



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2006-2007

(Reference: Appropriation Bill 2006-2007)

Members:

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

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 4 JULY 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).

WITNESSES

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The hearing commenced at 9.32 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 Division

McDonald, Mr Tom, Director, Legal and Insurance Policy

ACT Insurance Authority

Matthews, Mr Peter, General Manager

Rhodium Asset Solutions

Moore, Mr Ken, Chief Executive Officer

Samarcq, Mr Bob, Chairman

Chief Minister's Department

Harris, Mr Mike, Chief Executive

Davoren, Ms Pam, Deputy Chief Executive

Hall, Ms Sue, Director, Community Affairs

Phillips, Mr Karl, Chief Finance Officer, Finance

Hawkins, Mr Lincoln, Chief Executive, Economic Development

Cox, Mr Ian, A/g Director, Business and Economic Policy

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

THE CHAIR: I will read the card. You should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections but also certain responsibilities. It means that you are protected from certain legal action, such as being sued for defamation, for what you say at this public hearing. It also means that you have a responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter. Minister, do you want to make some opening remarks?

Mr Stanhope: I have nothing specific to say. Other than that those officials, officers and statutory officers relevant to ACTIA and Radium are in attendance and stand ready to respond to any questions the committee may have. Thank you, madam chair.

MR GENTLEMAN: Minister, if I could bring you to the statement of intent, in part 1 it talks about the outlying objectives of the insurance authority. Can you tell us what types of staff training the authority would undertake to try and reach these key strategies or objectives?

Mr Stanhope: I will ask Dr Grimes to respond initially.

Dr Grimes: Obviously training is something that we consider to be an important priority. Mr Peter Matthews, who is the general manager of ACTIA, is here to provide further information. He will be able to elaborate on the programs that are currently in place.

Mr Matthews: This year we plan to change our focus a little bit. We have been looking at broader risk management issues in the past and concentrating on educating agencies, through seminars and meetings and bringing in outside speakers—all those things which would hopefully broaden their knowledge of risk management. For the coming period, perhaps a two-year period, we want to concentrate more on something where we get a direct return, and that is a reduction in our claims burden.

It has taken us some time to get our database into a condition where we can carefully analyse our claims and have a look at where those claims are coming from, which agencies, if there are repeat claims—the very sort of things that you need as a base to do some risk management work to try and reduce those claims. That will be our clear focus.

We have ascertained that 96 per cent of our claims come from six agencies only, and out of those about 43 per cent are medical malpractice claims. It is a very focused approach that we want to take this year to get into those areas and try and save some money.

MR GENTLEMAN: You talked about your database. While we are still on the statement of intent, part 3B has a review of performance indicators. There is a part in the graph there about newsletters to clients. Are you measuring those newsletters, have you had any feedback from those, and are you measuring feedback from your post to your website?

Mr Matthews: We are, but unfortunately there is not a great deal of feedback, so we are not really gaining anything from that process. This is why I wanted to move to something more focused, where we see an actual return. It has been quite disappointing, to be honest, that the feedback we have been looking for really is not there.

MR SMYTH: Can you outline or name the six agencies, and can you say what the natures of the claims are, and why it is driving the premiums up?

Mr Matthews: Since the budget has come out, of course, the six agencies have been consolidated into four. As they were, the six were health, ACTION, territory and municipal services, education, disability/housing and chief minister's. Out of those six, ACTION has now been consolidated back into territory and municipal services and the portions of chief minister's that were causing us some problems have also been consolidated back into territory and municipal services.

MR SMYTH: Is there a consistent problem across the six, or are there different areas in each of those? It is a pretty diverse range.

Mr Matthews: I am sorry?

MR SMYTH: Is there a consistent problem within each that is causing us grief? What have you identified as the common factors that are driving the premiums up?

Mr Matthews: There are two areas. As I said first of all, medical malpractice is the one that drives the whole portfolio, virtually, and underlying that is public liability. We have a base level of property claims from year to year, but personal injury claims for either medical malpractice or public liability are the really concerning ones.

MR MULCAHY: In previous hearings we have had here on annual reports you have cited the fact that some agencies were fairly derelict in notifying claims and in fact putting the meeting of those claims at risk. Has that been addressed? If it has not, can you indicate the agencies that have failed to adhere to your requirements in that regard?

Mr Matthews: I think this year I can categorically state that that problem has been addressed. There will always be areas that could be improved further, but I think in general a lot of cooperation from the departments, and particularly the department of health, has improved that situation greatly.

DR FOSKEY: I have a number of disparate questions. Mr Grimes advised me to keep my first question for you, Mr Matthews. It is about insurance for homebirth. Given that the ACT's reinsurance will not go near homebirth indemnity insurance, given that those states and territories that provide cover for independent midwives are carrying the risk themselves, and given that it is a frequently expressed desire of women in the ACT to have access to homebirth, has the ACT government looked at initiating discussions to set up a national scheme? And have you raised this matter with the commonwealth and other state-level governments?

Mr Matthews: First of all, as far as speaking with other jurisdictions, yes, we certainly have. We have spoken to those that run a homebirthing service, particularly Western Australia and South Australia. More recently we have spoken with New South Wales, where they are trialling a homebirthing arrangement out of St George Hospital.

The answer is invariably the same—that they have set up those facilities to cater for their own homebirthing situations. They have no interest whatsoever in working with us, or even with each other, to provide a broader service.

In the discussions with New South Wales they said first of all that it was only a trial program they were putting up; and, secondly, because of the nature of the Treasury-managed fund in New South Wales, all of those claims would be borne as a net risk.

They reinsure above \$25 million—any one claim. An individual homebirth, or birth of any nature, would not get to that \$25 million level, so the Treasury-managed fund would in fact be carrying the account. They had no compulsion whatsoever to assist us with our needs.

The commonwealth has very little interest in this situation. It is an area where their own exposure to medical malpractice is very limited—mainly through the Department of Defence. It is an area they leave to the states and they do not wish to partake in a coordinating body.

DR FOSKEY: The ACT is too small a jurisdiction to take it on. Is that the indication?

Mr Matthews: One of the principles we have tried to adhere to is that we do not insure anything where we cannot protect it with reinsurance. Our account is too small to expose ourselves to an individual claim or series of individual claims which would be financially damaging. Without any reinsurance to protect us, it was just considered not a viable option.

DR FOSKEY: But what happens when an issue arises in a hospital setting? Surely the same risks and the same expenses arise.

Mr Matthews: The real problem is that insurers perceive the risk of homebirths as being far greater than something within the birthing centre or the delivery suite within a hospital. Whether that is reality or not does not matter, it is their perception and they base their decisions on perception. A similar incident, a similar bad experience within the birthing suite or the delivery suite, is covered by our insurers. There is no problem with that.

MR MULCAHY: Treasurer or Mr Matthews, can you explain to us what the current state of play is with the insurance arrangements as they apply to the 2003 bushfires and the subsequent expense related to litigation by the ACT government? Have all those claims been met by the insurers for the territory? Are there any amounts that have had to be met by the taxpayer?

Mr Matthews: First of all, if we go through it in order, the property claim and the standing timber claim have both been fully settled. The remaining one is the liability claim for events arising out of the bushfire. That is covered by a reinsurance program. That is a normal public liability type program.

MR MULCAHY: Is that the class action or quasi-class action matter?

Mr Matthews: We have several indications. Some of them are individual claims and some of them are class actions. A lot of them at this stage lack enough detail for us to really tell where they are going. Our reinsurers are sitting in much the same position as us. Until the coronial comes down and there is a decision on which way to progress these issues, we will not really know where they go. But it is a normal public liability policy which includes legal costs. It is all covered in the one policy.

MR MULCAHY: The third part though: what about the litigation being brought by the territory?

Mr Matthews: Yes, that is all covered.

MR MULCAHY: There is no cost to the taxpayer at this stage?

Mr Matthews: No.

MR MULCAHY: And not likely to be?

Mr Matthews: No.

DR FOSKEY: I have a supplementary on that one. It takes us in a slightly different direction. Given that all the foresight about the impacts of climate change indicate that there will be perhaps an increase in catastrophic events like fire, and certainly the long-term situation of drought, is the ACT government taking any measures to compensate or account for the increased risks we can expect from these changes?

Mr Matthews: The only catastrophic event we would see that the territory is really exposed to and which may increase due to climate change is that of fire. Looking at the redevelopment of the fire ravaged areas, one of the main things we are concerned about is that there is a buffer zone.

In some of these weather events, particularly if they are driven by similar climatic conditions to those we had in the 2003 bushfires, the only protection really is physical separation. We are looking to see that those buffer zones are maintained, as they are planned to be. Apart from that, we are not really exposed to flood, cyclone or earthquake—we are in a low earthquake zone—so it is only fire.

MR SMYTH: Just following up on what Mr Mulcahy touched on, there are a number of class actions apparently brewing on this matter. If they are successful, does our insurance policy protect the ACT from the liability?

Mr Matthews: Yes, it certainly does, but we are waiting to see. As I said, our reinsurers are also watching this very carefully. They appointed their own legal panel, who are working closely with ourselves and with the Government Solicitor's Office. Basically, they know as much as we do. We are still sitting on a relatively low estimate for the whole event, and we see no reason at this point of time to change that estimate. There is just not enough information there.

MR SMYTH: Is there an upper limit of payment in the insurance policy?

Mr Matthews: The reinsurance policy we purchase has a limit of \$300 million. It is quite substantial. It was set on a scenario other than the bushfire, but that is the limit on the policy.

MR SMYTH: With regard to staff for the authority, I notice on page 424 that staff expenses go up slightly for the year. How many staff are currently in the authority, and are there any job losses due to the budget?

Mr Matthews: There are currently 13, including myself. The growth in staff has been both in the claims area and risk management. When I first went there, I think five years ago, we did not have a claim file in the office. We have now got something like 4,000 open claims. So it was the growth of incidents and the change in management of the claims.

Previously the Government Solicitor's Office did the management of both the claim file and the legal service, which was not really the best use of their resources. We now manage the claims and they provide legal services to us. There has been quite a growth there. You get to a critical mass situation, where I do not see we will need to continually increase the number of staff. I think we have a core staff now that can cater for our needs through some time.

MR SMYTH: The 13 staff will remain for the financial year? There are no cuts?

Mr Matthews: Yes.

MR SMYTH: I notice also on page 424 that other expenses have jumped \$10 million this year from the expected outcome, which is \$36 million, and the budget is \$46 million. What is the reason for the \$10 million growth?

Mr Matthews: Some of the things that have particularly driven our major increases are a major change in our medical malpractice claims or, more to the point, the eventual figures that our actuary sees will run off at. There is a significant shift there.

The other thing that is coming is a change in our accounting standards, where previously we set a central estimate which basically allowed a 50-50 chance that the figure we set on the claim would be appropriate. To that we added a 10 per cent prudential margin. APRA now requires a much more conservative approach, where that is something like 75 per cent.

MR MULCAHY: This has arisen out of the HIH fiasco, I understand.

Mr Matthews: Yes, very much.

MR MULCAHY: Undervalued contingent liabilities.

Mr Matthews: Yes. HIH undervalued their claims and did not add any prudential margin at all.

MR SMYTH: You say that the \$10 million increase is because of medical malpractice. Is that to cover the claims or to cover the premiums?

Mr Matthews: To cover claims. In the current year we were given an additional capital injection. Our premium increased by about \$8 million to health. In the year going forward that will become a premium, rather than an increase in capital. It is a significant shift—\$8 million just for medical malpractice and about another half a million across public liability.

MR SMYTH: That is \$8 million with the authority for medical malpractice. I notice on page 169 of the health budget one of the technical adjustments is in fact health insurance premiums of another \$5.8 million. So medical malpractice in the coming year will cost us an additional \$14 million.

Mr Matthews: Yes. Sorry, no.

MR SMYTH: Both in premiums and in payments.

Mr Matthews: No. There was a base increase and then another \$8 million over that. The \$5.8 million they have is not a figure that I recognise.

MR SMYTH: It is on page 169. If you want to take it on notice that is fine, but it says it

is an increase to the health insurance premiums. If you are increasing the money you have for this and they are increasing money, is it covering the same exposure, or are they different things?

Dr Grimes: Part of that \$8 million was an increase that was actually recorded centrally in the central government accounts shortly before last year's budget. It was recorded in the whole-of-government accounts to ensure that the expense was being recognised. That occurred very shortly before the budget, so that provision was not made for appropriations for health to meet a higher premium in the first year. That was met centrally.

In this budget now, health is being appropriated extra moneys in order to meet the increased premium in future years. I should stress that these are internal government transactions. The premium that is charged by ACTIA to health is an internal government transaction.

MR MULCAHY: What is the increase in premium in the malpractice area? What has been the increased premium? What has it gone from, and what is it now?

Mr Matthews: It has gone basically from around the \$10 million mark out to \$18 million-odd. It is a significant increase.

MR MULCAHY: Is this because of that \$11 million settlement that occurred in the obstetrics area a year or so ago?

Mr Matthews: That is part of it. The problem is that we have a number of similar incidents on our books. Every time you get a settlement of that value, all the other incidents on your books are revalued up to a similar limit.

MR MULCAHY: How many more have you got in that league?

Mr Matthews: I would suggest something like seven or eight at this time.

MR MULCAHY: Estimated liability?

Mr Matthews: We have set a benchmark of \$10 million and worked back for mitigating factors.

MR MULCAHY: So \$70 million is on the high side.

Mr Matthews: Yes. It is a significant number.

DR FOSKEY: I would like to explore the medical malpractice and public liability lawsuits. You have indicated that obstetrics form a percentage of those lawsuits, but I wonder if you could tell us what other types of lawsuits generate the bulk of these claims. How many are malpractice and how many are public liability suits?

Mr Matthews: Number-wise, I would have to take that on notice because it is not something I typically pay a huge amount of attention to. We look more at the large claims that affect our eventual payouts. If we look at medical malpractice, our average

claim has moved from \$40,000 to \$55,000 and yet, as was mentioned, we have individual claims up to \$10 million or \$11 million. The portfolio has a number of small claims, with huge peaks in between.

In the other part of the portfolio, public liability, we have once again a huge number of small claims which are typically slip and fall—somebody falls over an uneven piece of pavement. But then we get out into some of the traffic type accidents where people are injured and the road is considered dangerous. We may have a \$2 million to \$2½ million payout on something like that. Once again, it is a very uneven portfolio with a multitude of very small claims and a few very large spikes through that.

DR FOSKEY: Are there any midwifery claims—claims related to childbirth? You have indicated there are some.

Mr Matthews: One of the very bad claims that we had recently of the magnitude that was just mentioned was in the birthing centre. That was one that was most unfortunate.

MR MULCAHY: Do the other large claims tend to be in one area of medical specialisation? Are they mainly in obstetrics, are they neurological services or what areas? Do you recall?

Mr Matthews: Once we get away from obstetrics the numbers drop down hugely. There would rarely be anything that would even approach \$1 million once we get away from that area. That is the one area that really drives the whole portfolio.

DR FOSKEY: In what percentage of claims did the government either admit liability or settle out of court? Do you know that?

Mr Matthews: When we talk about settling out of court, if liability is in doubt we do not look to settle out of court. We look to settle out of court where we see there is an economic advantage in just the pure quantum, if we can get out of it for a lower figure than we would see that the court is tending towards.

There are two different issues there: one is liability and the other is quantum. Out of court settlements are only on quantum. One of the very large birth claims was an out of court settlement. We were into the second day of the hearing but we were still negotiating at the same time. The way the thing was travelling, it was still seen as appropriate to settle it if we could, and we did so.

MRS DUNNE: I have something more prosaic if I could, Mr Matthews. Members of the Assembly here have, over a period, encountered difficulties in engaging consultants because of the insurance constraints. I wanted to explore that with you on my own behalf and on behalf of other members here, I suppose.

There is an instrument that requires any member here who engages a consultant to ensure that the consultant has public liability and professional indemnity insurance. I wanted to explore with you the reasons behind that and also the reasons why from time to time the insurance authority chooses to waive public liability or reduce professional indemnity insurance. Could you give a sort of exposition about the underpinning for that policy and also why from time to time it is changed.

Mr Matthews: We will go to the underpinning first. In all our negotiations the intention is to let the risk lie with the person who is most responsible for handling that risk, and not bring risks back to the territory that best belong with another party. In any contract lease, whatever negotiation, we attempt to have the other party carry their proportion of the risk. Those limits are put in place to attempt to achieve that policy.

As far as the variations of the limits that we ask for go, we attempt to assess the actual risk on each individual class. If somebody is doing, as I think as you might be alluding to, some office type work, obviously we do not need \$20 million public liability. We would be satisfied with a lower amount.

A lower amount to me generally means \$10 million. It is readily available, it is not particularly expensive and in the market that is pretty much the norm these days. There may be circumstances where we would go even lower but normally, if it is acceptable and affordable, that is where I sit.

MRS DUNNE: What do you consider affordable?

Mr Matthews: In dollars?

MRS DUNNE: Yes.

Mr Matthews: It varies hugely. The old days of a public liability policy for \$200 or \$300 have gone away. We start at \$1,000 and go up now, irrespective of the limit. As you go up, there is an increase in premium rate. If we talk about \$10 million to \$20 million, the premium does not double; it will probably go up by another 30 per cent. The rate backs off considerably as you go up.

MRS DUNNE: One of the particularly contentious issues is the issue of professional indemnity insurance. If I wanted to employ someone to provide me with legal advice, accounting advice or something like that, they would normally have that sort of coverage. But if a member wanted to employ someone in a speech writing type capacity, it is not usual for people in those professions to have professional indemnity insurance.

The consultant contract I sign as a member, or any member signs with someone, says that the member owns the intellectual property and the copyright. What is the justification—say in the case where you hire someone as a writer, editor or whatever—for needing to provide professional indemnity insurance when, as a member, the member owns the copyright and the member therefore takes responsibility for the content?

Mr Matthews: The main intent in advising that there should be some professional indemnity insurance in place is to protect the member, because members of the Assembly are not covered by the insurance authority's covers. If there were a claim and the original writer did not have any insurance, you would personally be exposed. That is one of the things we are working on at the moment. Ministers are covered by our policies, but not the members of the Assembly. We are currently asking our reinsurers if we can have that restriction removed.

MRS DUNNE: What is the reason for the restriction?

Mr Matthews: That a basic member of the Assembly is not covered by our policies.

MRS DUNNE: Why?

Mr Matthews: I have no idea. It has been in place forever. We have asked the question why is that there and can it be removed. I am quite confident we will have that removed. Then you would not be personally exposed.

MR PRATT: Backbenchers are much more reckless.

MRS DUNNE: What you are actually saying is that, as a member, although by signing a contract I acquire the intellectual property rights and the copyright—so something that is published as a result of that contract is essentially my work, even though I have paid somebody else to do it—the intent of the insurance authority is to shift that responsibility to somebody outside the territory.

Mr Matthews: The intent is to protect yourself in this instance, because you would personally be exposed. You are not covered by the authority. If the writer does not have any professional indemnity insurance, it would come straight back to you personally.

MR MULCAHY: But the member would not be protected. All it would mean in this instance is that Mrs Dunne could bring an action against the employee for something they wrote, but at the end of the day the member is not immune from litigation just because somebody working for them has a policy. So you would still have to countersue somebody working for you. You would have no protection at law by virtue of that requirement.

Mr Matthews: The problem being that it is all right to sue somebody, but if they have got no assets—

MR MULCAHY: It does not afford any protection whatsoever to the member.

DR FOSKEY: Was the insurance office asked the comment when the government decided to include penalty provisions in the Gungahlin Drive extension construction contracts, despite the fact that it was fairly evident that construction would be seriously delayed by what, in the first instance, were well-founded court challenges?

MRS DUNNE: That sounds like editorialising it.

Mr Matthews: The insurance authority placed cover for the Gungahlin Drive extension, a construction policy. Apart from that, we had no great involvement in it. I think the delays, at that stage anyway, were fairly unforeseeable, but that was not an issue that we concentrated on.

DR FOSKEY: Finally, did any changes to the insurance office's practices arise from recommendations in the functional review?

Mr Matthews: The point I mentioned quite early in the piece about the six agencies that we wished to work with to reduce their claims burden was one of the recommendations

out of the functional review.

THE CHAIR: We will move on now to Rhodium Asset Solutions.

MR GENTLEMAN: Minister, if I could bring you to budget paper 4 at page 525, the objectives there show that clearly the government is looking to sell Rhodium in the future. Can you tell us what strategies the organisation has in place to assist workers that may be made redundant through that process?

Mr Stanhope: I will ask Dr Grimes to respond initially.

Dr Grimes: As the budget papers say, the government has announced a scoping study with a view to the future sale of Rhodium. A steering committee has been established to oversee that process, made up of the board of Rhodium and officials from Treasury, including myself. One of the important things that the steering committee will be taking into account and the board itself will be taking into account is any potential impacts on employees. That scoping study has not yet commenced, but will commence very shortly.

There is currently a tender process being conducted to identify advisers for the scoping study process, which will probably take a number of months to run. As you would imagine, in the sale of any business enterprise there is an important amount of work that needs to be done around due diligence, setting the parameters for a sale, but also the issues you raised that go to employees. It will be something that the board will be very aware of and there will be consultation with employees through the process.

MR SMYTH: Is an expected value for the sale incorporated into the budget figures?

Dr Grimes: No, we have not incorporated an expected value, partly because we have not completed the scoping study process which, as you would appreciate, is going to be important in determining values, but also if you are going to have a competitive sale process you generally do not try to signal what the price might be ahead of that competitive process occurring.

MR MULCAHY: I wonder whether the Treasurer, Dr Grimes or Mr Samarq could explain what factors have given rise to the decision to move to sell Rhodium, given the previously expressed view of the former Treasurer, who seemed to be very enthusiastic about keeping the corporation.

Mr Stanhope: I will ask Dr Grimes to go to the detail of that. Certainly, when one has regard to the history of Rhodium and its former life as ACT Fleet through Totalcare, at the time the decisions were taken by the previous government in relation to Totalcare the advice to government in relation to the fleet was very positive. The decision then taken by cabinet was based very much on transition arrangements that were developed regarding the reincorporation of the majority of the Totalcare businesses into ACT government agencies. I think you would be aware of the suite of businesses and the way in which many of those businesses were reincorporated and others maintained as separate operating identities. The decision was taken then in relation to the fleet and linen most particularly that they be pursued as standalone businesses. At this stage, I do not think it is fair to suggest that Rhodium isn't a successful business with a potentially successful future.

MR MULCAHY: I have not suggested that. I have just asked about what factors gave rise to it.

Mr Stanhope: I think most essentially a view that the operating of a fleet business does not represent core ACT government business and a decision through a scoping study to explore whether or not there may be a benefit to the territory in relation to its need to concentrate on core business to the sell business. Dr Grimes could go to more of the specific issues in relation to the sorts of factors that a scoping study might reveal in terms of whether or not it is a business that should be sold.

Dr Grimes: I think the critical issue is the one that the Chief Minister has already mentioned around core business and what is the underlying public policy rationale for managing a business of this sort. Clearly, Rhodium does provide important services to the ACT government, in the sense that it is the fleet provider for the ACT government, but there are other major fleet providers who could also undertake that function. Obviously a scoping study process would have to take into account the fact that the ACT government gets value for money out of its fleet management arrangements. It will be an important focus of the scoping study to ensure that there is competitive tension there in the future, to make sure that we are getting value for money.

MR MULCAHY: In terms of the dividend to the territory, what is the longer-term outlook for Rhodium?

Dr Grimes: As the budget papers note, there is a scoping study being conducted with a view to the future sale of the business. If the decision of the government following that scoping study process is to sell the business, then clearly you would receive some consideration for the business, but, on the other hand, you would no longer be receiving a dividend.

MR MULCAHY: Are you saying that you do not expect it to be producing dividends if you retain it?

Dr Grimes: No, that is a quite separate question. If you want the expectations for the business if it were to be maintained in its current form, the projections on page 527 of the budget papers provide essentially the best assessment of what the future revenues and expenses would look like. As you see there, the expectation would be for modest operating profits in the outyears.

MR MULCAHY: If we could just turn, Treasurer, to the issues that have emerged. In fact, there has been a fair amount of candour on issues with Rhodium in the replies we have received. I understand that there have been two audits conducted. I understand the Auditor-General has commissioned an audit as well. We were advised in replies that you presented in the Assembly and before this committee that Mr Samarcq took the initiative when he became concerned that there was, I think, computerisation work undertaken without the agreement of the board or against the wishes of the board and also, I think, that hospitality expenses seemed inappropriate or excessive. Can we get a little more detail on the issues that have prompted this range of audit investigations that Mr Samarcq obviously directed, I assume with your approval?

Mr Stanhope: I will defer to Mr Samarcq, chairman of the board of Rhodium, to respond to your questions, but I might just confirm the impression that you acknowledge that the government has every wish to be open in relation to the issues of which there is some public record. I would also like to confirm that the board has been very responsive to issues that have been raised internally in relation to some of the concerns that have been noted, that there have been two separate audits by separate audit companies. The ACT Auditor-General, Tu Pham, is in the process of a separate audit which was recommended to me by Treasury and supported by Rhodium, a recommendation which I have accepted.

I might just say that the Auditor-General has provided me with a very brief draft report on the issues she proposes to pursue. She has indicated to me that, because the audit has not been completed, the interim report has protected information status. I would be prepared to approach the Auditor-General for her approval to provide that document in confidence to you or to the committee, but I would need the Auditor-General's approval to do that. It might be, in fact, appropriate that I seek the Auditor-General's approval for that to be provided in confidence to the public accounts committee in addition perhaps to the estimates committee. I would have no issue with doing that, but I just make those remarks as overarching. In terms of some of the detail or specifics, accepting that there are some issues for sensitivity always in relation to individual members of governmental authorities or companies, which I am sure Mr Samarcq would be mindful of, I am sure Mr Samarcq would be happy to provide what information he believes relevant and appropriate. Thank you, Mr Samarcq.

Mr Samarcq: The question related to two aspects to which I think I should perhaps give some context. First of all, Mr Mulcahy, you mentioned that the board was in dispute with the former CEO in relation to the need for an IT system. I should put on the record here that the board wasn't in dispute with the CEO about a new IT system. In fact, we as a board and, prior to us, the Totalcare board were in agreement with management that there was a requirement for a new IT system. The IT system at Rhodium was in need of a major overhaul, particularly if the company was to remain competitive and provide a service that was comparable to its competitors.

The project that we were embarking on represented the core operating processes for Rhodium and therefore was a major strategic initiative. The issue with regard to the CEO and the IT system was one, I guess, of transparency and information being provided to the board in—how do I describe it?—a progressive, fulsome and timely manner. The board was concerned, given the size of the project, that the type of information we were getting wasn't coming through to us, and that was the issue, not in relation to the need for an IT system.

Putting that to one side, some irregularities and potential improprieties involving the CEO were brought to the board's attention in mid-February. They were brought to our attention by a former employee and we acted immediately on those issues, bringing them first of all, as we decided we should, to the former CEO's attention and seeking an explanation of those, commissioning an independent review by KPMG immediately, and obviously informing the shareholders of our concerns.

The KPMG review, essentially, was in two parts. The first review dealt with issues brought to the attention of the board in relation to the CEO, and we received that report

in mid-March. The second part of the review, essentially, involved reviewing some financial management processes around debt management and credit cards, also involving the CEO.

I think it was clear to us, as a collective board, that the issues were substantial from our perspective. We had raised the issues with the CEO at the time. She indicated at that point in time that she was prepared to step aside. She had, in fact, been unwell and at that point in time went on sick leave. She actually had an operation at that point in time. Subsequent to the report, we again met with the CEO, or I again met with the CEO, and at that point in time she offered, and we accepted, her resignation in respect of her desire anyway, for health and family reasons, to step aside.

That is really the context of the CEO's departure. We moved then quickly to replace her on an interim basis with one of her senior managers and, at the same time, we brought in an acting CFO—Mr Ken Moore, previously CFO of the Department of Defence—with strong credentials in relation to both financial management and corporate governance to assist the board in the period moving forward.

Subsequently, as the Chief Minister mentioned and I think is in the public record, Ernst & Young have undertaken a review. That was an interim audit, part of the normal process. Ernst & Young acted on behalf of the Auditor-General and that process has indicated that there are certain things that we need to do, which will be progressed through normal processes.

I might say that, from our perspective, as to the concerns that revolved around the CEO, we were keen to see whether that had extended beyond the CEO to other management, and here I am talking about credit card use, hospitality, employment practices, those sorts of issues. We actually had KPMG do another report which looked right across the agency or the corporation to see what else was there that we might find that was of concern to us.

Obviously, there have been lessons learnt. I guess the concern we have is that we as a board perhaps relied on appropriate corporate behaviour, but in fact it was clear that we needed to have very specific policies in relation to issues concerning credit cards, hospitality and entertainment which have all been put in place from about mid-March through to now. I guess the further investigations did determine that, while I would characterise the expenditures of other staff as bordering on excessive, they certainly did not provide us with any concerns in relation to private expenditure. I guess we as a board have convinced ourselves, at least at that level, below the CEO, whilst certainly there were practices that we would not permit and are not permitted now in relation to the new policies, that we do not believe that it warrants further investigation.

MR MULCAHY: I am sensitive to the Auditor-General's point on the importance of procedural fairness, so I do not, obviously, want to go digging down any further on this particular matter, but you can obviously give us a pretty good assurance that you have got systems as best as one can ever have them in place to avoid these events arising again.

Mr Samarcq: Yes, I am pretty certain about that. As I have said, we have acted as a board as appropriately and expeditiously as possible to ascertain the extent of the issues.

It is more about corporate behaviour and practice, as distinct from—

MR MULCAHY: Fraudulent matters.

Mr Samarcq: Exactly.

MR MULCAHY: Could I raise another matter, unrelated? I understand that on about 22 December, Rhodium may have received correspondence from both General Motors-Holden's and the Ford Motor Company raising issues about the purchase of motor vehicles using the government fleet arrangements, where those vehicles were being put into employee packages in the public sector. The preliminary information I received is that they were arguing that that level of discount on purchases wasn't appropriate unless the vehicles were actually owned by government agencies. Obviously, that has a serious impact on employees of the public sector, and I think there are commonwealth agencies that are also benefiting through Rhodium in terms of salary packaging. How has that issue been addressed since those communications?

Mr Samarcq: I can't answer that. I am not aware of those two letters, but I will turn it over to Mr Moore if he has got any further information.

Mr Moore: I wasn't around in December and I am not aware of those letters, but I am aware of an ongoing issue with Ford, at least, in terms of Rhodium accessing the New South Wales government contract for vehicles and, as a result of that, employees who salary sacrifice their vehicles through their employers get access to that government discount rate. The important point from the manufacturers is that the vehicle has to be registered in the name of the employer, not the employee, and they require an assurance from each employer that that in fact is the case to enable them to offer those sorts of discounts. It is an ongoing issue that we have to manage with the manufacturers. It is something that makes our salary smartleasing package very attractive to employees. We have set up in excess of 120 master lease agreements with organisations in both the commonwealth government sector and the ACT government sector and private organisations and one of the attractions of our product is access to that discount through the manufacturers' agreement.

MR MULCAHY: What happens with novated leases in terms of the conditions is set out in the documentation I have seen from Ford and General Motors. Doesn't it specifically preclude those sorts of arrangements being under the government rate?

Mr Moore: No, it doesn't. As I said, we have got correspondence from Ford, including a copy of what they have sent to their dealers to make sure the vehicles are being registered in the name of the employer, not the employee, and we believe what we are doing is quite legal.

MR MULCAHY: You told the committee there is ongoing dialogue occurring. As I say, I was informed that it came up as early as December. We are now in July. How long has that dialogue been going on and what is the nature of those discussions? Do you contemplate resolution in the immediate term?

Mr Moore: It has not been raised directly with us, as far as I am aware, by Ford. We are aware of letters they have sent out to their dealers to make sure they get a certificate off

the employer that the vehicle is for work purposes. If at any point in time it was proven that we could no longer offer that discount to employees, we would have to stop doing that and offer them the best dealer discount we could get.

MR MULCAHY: That would have serious financial implications for each public servant.

Mr Moore: It would not affect the vehicles already under lease. It would only affect any new arrangements.

MR MULCAHY: It would be typically \$5,000 or \$6,000 per vehicle, wouldn't it?

Mr Moore: Yes.

MR PRATT: Chief Minister, as to the proposed reduction in the staff of Rhodium from 34 to 30, you will have a net loss of four. From what parts of the entity will these staff be lost?

Mr Stanhope: I will defer to Mr Moore.

Mr Moore: When we put the budget papers together we expected the reduction to come out of staff who are currently manually processing orders and managing vehicles on the back of our new IT system. Unfortunately, we have had to make a stop decision on that because it became unaffordable. I have now looked very hard at the corporate side of Rhodium and we have already taken action to reduce the number of staff in corporate services, HR and those types of activities.

MR PRATT: Are you suggesting that the impacts of this reduction will be at the back end and not the delivery end of service.

Mr Moore: Yes, I am.

MR PRATT: No reduction at all in the front end of service.

Mr Moore: Correct. What, in fact, we need to do in the front end of service is to lift our game. New ACT fleet arrangements came into place on Monday, where we have set up an ACT fleet management unit. We have gone to a cost recovery basis only for the provision of that service with the ACT government, in terms of not making a profit out of it; we just pass on our costs to agencies, which have budgeted for them, and we have eight staff dedicated to support of the ACT fleet as a result of those arrangements.

On the other side of the business, we have set up a similar fleet management unit to service our smartlease customers. That business is growing by about 20 per cent per annum, unlike the ACT fleet which over the last few years has been static. So marketing the smartlease product into these 120 agencies and organisations that we have got master leasing agreements and servicing a greater number of vehicles are where we have to put our staff effort. Without this new EA system, we have just got to protect the staff numbers there to keep up the customer service. So I have taken the deliberate strategy to cut the back office and leave the front office alone; in fact, let it grow its business to achieve better economies of scale.

MR SMYTH: Going back to the issues Mr Mulcahy was raising, is it possible to know the quantum of funds being investigated?

Mr Stanhope: In relation to the issues Mr Samarcq was referring to?

MR SMYTH: Yes.

Mr Samarcq: I think what we looked at in total in relation to the CEO was in the order of \$20,000. I should explain that that was largely in relation to two tranches prior to her final settlement. Rhodium kept a number of moneys associated with issues to deal with non-reimbursement which were determined in relation to private expense and use of the corporate credit card. A third KPMG report about the forensic looked right through. There have been some further moneys, about another \$10,000, associated with various leases on motor vehicles which she still owes. In relation to the first tranche, as I said, we just held back some funds. In relation to the second tranche, an invoice has been sent to the CEO and she is currently reviewing that. She is required to come back to us within the next week or so in relation to those moneys owed. But that is the quantum that we are talking about.

MR SMYTH: On a different issue, on page 533 some of the decrease of \$15 million has been put to the decision to defer the replacement of the IT system. Has the IT system been purchased or is that in process?

Mr Moore: It was in the process of being purchased. The system we are referring to was to cover both our leasing side and our financial side. We engaged a company to go out and scan the market to see what software applications were out there to cover both sides and one was found that appeared to meet our needs. We then went through a process with the implementation partner of doing a gap analysis between what our business requirement was and what this software application could actually deliver. That was completed in April. The result of that was an assessment that, by and large, that product could meet our needs, but it did need some customisation in terms of reprogramming the application or cutting code, which I am always very nervous about. But, more importantly, it could not be delivered within our approved project approval. It simply became unaffordable. As a result of that analysis, I put to the board, and they agreed, that we should actually stop that project.

MR SMYTH: I noticed on page 129 there was a capital injection in the 2005-06 budget of \$1.5 million to cover that. Has that money now been returned to Treasury?

Mr Moore: The unspent portion will be returned, but we did spend money discovering that it was unaffordable, as you do in the nature of these projects.

MR SMYTH: What is the unspent portion?

Mr Moore: My estimate at the minute is that we will have spent about \$450,000, maybe a bit more, in the analysis that we have gone through and the remaining portion which was to be given to Rhodium over two financial years, this year and next, will be returned.

MR SMYTH: What was the all-up expected cost of the project?

Mr Moore: It was \$1.5 million.

MR MULCAHY: Is Maximus consultants still in the picture there or has Mr Moore now moved on to full-time employment?

Mr Samarcq: I will answer that. Mr Moore is on a contract from Maximus consulting for the period between now and the end of December 2006.

MRS DUNNE: I have a question on Rhodium which I think can be dealt with very quickly. Mr Moore, there has been a change in government policy about the energy efficiency of vehicles and things like that and there is to be a move towards four-cylinder vehicles. In the leasing business, does this present difficulties? I have been made aware of policy changes in other jurisdictions along this way that actually ended up meaning that the leasing arrangements became more expensive because the four-cylinder vehicles became a drag on the market? Is that the actual experience? If it is, what are you doing to mitigate the cost situation?

Mr Moore: My understanding is that the new government policy restricts non-executive vehicles to four cylinders and 1.8 litres and there are a number of vehicles in that category on the market. So, in terms of what budget assumptions the Treasury may have put in, I would have to defer to Dr Grimes on that, but from Rhodium's point of view, we see no difficulty in providing a service to ACT agencies with a range of vehicles that would meet that new policy requirement.

MRS DUNNE: It is not so much about meeting the needs. It is when the lease comes to an end and you on-sell them. Will you have the capacity to on-sell them? I have become aware that the Queensland government went down this path and had a great deal of difficulty shifting the vehicles at the end of the lease.

Mr Moore: For a normal four-cylinder vehicle I am unaware of any difficulty we would have in selling it through auction, bearing in mind that under the new fleet arrangements we have with the ACT government the residual value risk of these vehicles does not lie with Rhodium; it lies with the agencies. We estimate at the start of the lease what the residual value is expected to be. We have a number of people on staff who are pretty expert at that and that would be calculated into the lease payments. If at the end of the lease period an agency made a profit or a loss on that residual value, they would either get the profit or take the loss.

MRS DUNNE: But you are not aware of the difficulties that Queensland apparently encountered?

Mr Moore: No. I would have to take that on notice, if you wanted me to be sure.

MRS DUNNE: Could you? Thank you.

MS MacDONALD: You spoke of non-executive vehicles. Does that mean that people in the SES are quarantined from it?

Mr Stanhope: No, it does not, Ms MacDonald, but there are some issues in relation to

contractual arrangements that apply to some senior executives and some statutory office holders. There are issues which the government needs to work through. The government's intention in the policy announced was to move to a four-cylinder fleet, having regard to operational requirements and, of course, having regard to contractual arrangements. There is a range of issues in relation to members of the Assembly because of remuneration tribunal decisions. There is a range of issues in relation to senior executives as a result of contracts which the ACT government has entered into with senior executives in relation to their remuneration package. The government's intention, however, is to seek to work through each of these issues. For instance, in relation to a range of statutory office holders, members of the Assembly and senior executives there are specific issues that will need to be addressed, but the government's intention is to progressively seek to address those. But the decision which Rhodium has been asked to implement, of course, is that where those remuneration tribunal issues, statutory obligations or contractual obligations don't apply, then we will move, subject to operational requirements, to essentially a four-cylinder fleet.

Dr Grimes: Just before we take a break, I beg the committee's indulgence to clarify something from the ACTIA evidence earlier this morning around the arrangements for public liability insurance. This is something that we have actually covered with the committee before in previous hearings with Mr Quinlan, but I thought that it was probably appropriate to make sure that it was clarified for the committee again this morning, that is, the coverage that the territory has under its public liability insurance for the bushfires. Mr Matthews explained that there was coverage up to \$300 million. That is correct. The first \$5 million worth of expenses are borne by the territory before the reinsurance policies take effect. That is something that we have advised either this committee or another committee of in the past, but I thought it was appropriate to make sure that that was clarified this morning.

Mr Stanhope: Is the committee interested in my seeking the Auditor-General's consent to provide her interim report?

THE CHAIR: I would think so, yes.

Mr Stanhope: I will seek her formal agreement.

THE CHAIR: After the break we will move on to business and economic development.

Meeting adjourned from 10.39 to 11.01 am.

THE CHAIR: We welcome officers from the Chief Minister's Department. You should understand that these hearings, which are legal proceeding 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 in 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. I am sure you all understand that. Thank you, Chief Minister. Do you want to make any opening remarks?

Mr Stanhope: No, thank you, madam chair, other than to say that officers with the Chief Minister's Department are here and happy to conclude the issues yet to be dealt with.

Officers from the Chief Minister's Department stand ready to assist the committee in any way possible.

THE CHAIR: Thank you for coming back on this spill-over day, Chief Minister, Mr Harris and other officials.

MR GENTLEMAN: Are we on business and economic development?

THE CHAIR: We are on business and economic development.

MR GENTLEMAN: Minister, there appears to be a change in the direction of business and economic development to a little more hands off sector development and export development and a concentration on innovative investment. Can you outline specific support strategies or activities that will be undertaken to encourage this innovation investment?

Mr Stanhope: It is certainly the case that the government announced in this budget a significant adjustment to policy, direction and emphasis without in any way lessening its commitment to business and economic development within the ACT. The government recognises the fundamental importance of a strong and burgeoning economy to the future of the Australian Capital Territory. Ours is an interesting economy. We have a narrow revenue base and we have a narrow industry base. All members would be aware that, as a jurisdiction, the ACT government does not have a mining sector, it has a reasonably limited primary industry and it does have a particularly significant manufacturing base.

Ours is very much an economy based on government, the business of government and the delivery of services. In other words, ours is an economy based on the work force at our disposal, the most skilled and educated work force in Australia. I think we all recognise that therein lies the future of the continuing strength of the ACT economy. It is an economy that at the moment is particularly strong. It is in a strong position, it is driven by a buoyant construction and development industry and it is driven by the level of government activity, in particular, the Commonwealth government.

So on all the economic indicators the Australian Capital Territory is performing extremely well. However, I think it behoves governments from time to time to look at the way in which they might best assist industry and industry development, and economic growth. It is important that we continue to monitor the role of government and how government might best work with business and industry to ensure a continuing and strong economy. I think we are all aware, and I am acutely aware and sensitive to, the overriding and overarching issue of concern to business representative organisations within the ACT and business generally, that is, skills and labour force issues and, in particular, labour force shortages.

The ACT government has trend unemployment of about 3.2 or 3.3 per cent; historically low trend unemployment was matched only by the full employment experienced during the Menzies years or era. Ever since we came into office the ACT essentially settled on trend unemployment of under 3.8 per cent, or thereabouts. It was about 3.8 to four per cent when we came into office and it has progressively declined, with little blips up and down. Trend unemployment is of the order of 3.3 or 3.4 per cent, having dipped to 3.2 per cent earlier this year.

We have very high participation rates, in fact, the highest in Australia by far. Having regard to the nature of ACT business and industry, we have particular needs in relation to our work force. Ours is a skilled and educated work force generally, of course, accepting a breadth of experience and capacity across the board. I make these opening remarks just by way of context. The number one issue facing business and the number one impediment to continuing growth is the availability of skilled people to work.

Wherever I go and wherever I have been in the last two to three years, the repetitive mantra from businesses, business people and business representative organisations is, “Chief Minister, what can we do about skills? What can we do about the work force? What can we do about labour force issues? How can we increase our population of workers? What can we do about enhancing skills? What can we do to meet the work force needs of business across the board within the Australian Capital Territory?” In that context the government is moving through the initiatives announced in this budget to ensure it continues to focus primarily on the things businesses have identified as their number one issue, that is, skills.

That represents the most significant shift in this budget away from a focus on the payment of grants to individually identifying businesses of promise, to overarching support for business through the provision of advice and services, through a focus on skills with the establishment of the skills commission, with a focus on an audit of innovation in the first instance and the need we identified to support innovation in the territory. That is an overarching framework of the sorts of decisions that underpin the specifics of the budget policy decisions reflected in this budget.

MR SMYTH: Chief Minister, is the economic white paper that your government took nearly two years to write still the guiding document for business development in the ACT?

Mr Stanhope: Yes, it is. The economic white paper and its underlying philosophy still underpin and will continue to underpin the ACT government’s commitment to economic growth in the territory. Having said that, as I indicated, we have taken the opportunity, I think quite appropriately, to reflect and to focus on the issues identified by businesses to the government as the most significant issues that they face, that is, skills and labour force issues, general support, and a reduction in regulation.

We should have a continuing and real debate, not a debate from time to time as reflected through the development of an overarching framework or philosophy such as the economic white paper, about the role of government in the support of business. The economic white paper is a foundation document and strategy for the support of business and economic development in the territory. Accepting that from time to time, we will take the opportunity to focus specifically on particular and emerging issues, such as issues relating to skills, and we will devote our scarce resources to the areas identified by businesses as the principal issues of concern to them. That is what we are doing in this budget.

MR SMYTH: Chief Minister, how does the government intend to follow through on its commitment to capitalise on the ACT’s competitive advantage by targeting industry development in nine key industries identified in the white paper by cutting the budget to

ACT business by \$5 million and reducing its staff by two-thirds?

Mr Stanhope: Significant initiatives that we have announced in the budget include, most particularly, the proposed new small business mentoring program. We acknowledge that the most significant form of business in the ACT is small business and we know that the overwhelming majority of businesses in the territory are small businesses. Rather than following through with a previous philosophy based on grants, we propose across the board to give a small number of grants to significant and high-performing businesses and businesses of enormous potential.

One thing that is reflected in this budget is that we propose to move away from the knowledge fund-based grants approach to supporting a narrow band of businesses in identified sectors of particular interest and to providing across-the-board support for all businesses in the territory, or those seeking support and assistance. Once again the response by businesses to the territory in areas of most significant need affecting businesses across the board is through advisory services such as CanBAS, which we are reviewing, and through the significant injection of \$1 million a year to support a new small business mentoring program.

Through that process all industry, all business advisory servicing sectors and all business support sectors will receive a new \$1 million a year small business mentoring program. It is our desire to ensure, while acknowledging particular sectors of interest and advantage to the territory, that all businesses engage in the sort of support the government can provide across all bands of business, through business support, business mentoring and a better understanding and knowledge of how the innovation system might work to the advantage of all businesses.

These major initiatives will be pursued through this budget. An additional \$1 million a year will be allocated to provide a small business mentoring service and an ACT innovation system study to drill down into and better understand the needs of innovation in business. That will go towards capitalising on industry sectors that we believe should most particularly be supported.

We also established a skills commission that will respond directly to the number one issue identified by businesses as an issue of concern to them and one for which they wish government support over and above any other formal level of support, that is, the skills issue. History shows that we are serious about that, in particular through the Live in Canberra and business migration programs and the enormous investment we have made over the years in vocational education and training.

MR SMYTH: Chief Minister, on page 38 of BP4 your rhetoric is undercut by the numbers. This year 1,400 new businesses were assisted but only 350 will be assisted in the coming year. A total of 2,700 clients were assisted but only 675 will be assisted this year. CanBAS delivered 23 seminars, but only six will be delivered in the coming year. Why have you abandoned business in this way when businesses have said, “We have a narrow industry base”? What are you doing to expand the base when you are cutting back assistance, seminars and support to business across the board? It does not make sense.

Mr Stanhope: The first thing that needs to be said is that those numbers are pro rata in

the context of some of the programs that are currently in place and some of the existing contracts, in particular in relation to CanBAS where the contract expires at the end of the year.

MR SMYTH: It is hardly pro rata when that is your target for 2006-07.

Mr Stanhope: It is pro rata on the basis of the existing target.

MR SMYTH: So you are going to deliver fewer services?

Mr Stanhope: It is pro rata on the basis of the existing contract.

MR SMYTH: But you will deliver fewer services to businesses?

Mr Stanhope: In a pro rata sense, no, we will not because the contract expires at the end of the year.

MR SMYTH: In real terms you will be assisting 350 businesses over 1,400 businesses last year.

Mr Stanhope: Over and above that we have specific new initiatives, most particularly the \$1 million a year that will be devoted to a new small business mentoring program. That, of course, will assist businesses across the board. The government acknowledges, and it is there for the entire world to see, that it does not propose to continue its very significant support for business-based grants programs. We are not doing that. We have adopted a different approach.

The government does not walk away from this one minute; it is in my budget speech and presentations and it is in the budget papers. The government has reduced the size of Business ACT, our business bureaucracy. It has reduced funding commensurately and significantly in this area of government service delivery, acknowledging once again that this jurisdiction has delivered services well above the national benchmark and, I understand, well above the national average of support for business.

I might need to go back to this. If I am incorrect I will advise the committee of the appropriate number, unless one of my colleagues knows it. In relation to business support across the board the ACT government has been funding business and business support programs to the tune of 69 per cent above the national average. That is the level of support above the national average that this government has been providing to business in recent times and, of course, that is unsustainable. It is a tough budget. It is a budget in which this government has made cuts to almost all areas of government service delivery.

There is no basis on which business, business support and business services would be exempt from significant cuts in government support and government service delivery, having regard to other significant changes that have been made in levels of government support as a result of the essential nature of this budget. It is a budget that has taken the territory on a right-hand turn, from spending at unsustainable levels above the national benchmark to levels that are sustainable in the future. We sought to do that by identifying those areas of government support that can be delivered across the board, that

will be effective in supporting business and industry, that will continue to drive the economy in the way that it is being driven, and that better reflect our capacity to pay.

In a budget in which we see significant cuts in other areas of government expenditure, such as in relation to supported accommodation and the superannuation entitlements of ACT public servants, I am sure that business and the broader Canberra community understand that business could not expect to be exempt. In a budget that has seen such significant and dramatic changes in government policy business could not expect to be exempt, and business alone would not be asked to share with the rest of the community the need to ensure we expend sustainably now and in the future. That is what this budget does.

DR FOSKEY: Mr Stanhope, given everything you just said and you acknowledged that just about every part of the community had been hurt by this budget—

Mr Stanhope: I did not say that they were hurt, Dr Foskey.

DR FOSKEY: I am saying that they have been hurt by this budget.

Mr Stanhope: Do not put those words in my mouth.

DR FOSKEY: I apologise, Mr Stanhope. Nonetheless, you would have to acknowledge that a number of communities have said they have been hurt. Is there anything in the functional review that justifies you not releasing it? You had the option of revealing the situation to members of the Canberra community. You could have said to them, “Things are bad. Here it is on paper. We need to make changes. Let us work together.”

We have been through about three weeks of estimates committee hearings and in almost every department we have not got to the bottom of several items in the budget. In your plans for next year a number of things are anticipated by the functional review. If you want to bring the public along with you rather than have an adversarial climate it has become increasingly evident that that review must be made public.

Mr Stanhope: Those are your comments, Dr Foskey.

DR FOSKEY: No, it is a question.

Mr Stanhope: No, it was not; it was a statement.

DR FOSKEY: I want to know whether you would now reconsider releasing the document on which this budget is based.

Mr Stanhope: This budget is based on a range of documents. Those that are not cabinet in confidence have been released; those that are cabinet in confidence will not be released.

MR SMYTH: Chief Minister, what was Mr Gilbert’s role in the functional review?

Mr Stanhope: I understand that Mr Gilbert was a member of the secretariat. I will defer to Mr Harris. I did not supervise staff engaged on the functional review so I do not have

that detailed knowledge.

Mr Harris: The Chief Minister is correct; Mr Gilbert was a member of the public service team that was working to the reviewers.

MR SMYTH: Was he given responsibility for reviewing the Department of Economic Development?

Mr Harris: I have no idea. I was not a member of the review team so I cannot comment on how it allocated responsibility.

MR SMYTH: Can you take that question on notice?

Mr Harris: I would be surprised if that were the case because the methodology that the review team used, by and large as I understand it, was not to use people to review its own activity, for want of a better description.

MR SMYTH: Could you take that question on notice and confirm that that did not occur?

Mr Harris: I am not sure whether I am in a position to take that question on notice. It is a matter for the reviewers. If they choose to disclose it I may be able to respond to that question. If they choose not to disclose it I may not be able to do so.

MR SMYTH: Will you take the question on notice?

Mr Harris: I cannot sit here and say that I can take it on notice.

MR SMYTH: Will you take the question on notice and ask the reviewers that question?

Mr Harris: I will undertake to ask the reviewers that question.

MR GENTLEMAN: Chief Minister, can you tell us what sort of work the skills commission will be doing? What do you hope to achieve out of it?

MR SMYTH: Particularly when you are cutting CIT.

Mr Stanhope: The skills commission is a direct response to recommendations of the Canberra Partnership Board, a high-level grouping of senior members of business and business representative organisations from across the full spectrum of business and business support and representation in the territory. As I said before, the issues that have been the major focus of representation by business to the government in recent years include issues around skills, skill shortages and, more broadly, labour force shortages or a lack of people to employ.

I think members are aware in relation to the construction industry as a prime example that significant number of members of the current ACT construction work force live in Wollongong, Sydney and Newcastle and are commuting to the ACT to work in the ACT building and construction industry. For a number of years now skills have been the mantra or an issue of the highest order on which business in the territory is seeking the

assistance and support of government. We have responded positively to that in a number of ways.

Most recently the Live in Canberra campaign has achieved and received enormous support from a broad range of businesses and business representative organisations across the territory. I believe it has been successful in raising awareness in Sydney of the circumstances pertaining in the ACT, but it is not enough. It must be responded to and we must be quite clinical in our approach to addressing skills. Our re-energised skilled and business migration program has been very successful in the last 12 months since it was re-jigged and re-energised. Through that program of the order of 160 skilled migrants arrived in the ACT last year. I think it is successful and very promising, but it is not enough. I think the Live in Sydney campaign has been very successful but it is not enough.

MR SMYTH: The Live in Sydney campaign? I think your budget has been very effective in promoting the Live in Sydney campaign.

Mr Stanhope: The Canberra Partnership Board recognised that and recommended that we establish a skills commission. We accepted that recommendation. Currently we are in the process of developing the draft terms of reference. We will discuss and consult with individual businesses, develop a membership framework and support the skills commission. At this stage I am mindful of ensuring that it has a dedicated secretariat. We will fully support the skills commission and, through it, seek more rigorously to address the skills issue, accepting that that is the number one issue of concern and interest to businesses today. The government, through its budget, is responding to that.

MR GENTLEMAN: What level of input are you having at the moment from interstate skilled workers in Canberra? Is it mainly in the construction industry?

Mr Stanhope: I do not know the detail of the range of people that are commuting. However, it is interesting to note that in 2005 the ACT's population growth climbed 2.8 per cent from 0.4 per cent in the previous year. In other words, our population growth climbed from 0.4 per cent to 0.8 per cent and we have lifted off the bottom of the national range. In 2005, for the first time in a long time, Tasmania exceeded the ACT in population growth. For the first time in a number of years Tasmania did not record the lowest population growth in Australia and that was when we slipped below Tasmania.

We have now overtaken both Tasmania and South Australia and in 2005 we had the same population growth as New South Wales, which is a significant change. It is sobering to reflect that in 2005, for the first time since 1998, we managed the first net positive migration to the ACT, which is a small but significant breakthrough. For the first time since 1998 more people arrived in the ACT than left the ACT. In the context of our population growth in 2005, whilst the majority of that growth was through the birth rate, or the arrival of children, for the first time in eight years we managed positive net migration to the territory.

I think that raises some interesting possibilities for us. Our population growth rate has doubled from 2004 to 2005, we have lifted off the bottom of the national growth rate and have now surpassed both Tasmania and South Australia, we are on an equal footing with New South Wales, and we are well behind the resource boom states of Queensland and

Western Australia, the two fastest growing jurisdictions. Significantly, for the first time in eight years—and this is something that neither Victoria nor New South Wales achieved—we had net positive migration to the territory. I believe that both New South Wales and Victoria are still leaking more people, specifically to Queensland, than they are gaining through net migration.

MR MULCAHY: I ask a supplementary question. Going back to Mr Gilbert, could you confirm that he has now separated from the ACT public service? Is it true that there has been a generous settlement as part of that departure?

Mr Stanhope: I cannot answer that question, Mr Mulcahy. I will ask Mr Harris to respond.

Mr Harris: That is not true. Mr Gilbert is on sick leave. Mr Gilbert had a serious car accident and he has had two very serious operations. He is currently on workers compensation. We are working out a return-to-work plan for Mr Gilbert.

MR MULCAHY: So he is still in the service?

Mr Harris: He is.

MR SMYTH: Chief Minister, the Federal government just invested another \$251 million in NICTA over the next five years, it put \$500 million into the national collaborative research infrastructure strategy, and AusIndustry got about \$1 billion to spend on grants over the next five years. What will you be doing to assist ACT businesses to access those three programs, given that the New South Wales government announced in its last budget a \$10 million funded program to help New South Wales businesses access those three programs? We have done the reverse; we have slashed \$5 million from the budget and reduced staff from 54 to 17.

Mr Stanhope: Well, I think it is interesting, Mr Smyth, that you raise NICTA. The ACT government, as you know, has invested \$20 million into NICTA. I think in the context of the size of the ACT and our capacity to support business, a \$20 million injection by this ACT government into NICTA exceeds by far on a per capital basis anything New South Wales or Victoria or any jurisdiction other than the commonwealth—

MR SMYTH: The question is not what you have done. The question is what will you do to access the new money?

Mr Stanhope: Now that you have actually got some egg on your face, Mr Smyth, do not—

MR SMYTH: There is no egg on my face, Chief Minister. I did not cut business.

Mr Stanhope: seek to prevent me from answering the question and drawing attention to the fact—

MR SMYTH: Well, answer the question. What are you going to do to access the new programs?

Mr Stanhope: Do not detract from my answer, in which I am pointing out that in terms of per capita support for NICTA, one of the three initiatives that you mentioned, at \$20 million, the ACT has provided on a per capita basis greater support to NICTA than any other government in Australia.

MR SMYTH: Yes, based on the good of the previous government that started the process.

Mr Stanhope: Mr Smyth, you are a—

MR SMYTH: What are you going to do to access the new programs?

Mr Stanhope: beauty for actually claiming credit for things that you refused to fund.

THE CHAIR: Chief Minister, could you just stop for a minute? *Hansard* has asked us a number of times, Mr Smyth, not to talk over witnesses when they are trying to answer questions. Please remember that because it makes it—

MR SMYTH: Well, make him answer the question.

THE CHAIR: He is answering the question—

MR SMYTH: No, no, no. He is not answering the question. As he always does, he obfuscates and—

THE CHAIR: Now you are talking over me.

MR SMYTH: Make him answer the question.

THE CHAIR: Will you please respect what I am asking you to do and allow—

MR SMYTH: Certainly, and will you make him answer the question?

THE CHAIR: Do not talk over me as well. Just allow the Chief Minister to answer the question. *Hansard* cannot hear what is going on. Chief Minister.

Mr Stanhope: Thank you, madam chair. The question that was asked related in the first instance to NICTA. Mr Smyth was criticising this government for a lack of support to NICTA. I was making the point that this government—

MR SMYTH: No, do not put words in my mouth, Chief Minister.

Mr Stanhope: which is a small government by comparison with others around Australia, has invested \$20 million in NICTA. I would imagine that that \$20 million investment by this government, which was fundamental for the start-up of NICTA in the territory, was the biggest single per capita investment—

MR SMYTH: You would imagine?

Mr Stanhope: by a government in Australia into NICTA. It was fundamental to its establishment here. It is a booming business. It is one of our great success stories. It currently employs 164 staff. It has engaged 74 PhD students and is a fantastic example of the success of this government's investment in business within this territory. It stands alongside other major investment that we have made in business in this territory as indicators and signals of our support.

This government has invested \$20 million into NICTA, \$30 million into the Convention Centre, \$10 million into the capitalisation fund at the ANU and \$10 million to establish a new allied health facility for the University of Canberra. These are staggering investments by a government of this size into business and signal this government's support for business in this territory.

Just add them up: \$30 million in the Convention Centre, \$30 million that the previous government would not or could not find; \$20 million for NICTA, \$20 million that the previous government would not or could not find; \$10 million for a venture capital fund for the ANU, \$10 million which the previous government would not or could not find; \$10 million to establish an allied health faculty at the University of Canberra, \$10 million which the previous government—

MR SMYTH: Madam chair—

Mr Stanhope: would not or could not find. And it goes on and on.

MR SMYTH: Would you ask him to answer the question? The question is specifically—

Mr Stanhope: And we now at this juncture—

MR SMYTH: what will this government do to access—

Mr Stanhope: have developed—

MR SMYTH: three funds into the future?

Mr Stanhope: a different philosophy, as represented through this budget, which certainly does reduce the up-front investment in grants to business. We have moved to a philosophy that embraces all of business through a new small business mentoring approach, through our business support, through a detailed assessment of our innovation needs and through the establishment of a skills commission, as well as ongoing support for a range of other programs across the board.

The government does not deny or disguise the fact that we have moved away from individual-based industry or business grants programs, as reflected through the Knowledge Fund. We do not believe at this juncture, in relation to the resources available, that that is the most supportive or equitable way of supporting business across the board within the territory.

We do not apologise for it in the context of other decisions that we have made which affect all other sectors. I do not think anybody expects, least of all business, that in an

environment, for instance, where we have cut the superannuation entitlements of future ACT government employees to nine per cent, that it would be appropriate for us not to ask of business in this town a similar level of acceptance, understanding and restraint.

MR SMYTH: Again I make the point, madam chair, that the Chief Minister has not answered the question. How will the cuts of \$5 million to the business program and the reduction of staff from 54 currently in Business ACT to 17 allow you to access the additional \$251 million that is going into NICTA, the \$500 million in science and research grants that the federal government is putting into the national collaborative research infrastructure strategy and the \$1 billion that AusAID has available for the next five years?

Mr Stanhope: I think Mr Smyth clearly misunderstands the nature of government support for industry and business. Mr Smyth asks how we are going to access commonwealth government funds to NICTA.

MR SMYTH: No, how are you going to help business access?

Mr Stanhope: The question just was: how is the—

MR SMYTH: The original question and the question just then was: how will you assist business to access these grants, given the reduction—

Mr Stanhope: Madam chair, I have—

MR SMYTH: in money and the staff?

Mr Stanhope: no intention of answering the question if I am going to be continually interrupted.

THE CHAIR: I agree.

Mr Stanhope: I just will not answer—

THE CHAIR: No.

Mr Stanhope: with your indulgence.

MR SMYTH: Because you cannot.

Mr Stanhope: Thank you, madam chair.

DR FOSKEY: Chief Minister, now that there has been a reconfiguration of how business grants are given, could you table or provide to the committee a copy of the guidelines for grants, just to see how those decisions are made?

Mr Stanhope: I am more than happy to provide any documentation relevant to any business program or initiative, Dr Foskey. Perhaps we will table all of those documents or guidelines that are available.

DR FOSKEY: That would be helpful. I imagine they would have been revamped a bit, so if there is less money available I am interested in whether the criteria have changed.

Mr Stanhope: Thank you, Dr Foskey. I will ask Mr Harris to assist in relation to that.

Mr Harris: You are quite right, Dr Foskey. We are reviewing and revising the guidelines for our programs, given the changed focus that the Chief Minister referred to. I am engaging in dialogue with business at the present time as to how we might best do that. In that sense I do not have a set of guidelines that I could give you today that will apply to grants programs or mentoring services or whatever other services we provide going forward.

Our intention—and I have had the first two meetings and the second two are scheduled for this week with business representatives, the peak industry bodies and so forth—is to work out how collaboratively between us we can determine the best way of spending the money that is available to get the best impact in the right sectors. Once we have had that conversation we will have a set of guidelines that apply to the way in which we deliver our programs.

DR FOSKEY: Will the decision about grants be peer reviewed or will the decision be made entirely within government?

Mr Harris: The emphasis is not to give grants but to provide assistance. So advisory assistance and mentoring assistance is the way in which we intend to spend our money. The money we spend on providing international offices is a question that is up for discussion at this point in time as to whether we continue them, whether we reshape them or whether we in fact require either a contribution where none exists at the present time or a larger contribution where some contribution exists at the present time. All of those decisions or potential decisions we are talking through with the business community to get their input as to how we can best assist them with the limited resources available.

DR FOSKEY: How long do you think that process will take, Mr Harris?

Mr Harris: I would expect on the mentoring service probably until Christmas to get it right. That is not to say we will not provide advice and contact information and support information for people that come through the door at the moment. We will, but the mentoring itself might take a little longer to put in place.

The decisions on the international offices will need to be done bearing in mind lease arrangements and other contractual arrangements that we have. I would hope we would know the direction of those decisions within two to three months.

THE CHAIR: Mr Smyth.

MR SMYTH: Yes. Chief Minister, was there a review done of the Knowledge Fund before it was axed?

Mr Stanhope: Thank you, Mr Smyth. Mr Harris.

Mr Harris: The Knowledge Fund has had a combination of already agreed commitment and additional money in the forward estimates. The only thing that has changed is that the top-up money in the forward estimates is no longer there. So the Knowledge Fund is capped to essentially existing commitments.

MR SMYTH: Sure, but the question was: was a review done, particularly on the outcomes of the Knowledge Fund, before it was axed?

Mr Harris: It was subject to review by the functional review team, yes.

MR SMYTH: Is it possible to get the outcomes of that review?

Mr Harris: Well, I believe the Chief Minister has already answered that question.

MR SMYTH: Were any other reviews of the Knowledge Fund done while it was in existence?

Mr Harris: I am not personally aware of any reviews, although the Department of Economic Development presumably did ongoing reviews of all of its programs.

Mr Stanhope: Mr Hawkins may be able to provide some further information in relation to that.

Mr Hawkins: the Knowledge Fund program, like other programs, has had periodic reviews and audits inside the government process that have informed the evolution of the program. It is true that during the last 12 months a review program was planned and under way, and it will no doubt inform the shape of new services and, building on the earlier questions, substantial achievement under the economic white paper over 2½ years. The question really is how to build on that well and learn from the experience of those two and a half years, so any current review activity will help us to shape the programs in the current budget.

MR SMYTH: All right. Is a copy of that review available to the committee?

Mr Hawkins: No.

MR SMYTH: Why not?

Mr Hawkins: There is current work that was incomplete at the time of the budget.

MR SMYTH: Well, I am happy to take a document that is only half complete. Why is that review of what was touted at its time as the most significant investment in the future of businesses in the ACT not available to the estimates committee?

Mr Harris: I think Mr Hawkins answered that question by saying that the review was not complete and was subsumed by the functional review's activities. It would be quite improper of us as professional administrators to provide a committee with an incomplete report.

MR SMYTH: Well, if I heard Mr Hawkins correctly, it was an ongoing review that—

Mr Harris: Ongoing audits.

MR SMYTH: Well, I am happy to see audits. Can we have the ongoing audits, then, of the document? Mr Hawkins, I thought, said—and I am open to correction—that the ongoing review was done continually during the life of the Knowledge Fund to gauge its effectiveness. Is it able to be seen or shown to the committee?

Mr Stanhope: Any completed report will, of course, potentially be made available, but as Mr Hawkins said, it is ongoing, it is not complete and, as Mr Harris has said, this government and no other government is in the business of handing out reports that have not been completed and where work is in progress. The government will be happy to keep the question on notice for any time when the report is completed and potentially available.

MR SMYTH: Well, Mr Hawkins, did the report show that the Knowledge Fund was effective and achieved good outcomes for the investment at that was made?

Mr Hawkins: There is no report, as it stands, at the moment. The review work is incomplete, as I—

MR SMYTH: Did the review at its last milestone or last measure point show that the Knowledge Fund was effective in what it did?

Mr Hawkins: The current review is not at a point to be able to draw any conclusions of that nature to present to this committee. Certainly earlier audit work had indicated substantial effectiveness in the purposes of the program. That does not preclude a government, as they have done, building on that work to take the next logical steps in high growth areas for the future of the city. The current activity, the current report and review that was in planning during the last 12 months will help us shape any future services.

MR SMYTH: Is the completed audit available to the committee?

Mr Hawkins: That is a—

MR SMYTH: Given the Chief Minister said any completed report would be available to the committee.

Mr Stanhope: I did not say that, Mr Smyth. I said we would consider it.

Mr Harris: Certainly any completed audit that is rigorous in its approach would be available to the committee. I understand from Mr Hawkins it is 2004.

MR SMYTH: If that is the last report we have got, that would be fine. Will you table for the committee the 2004 audit report?

Mr Stanhope: We will take that question on notice.

THE CHAIR: Mr Pratt, and then we will move on to corporate.

MR PRATT: Chief Minister, in relation to Office of Small Business Commissioner, funding for the national collaborative research infrastructure strategy, NICTA and the AusIndustry Commercial Ready grant program that is now being shut away, are the people that are being forced into redundancy or redeployment taking with them both the knowledge and the connections in those funded programs?

Mr Stanhope: That is a very broad question, Mr Pratt, which sort of begs a little bit in its asking and makes assertions that are not necessarily accepted as true. But in relation to government decisions that the department has to implement, as reflected in the budget, I will defer to Mr Harris.

Mr Harris: In terms of the staff of the Office of Small Business Commissioner, the commissioner himself is no longer employed, as you would appreciate. The public service staff will be either absorbed within the broader department or redeployed, depending upon their choice and options that are available. As far as the capacity to respond to small business is concerned, in terms of government to business relationships the commissioner had put in place small business service charters. The vast majority of that work has been completed, and that expertise is not required to the same level going forward.

The second area is probably dispute resolution and the facilitation of dispute resolution. The present view we have is that there are enough mechanisms available for dispute resolution facilitation using existing mechanisms such as the Administrative Appeals Tribunal, the ACT Office of Fair Trading, the Ombudsman and so forth that it is not necessary for the ACT government to put another layer in place.

In terms of regulation review and reform, which is another area of expertise that the office had, the government, as part of this budget, is establishing a central regulatory office within JACS that we believe would more than adequately look after that area. As far as investigatory functions are concerned—and the office did do some of that work—that primarily involved connecting small business operators with intractable issues to relevant government contacts and other points of resolution. We believe that can be adequately performed by the Chief Minister’s Department, either directly or through its contacts with other sections of the ACT Public Service. That is a role that we play in any case in a broader policy sense.

There is a range of other advisory functions that the office had expertise in. We believe that the proposal to establish an ACT Business Round Table, which will include small business representatives, would adequately facilitate that activity as well. So the long answer to your question, I believe, is that we do retain sufficient expertise to cover all of those functions.

MR PRATT: So those services are retained, but can you assure this committee that that corporate knowledge that did exist will be retained in the new information services which the government will now be depending upon?

Mr Harris: Yes, that is essentially what I am saying to you, and I say it on the basis of two facts. The first is the broader experience within the ACT Public Service. The second is the ongoing conversations that I personally and officers of my department are having

with the business community to ensure that we provide them, as the Chief Minister has said on a number of occasions, with the services they require specifically in the future, bearing in mind their acknowledgement that we have limited resources to spend.

MR PRATT: Will the entrepreneurs pay for these new services?

Mr Harris: They may well do. I have not ruled out some sort of contribution to the international offices, for example, by people who use them. Certainly we would have a dialogue with business about the appropriate use of facilities and if that involves some sort of fee, then that may well be the way we go. But as I have said several times, I am still in the process of having those conversations with business and small business representatives and others at the round table to determine the best way collaboratively we and business can provide the maximum impact.

THE CHAIR: Dr Foskey, we are going on to corporate services now. Do you have a question?

DR FOSKEY: I have. The funding allocated to this output has decreased by \$1.5 million. Could you please outline the reason for this decrease and how it will impact on the department? I am a bit in the dark about what corporate services actually does so I would appreciate an outline of the tasks and functions performed by corporate services.

Mr Harris: I will ask Mr Davoren to answer the second part of the question. In terms of the reduction in funding, the overwhelming majority of that funding is associated with the transfer to the shared services organisation.

DR FOSKEY: Right.

Mr Harris: It appears as a reduction in our budget, but it is effectively a transfer.

Ms Davoren: There are two elements to corporate services in CMD. Both operate on a shared services arrangement across CMD, Treasury and some smaller portfolio agencies. On the one hand, corporate finance does accounts processing, a broad range of financial services and also is led by a chief financial officer. Corporate Management covers HR services, including issues such as recruitment, OH&S, injury prevention and management-type services and strategic HR, which includes the full range of grievance management-type service that you also have to have to support in an HR area.

In addition, there is accommodation, security management and mail registry services supporting CMD and also some of the other parts of Treasury. There is also a section that looks after administration of records, corporate reporting, freedom of information requests, annual report coordination, output performance reporting, procurement support and internal audit.

DR FOSKEY: How will moving the section from CMD to the shared services area actually affect those functions? How many of them will remain in-house basically?

Ms Davoren: I believe the range of issues that the shared service arrangement is looking at was discussed with the estimates committee a few weeks ago, but generally the processing side of the business would move into shared services arrangements, which

would pick up most of the corporate finance team and some elements of the corporate management team. But the Shared Service Centre project is still working through the detailed services that would be moving over, so that some part would move into shared services and some part will be retained within the Chief Minister's Department.

DR FOSKEY: Is CMD, through corporate services, retaining a greater percentage of ability to do this work for itself and other government departments?

Ms Davoren: I think it would be probably the same impact across the service because it is the same type of services being drawn into a shared service arrangement.

Mr Harris: Or you may have a slightly larger transfer because we were already providing a type of shared service to three other departments. That might give the impression that it is a larger transfer, but in reality it is essentially the same as every other organisation.

MR GENTLEMAN: Minister, page 39 of budget paper No 4 shows in category c. that you have been producing three annual reports and that will drop to two for this budget period. What areas have those reports been on and which ones won't you be reporting on?

Mr Stanhope: I will ask Ms Davoren if she could respond to that.

Ms Davoren: In the past corporate management has supported the preparation of annual reports for CMD, Treasury and the Department of Economic Development. In the future, with the administrative arrangement changes, it would be supporting the provision of supports from CMD and Treasury.

THE CHAIR: Thank you very, very much. That completes that particular output class. Thank you very much, officials.

Mr Stanhope: Madam chair, as you would be aware, this particular item is relevant to disability and community services.

THE CHAIR: Yes.

Mr Stanhope: So officers from the Chief Minister's Department actually have gone. I say that so that there is no confusion about that. Thank you, madam chair.

THE CHAIR: We will move to indigenous affairs. Do you want to make any opening remarks, minister, in this particular area?

Mr Stanhope: Thank you, madam chair. The ACT government maintains its commitment to working with indigenous people within the Australian Capital Territory to seek to continually address the ramifications of the disadvantages that indigenous people have traditionally suffered in Australia and the impacts and effects of that disadvantage on individual indigenous people and their families.

I am sure that all members of the committee are aware that there is perhaps no greater issue of social policy or service delivery or pressing issue of justice facing our

community or any other community in Australia than that faced by indigenous people. I think we are all aware of current debates within the community currently being led by the commonwealth government in relation to issues around family violence, law and justice, housing and health and the need for all of us, particularly in government, to seek to address appropriately the issues facing indigenous people.

It is been very much a focus of this government in government. We have significantly enhanced funding support for indigenous programs and indigenous organisations. We have sought quite rigorously to address indigenous disadvantage in all of its emanations. In this budget there are two main additional areas of investment, firstly, in relation to the prospect of an indigenous representative body and, secondly, a determination by the government to better integrate indigenous service delivery as a recognition of the need for us to deal holistically with the issues affecting indigenous families and individual indigenous people, most particularly children.

They are new areas of particular focus reflected in this budget, but the government maintains its continuing commitment to a range of other areas of indigenous support within the territory. Officials, particularly Ms Lambert, the head of the department, and Ms Hall, who has been head of the indigenous affairs unit, are very happy to respond to any questions that the committee may have.

MR GENTLEMAN: Minister, output class 3.1 on page 190 of budget paper No 4 refers to provision of a variety of community and development activities. How will this improve things for Aboriginal and indigenous people here in Canberra?

Mr Stanhope: In relation to that particular item, I will ask Ms Lambert in the first instance. She may make some remarks in relation to that. She may wish to defer to Ms Hall.

Ms Lambert: We will be building on the work that has already occurred in chief minister's, in terms of interaction with the community, and also building on some of the work that we have already done in our agency.

Just recently we had a large day sponsored by our total facilities manager, Spotless, at Boomanulla Oval, where Cathy Freeman was the sponsor of the activities. That was about Aboriginal traineeships and so on. There is a range of activities such as those which we have already engaged in that we will build on.

We will also, of course, continue to work on the consultative activities that have been very much a feature of the work that is done in Chief Minister's, and support the Chief Minister in particular as issues are taken to COAG and other forums. You would be aware of those, of course. They are pretty much in the public arena now.

MR GENTLEMAN: Chief Minister, you mentioned in your opening statement the creation of a new board. Can you give us more detail on that?

Mr Stanhope: I can give broader detail. I know Ms Hall has been associated with the broad ranging and extended consultations which have been going on for some months. The background to this particular issue or initiative of course arises out of the abolition of ATSIC. It is almost 2½ years since it was announced that ATSIC would be abolished.

The abolition of ATSIC created, I believe, significant issues for indigenous people within the territory, issues which at the time to some extent existed as a result of the fact that the ATSIC regional council, which incorporated the Australian Capital Territory, was actually the only ATSIC regional council in Australia that crossed a jurisdictional border.

Even at the time that ATSIC existed or the ATSIC regional councils existed there were issues, I believe, for the appropriate identification of indigenous representatives who could speak on behalf of indigenous people within the territory as a result of the inherent difficulties.

I am not criticising the ATSIC regional council, but at the time the government had an issue in relation to the fact that there was not an indigenous at ATSIC regional council or a recognised indigenous representative organisation representing the hopes, aspirations, feelings and thoughts of the indigenous people of the territory.

It was an issue we had been working on seeking to resolve with the commonwealth at the time of the abolition of ATSIC. But when ATSIC was abolished, followed by the abolition of the regional councils, many indigenous people within the territory informed me of their concern and regret that their, I think, most visible self-determining emanation—namely ATSIC—had been abolished, not to be replaced by other democratically elected or otherwise representative organisations.

One of the difficulties for the territory particularly is that the vast majority of indigenous people are not traditional owners of land within the territory. I am just guessing here a little bit, but I think it is fair to suggest that upwards of 90 per cent of the indigenous people resident within the Australian Capital Territory are migrants to the territory—indigenous people from other places around Australia—many of whom initially came to the territory as a result of the establishment here of the Department of Aboriginal Affairs and successive Aboriginal governance organisations such as ATSIC itself.

The vast majority of the indigenous people of the territory are not traditional owners and are not represented through constituent organisations that essentially reflect the right of place of Ngunnawal people or descendants of the traditional owners of the territory.

It is a concern of mine that many indigenous people within the territory looked to the ATSIC regional council as the representative constituent body that reflected their rights to self-determination and a right to a say in their lives and their future, acknowledging the specific issues which indigenous people face.

There were initial conversations with me and expressions of regret, which I shared. I have opposed totally the abolition of ATSIC since the day it was announced. I believe it was a wrong-headed decision, a decision which we see today has been, I think, to the great disadvantage of indigenous people throughout Australia. We see it in relation to recent debates.

In the debates which have been current in the last two months around indigenous violence on remote communities, I have not seen an indigenous face on national television. Indigenous leadership at a national level has all but disappeared. There are no

indigenous spokespeople on our televisions, on our airwaves, or reported in our newspapers.

The debate around indigenous disadvantage over the last few months has been conducted exclusively by white Australians. It is a sign and signal of the extent to which indigenous people are not being taken seriously in their own country and not being listened to.

I do not believe that is appropriate or right. I have supported a consultation process which has been ably led by Maurice Walker, the Chair of the Aboriginal and Torres Strait Islander Consultative Council of the Australian Capital Territory, to determine the views of indigenous within the territory around a self-determining, elected representative body to represent and be the voice of indigenous people within the territory.

A report has been delivered to government as a result of those consultations with Mr Walker, and the government is in the process of responding to the report. That is a response which I would hope we will be able to finalise over the coming months.

In anticipation of that—and it needs to be said that these are sometimes difficult issues for government—the funding that has been identified of \$393 over the next four years was very much an ambit position. It pre-empted the government's consideration of the report delivered by Mr Walker as a result of the consultations which he led.

MRS BURKE: Did you mean \$393,000?

Mr Stanhope: Sorry, yes, \$393,000 over four years.

MRS BURKE: That is for the record.

Mr Stanhope: That is indicative and pre-emptive—and to some extent I acknowledge this—because the government has not yet made decisions. It has not yet responded to the report, but it is a statement of this government's goodwill in relation to the expressed desire reflected in the report.

It is a report to which we have not yet responded, and there are matters of detail in relation to what form a representative body might take. I acknowledge that this \$393,000 is an indicative best guess, and I acknowledge that it is very pre-emptive of a response to a report which is yet to be written.

MR GENTLEMAN: The funding for that report does not affect any other funding that is directly attributable to—

Mr Stanhope: No. The consultation was supported by community affairs within the Chief Minister's Department. It is the case that a consultant was utilised and there were costs in the consultation, but they were absorbed by the Chief Minister's Department.

DR FOSKEY: I note that there is no funding to develop this initiative again until 2007-08. I was just wondering what it is anticipated that that funding will be for and what costs might be anticipated in this coming financial year. That is at page 78 of budget paper No 3.

Mr Stanhope: It is very difficult in a budget process. There was a view that, perhaps in light at this stage of the non-preparation of a response to the consultation report, it might be appropriate not to provide any funding in this budget round.

I am prepared to accept that, in the context of the fact that we are pre-empting a government response, I am pre-empting a cabinet decision. It is unusual in that context but I was determined, through the budget process, to provide a very strong signal of this government's support for indigenous self-determination and the establishment of an indigenous representative body.

I acknowledge that these figures are early, they are pre-emptive and they are not scientifically based, but the funding is an indication of this government's preparedness to support an election by indigenous people, subject of course to decisions the government might take in relation to a model of a self-determining body. It will then provide some administrative support to ensure that a democratically elected indigenous representative body is supported administratively to ensure that it has a real role as a voice for indigenous people within the territory.

The funding is to allow an election, if that is the ultimate result—and I believe it will be, but it has not been decided—and to allow some funding for ongoing support of an indigenous elected body.

Of course the difficulty—and it is inherent in your question, Dr Foskey—is that we do not yet have a report, we do not yet have a structure or a set of terms of reference or perhaps a constitution for an indigenous elected body because we have not made those decisions. This funding is pre-emptive and very much second-guessing decisions that are yet to be made.

MRS BURKE: Chief Minister, I would just encourage to just do it. You do not need to continue to keep making statements about your government's commitment to indigenous affairs. The amount of the indicative funding, as you said, is appreciated. It is a rather unusual figure. Firstly, I wonder how you came at the figure of \$393,000, given that it is pre-emptive and indicative.

It is a good commitment. I am not knocking that. However, with regard to the indigenous body, why do you see a need for another body, given you already have two or three bodies that currently represent the indigenous community and provide advice to you? What will happen to those other bodies if this newly elected body gets up and running? How is that all going to work out?

Mr Stanhope: Many of those issues are yet to be decided; I acknowledge that. But the government is determined, and through consultation the indigenous community is determined, that existing structures and organisations such as Winnunga Nimmityjah will in no way be affected.

These are the issues, in a government sense, that need to be worked through and need to be resolved. We are very determined not to in any way impact adversely on existing structures, particularly those structures which we know are successful. Winnunga Nimmityjah is a shining example of a most successful indigenous organisation which has its own governance arrangements which work particularly well.

Similarly, the government has facilitated the appointment of a Ngunnawal united elders council, and we have no desire to affect that. To some extent the united Ngunnawal elders council has become one of the organisations first consulted by the government in relation to issues of concern to the indigenous community in Canberra, but that goes to my point.

Ngunnawal-descendant people within the territory constitute a significant minority of indigenous people within the community. This is one of the anomalies around the disparate nature of the indigenous population within the territory.

The vast majority of people within Canberra who identify as indigenous are not Ngunnawal. They are respectful of the pre-eminent right and role of Ngunnawal people and descendants within the territory and do not seek to interfere in areas where there is a specific Ngunnawal interest.

Non-Ngunnawal people have to a large measure been disenfranchised by arrangements which focus on the rights and the place of traditional owners within the territory. To some extent, as I was explaining before, that perception of disenfranchisement was overcome by the existence of ATSIC and the ATSIC regional councils.

We had a particular problem in the territory in that the majority of the members of the ATSIC regional council that represented the Australian Capital Territory were from New South Wales. The ATSIC regional council for the territory was based in Queanbeyan and extended to the coast. In fact, the majority of the members of the ACT ATSIC regional council lived on the coast and the chair lived in Nowra. It was not a comfortable representative arrangement. I do not want to go on much further.

MRS BURKE: No, that is fine.

Mr Stanhope: We are very conscious of the issue you raise—not to double up, not to disenfranchise, not to undo successful operating structures—but we are concerned to ensure that all indigenous people believe that there is a capacity for them and their voices to be heard and represented.

We believe, and I believe strongly—and this is the strong feedback from our consultation—that there is a strong desire amongst indigenous people to be shown the respect that democratically elected representation brings. In other words, it is a commitment by this government and this community to self-determination and a determination to listen to indigenous people. At the moment I do not believe that is happening to the extent it should be.

MRS BURKE: To that end, I know you have made comments recently about a paternalistic approach by the federal government. How is your government going to be different in a non-paternalistic approach? You said ATSIC was self-determining. I always understand too that ATSIC, being a white man's construct, had problems from the very beginning.

How are you going to ensure that it is a fully-fledged indigenous body? Who are going to be the people advising you and managing the whole thing? Are you stepping back? I am

trying to get a handle on how it is all going to work—and in relation to your new unit as well. What is the indigenous representation in the new unit within Chief Minister's Department? It is all linked.

Mr Stanhope: I think at the heart of this particular initiative is a determination that the overarching representative body for indigenous people in the territory will be democratically elected by indigenous people. The only people who will be able to join the roll for elections for this representative body will be indigenous people. They will be able to join the roll.

MRS BURKE: Living in the ACT, that is, if it is an ACT body?

Mr Stanhope: That is our intention. This will be an ACT indigenous and democratically elected representative body. These will be indigenous people, elected by indigenous people to represent indigenous people.

MRS BURKE: Of the ACT.

Mr Stanhope: Of the ACT. It is of course the first required step in any process that there be a democratic election. Your next point is well made. There will need to be well-articulated governance arrangements. As I have indicated, we have not got to that stage yet, but it is fundamental.

MRS BURKE: When are we likely to, by the way? What is your timeline?

Mr Stanhope: Within the next few months; before the end of the year. Actually, this goes back to an earlier question, I think of Dr Foskey's, around timing of funding. The rough timeframe is for consultations and government response to be concluded by the end of the year, subject to the arrangements and the decisions made in relation to governance.

The next major step of course will be an election. Then there will be the need to establish a roll and conduct an election. Those things will take time into next year, and hence the point Dr Foskey makes about the timing of the funding. That time line was taken into account—the need for the government to respond; subject to the response, the need to establish an electoral roll; the need to have elections. All these things take time.

MRS BURKE: The board will be representative of ACT indigenous people?

Mr Stanhope: Yes.

MRS BURKE: Not outsiders.

Mr Stanhope: No.

MRS BURKE: For this purpose.

Mr Stanhope: Yes. That is our intention.

MRS BURKE: Thank you, Chief Minister.

DR FOSKEY: I would like to explore a little the role of the Office of Aboriginal and Torres Strait Islander Affairs. How many people work in the office? Is it a discrete thing or is it a function of other parts of the department?

Ms Lambert: It will be discrete. It will work as a separate office under the guidance of Mr Nic Manikis, who has run that office before in the Chief Minister's Department. There are currently three positions coming across from chief minister's and they will all be identified positions. One of those will be a B position, another a C and another a 6. In the department we have a considerable emphasis on Aboriginal and Torres Strait Islander matters. We currently have the only identified Aboriginal and Torres Strait Islander executive position in ACT government. That is Mr Neil Harwood, who is here today, and we have identified staff in the service delivery there.

While that unit has a strong focus on issues in relation to Aboriginal families and children and will be working on the integrated package that is there as a budget initiative, obviously there will be ways that we work together across the agency. I mentioned the example before of our housing area and our housing total facilities management area, which has a very strong interest in the employment of Aboriginal and Torres Strait Islanders. So there is a real opportunity.

While there must be a specific focus in the office on the core business—and that of course will be significantly involved with the further development of the elected body, as the Chief Minister has just outlined—there will also be significant opportunities across the department to use the expertise that we have; and we have quite significant expertise in this area.

MRS BURKE: Did you say Mr Harwood is going to be leading the unit under Mr Manikis?

Ms Lambert: No. Mr Harwood is the director in charge of the Aboriginal and Torres Strait Islander services unit, which has as its primary responsibility the support of Aboriginal and Torres Strait Islander family and children. There are 22 people in that unit. All the service delivery functions are identified positions.

DR FOSKEY: Am I to understand that the office does not actually exist and is coming into existence now?

Ms Lambert: No. It has been part of the community affairs area under Ms Hall's responsibility.

DR FOSKEY: When it comes to service delivery in general, say health and housing, does the office give advice on how these might impact on indigenous people? Was the office given a role in any of the budgetary decisions that were made and will be made as a result of the budget?

Ms Lambert: In terms of that last question, all departments provide advice as part of the budget process, but of course those are matters then for the executive of government to take decisions on. Can you repeat the first part of your question?

DR FOSKEY: I was really asking about its role, how it works, and also whether it was consulted on decisions that were made in the budget, especially on services like health and the cuts to the SAAP program, because you would think that they would affect ATSI people specifically. I was asking whether it had some role in those kinds of things.

Ms Lambert: That last matter you raised will not directly impact on Aboriginal and Torres Strait Islander people because we will continue that service work. The money is still there for that service work in relation to emergency accommodation.

In relation to the role of the office, the office has always provided advice and there is a draft whole-of-government policy framework, which I think the Chief Minister has mentioned before in these estimates hearings. And of course the office will have a strong role in the future development of that, and in driving that.

The office will also get support from the rest of the department, as I mentioned before. But it will have a key role because it will be the voice, if you like, of Aboriginal and Torres Strait Islander matters in all these processes across government.

In relation to the integrated indigenous service delivery initiative which is in the budget, that will be driven by the Aboriginal and Torres Strait Islander services unit, which is part of the Office for Children, Youth and Family Support. It will be driving the work in relation to families before they get into the statutory system. It is about supporting families before they come into that system.

In the unit we are already getting responses and requests from families requiring support rather than coming into the statutory system. That will be driven directly from that particular office with those particular responsibilities.

DR FOSKEY: It is quite a large function.

Ms Lambert: It is, but quite appropriate within the nature of the services we already provide and the emphasis we have already had across the department.

MRS BURKE: Following up on the organisation and structure of the department, I asked Ms Gallagher the same thing. I said she was doing all the hard work and you were getting all the glory, Chief Minister.

Mr Stanhope: That is as it should be, Mrs Burke.

MRS BURKE: Point taken. Touche. What was the rationale for shifting policy development implementation whilst you remain the minister? Could there be potential for some falling over? I understand the holistic approach and what you have said and what Ms Lambert has said. I can see some rationale to some extent, but isn't it a bit confusing?

Mr Stanhope: Perhaps it is.

MRS BURKE: And it is at a financial cost.

Mr Stanhope: It is not a cost at all, in fact. I was determined to maintain personal

responsibility for indigenous affairs. It is a matter of great importance to me, as is everything.

MRS BURKE: Except for Yarramundi Reach. I understand you will not have any say over that now. Or do you?

Mr Stanhope: I am not sure.

Ms Lambert: Yes, you will.

MRS BURKE: It comes under housing.

Ms Lambert: No, it comes under the department. It will be managed by the people who work in asset management in my department.

Mr Stanhope: But I will still be the responsible minister. In fact, the structure and the decision to relocate officials from community affairs in the Chief Minister's Department to Ms Lambert's department is consistent with a desire to ensure the greatest possible efficiencies in administration.

It is perhaps a little bit uncomfortable, but the fact that I have retained ministerial responsibility is something of a breaking of the mould in relation to the position taken overall. I acknowledge that. It was essentially a chief ministerial prerogative that I chose to transfer that functional responsibility.

MRS BURKE: You will always be the spokesperson.

Mr Stanhope: Yes.

MRS BURKE: It will not be up to Ms Gallagher at all.

Mr Stanhope: No, it will be me.

MRS BURKE: Even if it is policy?

Mr Stanhope: It will be me, in the context of all-of-government indigenous policy.

MRS BURKE: You will do the nice things and she will do the hot potatoes.

Mr Stanhope: Yes, that is in fact right. This is one of the issues. In relation to the other significant new policy initiative announced in this budget, namely the integrated indigenous service delivery proposal, that is essentially an acknowledgment that at the moment individual ministers have specific administrative responsibility for service delivery on the ground.

For instance, Ms Gallagher is responsible for the administration of Winnunga Nimmityjah and monitoring the delivery of health services to indigenous people. Mr Barr is responsible for indigenous-specific education programs. Ms Lambert, through the minister for housing, is responsible for indigenous housing, and so it goes.

I believe we have made great progress in relation to education, in relation to indigenous housing and in relation to indigenous health, but there is still a mile to travel, particularly in relation to areas around families that are under stress and not functioning.

The stress is reflected in very significant levels of substance abuse within our indigenous community—alcoholism and drugs. It is reflected in family violence, it is reflected in an overrepresentation of indigenous children coming to the attention of child and family services, and it is reflected in levels of truancy from school.

I suppose the issues every government struggles with in indigenous affairs are the issues around early intervention and providing support. This does not apply just to indigenous families and communities, of course, but it is most exacerbated in indigenous communities.

It is how, when at the heart of the problem there is an issue around substance abuse, all of our services work together—for instance, to ensure that children in a household where both parents are drug addicts receive the support they need to attain the educational outcomes which are fundamental to them breaking the silence of despair, despondency and disadvantage, which are then reflected in them becoming addicted to substances, and so it goes. It is the number one challenge.

If there is a major dysfunction within a family, it reflects in their capacity to maintain housing, their capacity to support their children at school and their capacity to take care of the health and welfare of their children. The cycle repeats and repeats. Through a specific identified integrated service delivery project, we seek to try and take a next further step in relation to the issue of how to provide the range of services to dysfunctional families. Hopefully that will allow us to continue to take the small steps that we are taking to break the silence of despair and disadvantage which inflicts so many of our indigenous families.

Ms Lambert: It is a logical next step for the work we have been doing. The government provided us with an appropriation in the last financial year or the financial year before to set up the Aboriginal and Torres Strait Islander services unit. So we have been getting the staff on board. We are almost at full complement now. As I said, a number of those positions are identified positions. Now is the time for us to stride out, if you like, and bring those other departments working with us in in an integrated sense.

It is a logical next step for the work Mr Harwood has been doing. I am not saying it will be easy, but it is a logical next step. We have built the networks with the community as well that will enable us to intercept with all of those other organisations.

MRS BURKE: Time will tell.

THE CHAIR: I thank you, Chief Minister, and all your officials. I am aware that you expressed the need to finish at 12.30 pm, so all other questions will be put on notice.

Mr Stanhope: Thank you very much. I thank the committee for its courtesy and interest.

The committee adjourned at 12.32 pm.