Wales? I know you signed an agreement and there was a long process of negotiation.

Mr Stanhope: Yes, they have been accepted by New South Wales but, interestingly, a government that is not necessarily a party to the agreements—namely, the commonwealth government—had some issues in relation to the wording of two sections as a result of representations received from the member for Eden-Monaro and that, to some extent, has required some further negotiation between the ACT government and New South Wales and between the ACT government and the commonwealth in relation to the nature of the suggested amendments to agreements that have already been executed. It is a very interesting situation we find ourselves in. The ACT has signed and exchanged agreements with New South Wales. Post the signature execution of the agreements, the commonwealth entered the debate and suggested to the ACT and New South Wales governments some minor amendments. Those have not yet been finalised but I expect that they will be in the next week or so.

MR MULCAHY: Assuming that they are all settled—

Mr Stanhope: They will be.

MR MULCAHY: When will your government take a decision in relation to supply, subject to those conditions being met? Is there a time line that you have in mind?

Mr Stanhope: There is not. The nature of the agreements and the nature of the issue isn't one that is resolved by saying that on this date we would supply this water. As you are aware, there is currently a commission of inquiry that was commissioned by Minister Sartor of the New South Wales government in relation to certain cross-border developments. The agreement structure that supports the cross-border memorandum on water supply is a regional settlement strategy. These are framework agreements, as Mr Costello said, in relation to the supply of water.

There are a number of stipulations. Mr Costello mentioned the most fundamental, that water will not be supplied if we don't have enough, if it affects the security of the ACT supply, that it will only be at the cost of New South Wales, that any additional water that is supplied to New South Wales will be taken from the New South Wales cap, not a cap to be settled for the ACT, et cetera, et cetera. There are a number of conditions in relation to a pre-agreement to the supply that New South Wales will, in fact, meet infrastructure costs within the ACT which might be a consequence of the supply of water across the border.

The settlement agreement is an agreement entered into between New South Wales and the ACT similarly which sets out a range of conditions in relation to the conditions on which settlement will be pursued. The ACT government and the New South Wales government have jointly acknowledged that it is not appropriate in the context of both of our planning regimes, our spatial plan and the New South Wales planning regimes in relation to regional development, simply to have settlements mushrooming willy-nilly in an unsustainable way in places where blind Freddy wouldn't support or a reasonable government wouldn't support a significant development.

The agreement says, "If you want to go building a settlement here in a way that is completely contrary to all good planning principles and regional development, then we won't supply water." But if it is a settlement that is consistent with the settlement strategy and the commitments to sustainable development which both governments have embraced and if all the conditions are met, if the settlement is of this order in this place, this design, of this capacity and appropriate to the sequence of development within the region, water will be provided.

MR MULCAHY: But you wouldn't be trying to second-guess New South Wales planning approval arrangements, would you? If they say they want to agree to something in Yass, are you going then to readjudicate on planning approvals? Surely that is not the intent.

Mr Stanhope: No. The agreement is that if a development approved by the New South Wales government to occur across our borders is consistent with the range of planning and settlement arrangements that are agreed between the two government, then we will supply water. But if the proposed settlement is simply not consistent, if it is in a place that you might consider building on in 50 years time and the basis of coherent regional development is consistent with a whole range of policies around sustainability and development, no, we won't supply water to a settlement out in the boondocks.

MRS DUNNE: Are these pre-agreed criteria?

Mr Stanhope: Pre-agreed, all pre-agreed conditions.

MR MULCAHY: Once the commonwealth settles with you—I am assuming from what you say they will—will those agreements all be made public?

Mr Stanhope: Mr Mulcahy, these agreements have been provided to the commission of inquiry. I need to take some advice on the basis on which the commission of inquiry is releasing documents that have been provided to it through the submission process. I have no hesitation. The difficulty is just coordination by three governments in relation to

release. I have no issue in making these documents available.

MRS DUNNE: The MOU exists independently of the Sartor inquiry.

Mr Stanhope: It does, that is correct, but it has been provided to the Sartor inquiry. So, to that extent, they may have released it; I'm not sure. The complicating factor is that the agreements as signed, post-signature, are subject to requests from the commonwealth which we will almost certainly agree to.

MR MULCAHY: You have really got to sign again.

Mr Stanhope: We are going to have to sign again. They are going to have to be amended to remove "may" a couple of times and replace it with "will".

MR GENTLEMAN: Chief Minister, just on that, wouldn't there be a constitutional problem with the commonwealth intervening in relation to the states' water supplies?

Mr Stanhope: It is a very interesting process, Mr Gentleman, but there are no constitutional issues. The commonwealth indeed has a legislative position in relation to the ACT's water supply as a result of arrangements made at the time of self-government. So the commonwealth certainly has a role, but the commonwealth is not a signatory to the agreement between the ACT and New South Wales. The commonwealth has a formal role in arrangements around the supply and ownership of ACT water. At this moment, the commonwealth owns the Googong Dam.

THE CHAIR: Thank you very much, Chief Minister. Thank you very much, Mr Costello, Mr Service, Mr Wallace and all the other officials for coming here this afternoon.

The committee adjourned at 6.08 pm.