



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2007-2008

(Reference: Appropriation Bill 2007-2008)

Members:

MR M GENTLEMAN (The Chair)
MR B STEFANIAK (The Deputy Chair)
MS M PORTER
DR D FOSKEY
MRS J BURKE

TRANSCRIPT OF EVIDENCE

CANBERRA

MONDAY, 18 JUNE 2007

Secretary to the committee:
Ms G Concannon (Ph: 6205 0129)

By authority of the Legislative Assembly for the Australian Capital Territory

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

APPEARANCES

Actew Corporation Ltd	113
Department of Treasury	69
Legislative Assembly for the Australian Capital Territory Secretariat	137

The committee met at 9.28 am.

Appearances:

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

Department of Treasury

Smithies, Ms Megan, Chief Executive (Under Treasurer)

Dowell, Mr Graeme, Commissioner for ACT Revenue, Revenue Management Division (ACT Revenue Office)

Bulless, Mr Neil, A/g Executive Director, Finance and Budget Division

Kennedy, Mr Floyd, A/g Director, Finance and Budget Division, Budget Management and Analysis Branch

Thompson, Ms Kirsten, Director, Finance and Budget Division, Budget Strategy and Reporting Branch

Kwiatkowski, Mr Mark, Director, Finance and Budget Division, Project Management

Morgan, Mr David, A/g Senior Manager, Finance and Budget Division, Budget Strategy and Reporting Branch

Holmes, Ms Lisa, A/g Director, Finance and Budget Division, Accounting Branch

Vanderheide, Mr Michael, Head, Shared Services

Robertson, Mr John, Executive Director, Procurement Solutions

Broughton, Mr Roger, Executive Director, Investment and Economics Division

McNamara, Mr Jason, Director, Economics Branch, Investment and Economics Division

McDonald, Mr Tom, Director, Legal and Insurance Policy Unit, Investment and Economics Division

McAuliffe, Mr Patrick, Manager, Central Financing Unit, Investment and Economics Division

Ahmed, Mr Khalid, Executive Director, Policy Coordination and Development Division

Miners, Mr Stephen, Director, Policy Coordination and Development Division

THE CHAIR: Welcome to the 2007 estimates committee inquiry into the budget documents. Welcome to the Treasurer and officials from the Department of Treasury. Later this morning, we will be hearing from Actew Corporation.

I will just give you a few reminders before we start the proceedings. If witnesses are called to the front, could they please collect their name tag from the table and bring it to the front with them. I remind everybody to make sure that their mobile phones are turned off during the proceedings. I will read the privileges card before we begin.

The committee has authorised the recording, broadcasting and re-broadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings.

Before the committee commences taking evidence, let me place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Parliamentary privilege means special rights and immunities attach to parliament, its members and others necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of the evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

This morning, we will firstly be hearing from the Treasurer, with some general questions to follow. Then we will move into output classes 1.1, 1.2 and 1.3. We have a tea break scheduled from 10.30 to 10.50.

Treasurer, would you like to make an opening statement?

Mr Stanhope: Thank you, no—other than to say that the Acting Under Treasurer and officials from Treasury are here and stand ready and willing to assist the committee in any way it desires.

THE CHAIR: Thank you. I might start then. Treasurer, what would have been the impact on this and subsequent territory budgets if the government had not taken the hard decisions it did last year?

Mr Stanhope: I think everybody is well aware of some of the longer term issues that the territory faced as a result of institutional inefficiencies that really were a hallmark of administration within the territory over the last 20 years. We saw that in relation to almost every area of ACT government service delivery. Traditionally, we as a jurisdiction had sought to fund or finance government services within the territory at a level of at least 20 per cent above the national average.

We all know that that is simply unsustainable for a small jurisdiction with a small, and very narrow, economic base. It is simply not sustainable. It is not realistic for anybody to think that into the future it is possible or sustainable for us to continue to fund government services at an average, across the board, of 20 per cent above the national position.

The decisions we took last year were, for the first time, in an all-of-government sense, an effort by government to address that traditional overfunding. Through the structural changes and the efficiencies which we implemented last year, we sought to give our revenue raising a far more direct relationship with our expenditures, and we see the benefits of that in this budget. Had we not taken the steps we took last year, there is no doubt that the situation that we would have bequeathed those that came

after us would have been far more dramatic than that which we faced last year—or, indeed, this year.

It needs to be remembered always that there was not a crisis last year. The government could have continued on, as previous governments have. Certainly there is no crisis this year. There was no crisis last year. The finances of the government and the territory are essentially very sound; we have one of the strongest balance sheets in Australia. But the future represented major issues for the territory.

An example that illustrates that most starkly is projections of expenditure in relation to health. By 2020, we would have gone to a position where half of the territory's budget would have been required to meet the incremental increases in health expenditure that were a feature of the last 20 years of increased expenditure in health. Indeed, by somewhere in the 2030s, the entire budget would have been devoted to health.

We know that, had we not made the reforms that we made in relation to superannuation, our annual spend or cash requirement to meet our superannuation liabilities would have increased from \$60 million to somewhere in excess of, I think, \$300 million in 30 years time.

That is the nature of the issues that the territory faced. They were reforms that were well overdue and that were taken. As a result of the strength of the ACT economy—indeed, the strength of the national economy—there has been a very significant turnaround on the back of the reforms that were initiated last year—the stringent efficiencies that were demanded of agencies, and that are on the way to being achieved, and the structural reform that was part and parcel of that. The reforms were necessary. I think this budget that we are discussing today reflects the wisdom of the reforms that were initiated.

THE CHAIR: Ms Porter.

MS PORTER: Treasurer, therefore what benefit to the territory is this year's \$103 million budget surplus?

Mr Stanhope: A surplus such as the one that has been delivered in this financial year which we are currently in, on the back of an anticipated deficit, is good, of course, to the extent that it shores up our AAA credit rating, which is very important. It maintains it. Standard & Poor's have already given something of a verdict on their attitude to this particular budget: they have already indicated that this budget confirms that a AAA credit rating for the territory is appropriate. It is important, and one should not underestimate the importance of that credit rating and that national recognition of the continued strength and good economic management within the territory.

It is important not for its own sake, but in the context of some of the uncertainties which any territory government faces—as a result of the impact of having a single major employer and decision maker within the territory; namely the commonwealth government—and the extent to which we are, to a significant extent, subject to decisions that are made by another government—to an extent greater than any other government or institution in Australia—and to other fiscal shocks that we need to be

aware of, or at least need to be aware of the potential for, and our capacity to meet those in the short and longer term.

It also gives us greater capacity to meet the infrastructure needs of the territory through an enhanced cash position—a significantly enhanced cash position, a strong cash position. Our cash flows are strong. Our cash is strong. It allows us to invest in infrastructure and to maintain the infrastructure which we currently have and need to maintain.

Ms Smithies may have some additional information or advice around the debate around the wisdom of surplus budgeting. I invite Ms Smithies to contribute if she wishes to.

Ms Smithies: That is right. We obviously strive for a surplus. One of the things that we need to do is take care of our superannuation moving out across the forward estimates. With that, we need to keep a really careful eye on our cash and our cash reserves. Generating an operating surplus of around \$103 million provides capacity for capital works and provides us with cash capacity for superannuation. One of the things we particularly need to keep an eye on is not just defined benefit superannuation but ensuring that we have the cash to cover our new employees et cetera as we move on. Obviously, we will always have a goal of budgeting for a surplus.

MR STEFANIAK: We have had reports like the one from the property council on Friday. We have already heard of a significant additional amount of money coming into territory coffers that was not forecast when the 2006-07 budget was brought down. That gives us a surplus, whichever way you look at it. We were advised last Friday that there could be anything from 20 to 30 million additional dollars coming in before the end of this financial year. Further, we have heard that, over and above the figures for 2007-08, the amount of money that may well come into revenue will be about an additional \$100 million extra from what you are actually forecasting.

It seems that over a number of years there has effectively been under-forecasting by the Treasurer. Suddenly, the government says, “Oh, look, we’ve got a wonderful windfall there; we’ve got these additional dollars. We won’t be in deficit; we’ll be in surplus.” What is the real forecast for 2007-08 and why do you have this consistent under-forecasting of the real bottom line in terms of what money comes into the coffers, especially when a lot of it does seem to be for land sales?

Mr Stanhope: It is. It is fair to say that decisions that governments take during the course of a year or a financial year sometimes impact on estimates of a surplus or deficit. Without being in any way political, I might just say, Mr Stefaniak, that I do understand your lack of experience in relation to surpluses, having just glanced at the long-term comparability of budget presentations and the fact that your only experience is with deficits that you actually—

MR STEFANIAK: We had a big mess to clean up, Chief Minister. We did achieve a couple of surpluses.

Mr Stanhope: We could have this debate; it is my favourite.

MR STEFANIAK: We have had it before; we could have it again.

Mr Stanhope: It is my favourite graph. It is my favourite graph on the back page of budget paper 2—five consecutive Liberal deficits. I can understand that you would want to discuss some of the mysteries around delivering a surplus—something that you have never had to experience in government. But single, one-off decisions which you applauded? This was a decision which the Liberal party applauded. But, having applauded it, you have not followed through the logical consequence of the decision which you applauded and embraced—namely, the englobo release of west Macgregor and the sale of that land for \$46 million. That land sale was not anticipated by the LDA; it was a decision—

MR STEFANIAK: Answer the question, Jon.

Mr Stanhope: That is the question.

MR STEFANIAK: As a result of very good work we did that put you in a situation where you could have a surplus, which you are under-forecasting.

Mr Stanhope: Let me answer the question, Mr Stefaniak.

MR STEFANIAK: I am trying to get an answer.

Mr Stanhope: Mr Stefaniak, I am giving you an explanation as to why there is \$46 million more in this financial year than was anticipated by anybody.

MR STEFANIAK: And it looks as though you will get more next year from sales.

Mr Stanhope: Do you want the answer or not? Are you a little bit uncomfortable with the answer?

MR STEFANIAK: Are you going to give it to us? Are you going to give it?

Mr Stanhope: I am giving an answer now.

MR STEFANIAK: Good.

Mr Stanhope: One of the very significant reasons in this financial year was the decision which we took during the course of this financial year to release, for the first time in five years, a significant parcel of land direct to the market. It had not been budgeted for; it had not been anticipated. It was a decision which had not even been contemplated when last year's budget was developed. As you know, that land sold to Bob Winnell for \$46 million in this financial year—which we did not anticipate, which we did not budget for and which we had not even given consideration to at this time last year.

In the context of our determination to do something about housing affordability and to enhance supply as a result of decisions that were taken by the federal government in last year's budget, we put an additional 550 blocks of land direct to the market.

During the course of this last year, as you know, we also increased anticipated land supply for the year by over 1,000 blocks.

They are decisions that were taken during the course of the year. One was a significant englobo release which achieved a sale price of \$46 million just on that particular decision. In addition to that, through our overall residential land supply, we chose to increase the supply of residential land by somewhere in excess of 1,000. I cannot quite remember the number now, but in addition to west Macgregor we increased residential land supply by, I think, about 1,000 blocks. That has a fairly significant impact, Mr Stefaniak, on your receipts.

In addition to that, we are going through a period of unprecedented economic growth and strength within the territory. Last year we exceeded the last great spike in commercial activity within the territory—namely, the construction of the new Parliament House. In 2006 the level of commercial activity exceeded the previous record, which I think was in 1986, at the height of the construction of the new Parliament House. That occurred last year.

The economy is booming. It is genuinely booming. It has exceeded previous records in terms of commercial expenditure. That has a significant impact on things like conveyancing receipts—whether they be in relation to conveyancing or in relation to stamp duty. Our commercial receipts for conveyancing and stamp duty are significantly enhanced as a result of the enormous strength of the economy.

That is the reason and the justification or explanation for some of the differences—one-off land sales, significantly enhanced commercial activity, and the strength of the economy: the economy is booming; when the economy booms, government's receipts increase.

MR STEFANIAK: The property council has indicated that there are over 100,000 square metres of commercial property within Civic alone that are going to be taken up and sold—and you will get significant receipts from—over the next few months. That has not been factored into your budget. You should know that that is happening. Why hasn't that been factored in? We do see some consistent under-forecasting of moneys coming in.

Mr Stanhope: I am not sure that we should know that it is happening. One of the significant single sales—it was worth well over \$10 million in stamp duty—was the sale of Industry House by Snow and Zivko. I discussed the issue with both Mr Snow and Mr Zivko at the time they developed Industry House; they had absolutely no intention of selling it. They have told me that themselves. Mr Snow has told me, and Mr Zivko has told me, that when they built Industry House they at no stage contemplated selling it. They got an offer they could not refuse, and sold it and paid significant stamp duty. I do not know the entire amount, but it is significant on a large commercial sale. Not even the owners knew they were going to sell it. They have told me that when they built Industry House they had no intention of selling it, yet the territory received significant duty as a result of that sale. For the property council to say that we should have known things that Terry Snow and Joe Zivko did not know is just a bit extreme.

MR STEFANIAK: There is a pretty consistent pattern, though, isn't there?

THE CHAIR: Dr Foskey, do you have a question?

Mr Stanhope: I am no mind-reader.

MR MULCAHY: Chair, I have a supplementary.

Mr Stanhope: If you can read Terry Snow's mind or Josip Zivko's mind, you are doing better than me. But for the property council—

THE CHAIR: The committee members will ask questions first, Mr Mulcahy. Dr Foskey has the next question.

MR MULCAHY: You will not even take a supplementary?

THE CHAIR: No. Dr Foskey has the next question.

Mr Stanhope: For the property council to be suggesting that the government should be able to read the minds of property owners in the ACT and know which of them are going to sell their properties—

Ms Smithies: And how.

Mr Stanhope: Yes, and how—the basis or the nature of the sale or the disposition of the building. That is extreme and really adds to the lack of credibility which has become a hallmark of the property council.

Ms Smithies: If I could just add to that, we have had a look at the \$100 million. To give you an idea about the \$100 million, it would be an increase of 55 per cent above our 2006-07 level of commercial conveyance—55 per cent. Looked at another way, it equates to about \$1.5 billion in additional activity in the economy next financial year should we get an extra \$100 million. Obviously—

Mr Stanhope: Put that to the property council, Mr Stefaniak.

DR FOSKEY: Mine's a supp too.

MR STEFANIAK: We will see.

THE CHAIR: Dr Foskey.

Mr Stanhope: This is a mob with almost nil credibility.

MR STEFANIAK: We might have a bet on it, Chief Minister.

Mr Stanhope: No. This is a mob with almost nil credibility.

DR FOSKEY: Okay, can I just—

MR STEFANIAK: We might have a bet on it, Chief Minister.

Mr Stanhope: The property council, whilst ever they continue to—

THE CHAIR: Mr Stefaniak, Dr Foskey has the next question.

Mr Stanhope: act and behave as a daytime branch of the Liberal Party, have no credibility.

DR FOSKEY: It is not just the property council that is concerned about the unexpected surplus. A lot of community organisations also expressed those concerns. That includes people who have seen their schools close or about to close and who cannot see why that was financially necessary. Apparently in each of the last five years the budget papers have significantly underestimated the net budget outcome. I am interested in how that is so. Treasury, one would think, would have their fingers on the numbers and, more than anyone else, would be able to accurately predict the budget outcome.

Mr Stanhope: I will ask Ms Smithies to respond to the detail of your question, but it does need to be said that a significant part of the rationale of the decision in relation to schools and school closures was to address a serious issue facing the territory in relation to the maintenance of infrastructure that was far in excess of demand or requirement. It is simply not credible for any government to maintain over 30 per cent of capacity in any infrastructure—be it schools or something else. Schools are important. We esteem education as one of the most important investments that we make as a jurisdiction. We do not walk away from that; we are seeking to enhance it.

Our government system over the last couple of decades has suffered a continual dripping leak of support from this community. We are making a very significant effort to address that. We now face the prospect of being the system of second choice, of almost last resort. That is unacceptable to me and to this government. We are looking for stratagems to address that. The need to invest heavily in our schooling system—in the infrastructure—was an issue that I believe was fundamental to the need to reignite support within the government system as the system of first choice for this community. We are doing that through the rationalisation. It is simply not credible for a government to say “Well, we need desperately to address a leaking of support from within the community for public education” and say that we can continue to invest in a system which is 30 per cent excess to requirement or demand.

Thirty-two per cent of our school facilities were not being utilised at this time last year. I do not believe that that is sustainable or appropriate. We chose to develop the stratagem to deal with that that allows us now to initiate over \$300 million of investment in our government school system. Over time, I believe, we will see a very good return on that investment. We have now refined our needs, understood them, restructured the system, looked to the future and invested heavily, with a determination to return public education in the territory to its rightful place as the system of first choice for the people of Canberra.

It is not appropriate, fair or true to suggest that the decisions that were made in relation to public education were driven by the bottom line. They were driven by a

need to overhaul a system that is increasingly failing to meet the expectations of the community—to the point where in secondary years we are now at a point where as many children in the Australian Capital Territory attend non-government schools as attend government schools. I do not believe that that is sustainable or appropriate, and we are attempting to address that.

People say, “Well, this is just about the bottom line. The fact that you have now delivered a surplus as a result of your efforts means that previous decisions around creating efficiencies were unnecessary.” What? We have delivered a surplus; therefore we fall back into the old ways, the old habits? We just expend again at levels significantly above national averages because we have a surplus? What? And then we repeat this in three years time when the surplus drains away?

DR FOSKEY: I just want to go—the question—

Mr Stanhope: It is just not credible.

DR FOSKEY: I want to remind Ms Smithies of the question, because she might have forgotten it during that. Why is it that each of the budget papers for the last five years has significantly underestimated the budget outcome?

Mr Stanhope: Dr Foskey, let me suggest that, if you are concerned about the question being answered, you should not lead with a suggestion that I do not accept, and cannot accept, and leave it on the record. I need to respond to issues—preambles—with which I disagree.

DR FOSKEY: Thanks for that advice. I certainly learned my lesson that time.

Mr Stanhope: If you are concerned about the question not being answered, do not make provocative introductory remarks which you know I will not agree with.

MR MULCAHY: Chairman?

THE CHAIR: Yes, Mr Mulcahy.

Mr Stanhope: Ms Smithies was going to answer the question.

DR FOSKEY: Ms Smithies needs to answer that question.

MR MULCAHY: Okay.

Ms Smithies: Thanks.

MR STEFANIAK: I think the last question was very accurate. I think it is fact.

Ms Smithies: Just in relation to the last five years, it is worth while remembering that some of the figures that we would be looking at include a number of the AAS accrual lines, so over the last five years there will be around \$360 million worth that is accumulative of market gains from superannuation investments, around \$140 million of increased land revenue, and also around \$100 million worth of investments due to

asset revaluations et cetera.

There have been some large items over the last years which impact on our performance every financial year—largely non-cash items. Some of those are incredibly difficult to predict and lead to some of the reasons why we have changed our accounting system. It is quite difficult to look at the last five years and say, around those huge overestimations, that they are due on our tax lines, because a lot of them actually do not relate to our tax lines: they relate to things like performance of our investments on equities markets et cetera.

The tax lines were significantly underestimated in 2002-03. Those were times of unprecedented growth in the property market. All treasuries across the whole of Australia predicted a much more moderate level of growth; they predicted that, coming off the GST, there would be cooling down in the housing market instead of an incredible heating up of the housing market. In 2004-05 we overestimated our tax revenues rather than underestimated—so it went the other way for us.

We have had a look at the accuracy of our revenue forecasts in line with standard statistical analyses. They lie within usual tolerance limits for our major tax lines. For example, over the last four years the mean percentage error was around 1.9 per cent on our fines, around 0.4 per cent on our fees and around 2.5 on our commonwealth payments. These are all within standard statistical ranges. Obviously, some of the areas where we are having those variations sit on our payroll lines and our conveyance lines, and they are our two largest lines.

What we do in relation to our forecast is to forecast based on long-term averages and take into account what is actually happening in the market where we have information et cetera. In times when the market is moving upwards, we will probably slightly underestimate, because we do not pick for the market to turn. If the market turns and we are predicting up, we will all of a sudden be basing a budget on revenue forecasts that were well in excess of what we are going to have, so we do not try and predict those turns in the market.

When you look back at the historical performance of, particularly, our revenue forecasts, then, once you take out all of the large accrual non-cash items—which are very difficult to forecast and in many senses do not contribute to the cash that a government has to pay or a cash position for any financial year—I think you will see that we have been reasonably in line with what could be expected.

THE CHAIR: Mr Mulcahy.

MR MULCAHY: Treasurer, just taking up that point, I have got two parts to my question. Given that these Treasury forecasts have been inaccurate for so many years now, do you have a view on the fact that your tax regime is based on these—what I would suggest are pessimistic outcomes or outlooks, when Ms Smithies has just explained that, if they get it wrong in the other direction, there would be awful difficulties? The fact of the matter is that, by putting in more pessimistic, more conservative forecasts of outcomes, and exceeding them—whilst we can hear all the explanations in the world as to why this happened, the fact of the matter is that they are constantly off the money. Meanwhile, the people of Canberra, particularly those

on fixed incomes, are paying substantial taxes which they will not get back. I would be interested in your views about effectively the victims of the poor forecasting being the community.

The second issue is this. You constantly talk about there being no crisis last year. But I draw your attention to the fact that Standard & Poor's produced an assessment in terms of the credit rating of your government that painted a very bleak picture and indicated that continuation of your AAA rating was at risk if you continued to manage the government the way you had since 2001. I would be interested in whether you accept the fact that you were on the verge of a crisis as a result of that threat to downgrade?

Mr Stanhope: I think the first part of your question related to the members of this community being victims of the very high level of government service delivery which we deliver as a result of our revenues.

MR MULCAHY: That was tax, Chief Minister.

Mr Stanhope: Well, this community pays taxes—surprise, surprise; shock; horror—at a level that is consistent with Australian averages. Let us not beat this up or concoct a notion or an idea that the ACT is a high-taxing jurisdictional regime. Tax increases since we came to government have averaged 4.2 per cent a year as against commonwealth taxation increases of 6.6 per cent a year and state averages of 5.8 per cent a year.

MR MULCAHY: Has anyone else got wage price indexation?

Mr Stanhope: Wage price indexation in the overall scheme of things is worth—what, a couple of million dollars? Generally that is all it is. It is \$8 million in a budget of \$3 billion, and this is going to destroy life as we know it. The bottom line is that, over the last five years, the commonwealth has increased the level of commonwealth taxes at the rate of over six per cent a year.

The commonwealth is the high-taxing regime in Australia. The commonwealth government—the only Liberal government we have—is the high-taxing regime, with average tax increases per year of over six per cent. The states have averaged 5.8, and the ACT has averaged 4.2. We tax at essentially the Australian average. Indeed, the level of increase of taxation in the ACT has been lower than the state and territory average and far lower—a third lower—than the commonwealth increase in the level of taxation.

Don't suggest for one minute that this is a high-taxing regime. It is not. We have a very narrow base and we have a narrow economy. We are constrained in a way that the states and territories are not in relation to capacity to raise tax. The grants commission recognises that. We do not have some of the natural advantages, the commodities or the industry opportunities that the states and territories have. We have no mining industry; we have no agricultural industry to speak about; we have no major manufacturer. Our economy is narrowly based, and it presents less opportunity to us. The largest employer does not pay payroll tax—nor does the largest landowner pay rates.

MR MULCAHY: But you are compensated for the payroll tax?

Mr Stanhope: We are compensated for that. Nevertheless, it narrows our economic base and our capacity to raise. But we raise at essentially average Australian levels. We raise less than other states and territories in taxation—more than some and less than others. We raise tax at essentially the Australian average.

As for this notion that we are a high-taxing regime or that the surplus was borne of tax increases, this surplus and the turnaround were, to a greater extent rather than a lesser, generated by efficiencies across the board in ACT government service delivery—efficiencies which were underpinned by a significant reduction in the size of the ACT public service—to the tune of 700 employees over the last year: 500 full time and 200 part time—on the back of significant numbers in the previous year. The size of the ACT public service has reduced by over 1,000 in the last two years. There are the efficiencies; there is the restructure; there is the major cause for the turnaround in the bottom line.

Industry and the property sector—millionaire developers and their spokespeople—come out saying, “This is all driven off the back of property taxes imposed on developers, driving investment away.” That is sheer and utter nonsense, and goes so deep to the credibility of that organisation that really they do not bear being listened to any more until they actually get in touch with reality.

THE CHAIR: Mrs Burke.

MRS BURKE: In your own words, Chief Minister, you have said that the reforms are “overdue”. You said that the reforms are necessary. We have noted and heard from members of this committee that they have been concerned in terms of the underestimated outcomes over the last four, five or however many years. Another underestimated outcome is likely for this next coming financial year. It has been like a freight train coming down the track. My question is: why did you not incrementally implement the reforms since you have been in government rather than slogging the Canberra community like you did last year?

Mr Stanhope: Well, I think the response to that essentially, Mrs Burke, goes back to what we inherited after seven years of Liberal government. You understand, we inherited at that stage—

MRS BURKE: Your honeymoon is over. You inherited a surplus.

MR STEFANIAK: A surplus after a lot of hard work.

Mr Stanhope: We inherited at that stage the lowest level of mental health expenditure in Australia, for a start. We inherited the Gallop commission of inquiry into disability services, which actually revealed—

MRS BURKE: The question was: why have you waited so long to implement the reforms?

Mr Stanhope: Well, because we had to invest. We could not actually continue the dereliction which we inherited, Mrs Burke.

MRS BURKE: No, you were in surplus when you came in, remember?

Mr Stanhope: Well, an AAS surplus. We know what the shadow Treasurer thinks of those, Mrs Burke.

MRS BURKE: The Treasurer should get his facts right.

MR STEFANIAK: It was a surplus.

Mr Stanhope: That was a real surplus, was it? So an AAS surplus under the Liberals is a real surplus. It is only not a real surplus when it's a Labor surplus. Is that the point that you make, Mr Stefaniak? So it was a real surplus, was it? Mine is not a real surplus but yours was?

MR STEFANIAK: We cleaned up an unholy mess, Jon.

Mr Stanhope: So yours was a real surplus, was it, but mine is not, is it, under the same accounting standard? Let us get our story straight here. Was yours a real surplus or not? Oh, it was a real surplus, so then ours is a real surplus too, is it? Isn't it surprising, from where we sit, how we see it. The point, Mrs Burke, quite simply is that there are a whole range of decisions which were taken by the previous government which we simply had to address. They were unacceptable, untenable.

MRS BURKE: Yes, but you chose in the last 12 months to slug the community.

Mr Stanhope: I will just use a couple of examples. When we came to government, expenditure in the Australian Capital Territory on mental health was the lowest in Australia on a per capita basis. We increased expenditure on mental health by 92 per cent prior to this last budget. I am not quite sure what the updated figure is—it is probably up to 100 per cent now. That is one of the things we have done. We have increased expenditure incrementally on health over the last five years to the tune of over \$350 million, almost now \$400 million.

MRS BURKE: You play catch-up every year.

Mr Stanhope: They are the sorts of investments we have made in this territory. Similarly, in relation to education, including the in excess of \$300 million which we have invested in the last three years in education.

One of the startling, and I think staggering, examples of some of the issues we faced when we came to government was around something as simple as the nurses' EBA at the time. You in government, with the then minister, Michael Moore, had actually offered—

MRS BURKE: Point of order, chair. I asked—

Mr Stanhope: No, you asked why—

THE CHAIR: Mrs Burke!

Mr Stanhope: You asked why we didn't do this from the first year.

MRS BURKE: No, I asked why you didn't incrementally—

Mr Stanhope: I am telling you why and I am explaining some of the things we inherited. I know you don't like it, I know it's uncomfortable—

MRS BURKE: No, you inherited a surplus.

THE CHAIR: Mrs Burke, you have interjected seven times during the Treasurer's answer. Please let him answer the question.

MRS BURKE: Oh, we are counting now, chair. Make the Treasurer answer the question.

Mr Stanhope: Here is a classic example which goes also to your surplus, the surplus you delivered. You offered the nurses a 14 per cent pay rise which, of course, you did not complete when you were defeated at the election. We picked up the books and went to Treasury and said, "Well, the Liberals have offered 14 per cent. That, of course, would be fully funded, wouldn't it, in each of the outyears or the term of the agreement?" One would have thought that a government would not have offered a 14 per cent pay rise that was not funded or addressed within the budget or the bottom line.

MR STEFANIAK: It's 2007 now Jon, not 2002 or 2003.

Mr Stanhope: Well, the question was a retrospective.

MRS BURKE: You dropped it on the community last year in one hit. Why?

Mr Stanhope: The question was a retrospective and I am giving a fantastic example that one of the last acts of the Liberals in government was to negotiate or seek to negotiate a pay rise for nurses.

MRS BURKE: Seven years ago. Come on, Jon!

Mr Stanhope: It was a retrospective question. You offered 14 per cent—I think 14.7 per cent. When we got into government, we thought, "That's generous and appropriate. Let's open the books. Let's hope it's not one per cent." Do you know what you had on your bottom line? One per cent.

MRS BURKE: You just let it get out of hand. It spiralled out of control.

Mr Stanhope: On a roughly five per cent a year pay rise—tens and tens of millions of dollars—and you offered it off the back of a one per cent allocation in your bottom line over three years. You can imagine our surprise. So, Mrs Burke, when you ask why was there not perhaps a more incremental approach to reform, I can give you a

raft of reasons, and they are just nice examples—

MRS BURKE: You just haven't got your eye on the ball.

THE CHAIR: Mrs Burke!

Mr Stanhope: You negotiated almost a 15 per cent pay rise, having provided in your bottom line a total of one per cent a year. You can imagine the difficulties that provides to somebody seeking prudent, sustainable budgeting. We don't do that. And then you say, "Oh, we produced a surplus." I know how you produced a surplus—by simply not funding or making any allocation in your bottom line for wage increases.

MRS BURKE: No, you underestimate and then make yourself look good, basically.

Mr Stanhope: The Liberals at the time of their defeat were anticipating pay rises of three per cent over three years for the entire ACT public service. Don't talk to me about your surplus.

MR MULCAHY: Chair, I did put a question before to the Chief Minister about the adverse—

THE CHAIR: Dr Foskey has the call, Mr Mulcahy.

MR MULCAHY: But he didn't answer the credit rating issue.

Mr Stanhope: Which issue?

MR MULCAHY: The issue of the adverse credit rating. You said there was no crisis and I pointed out to you that you had had a very, very bad credit rating report and you downgraded—

THE CHAIR: Let him answer the question, Mr Mulcahy.

Mr Stanhope: I must say, Mr Mulcahy, that I am envious of your approach to the ratings agencies—your visit to New York and the private briefings from the ratings agencies in New York.

MR MULCAHY: Well, maybe you would know better if you talked to them too.

Mr Stanhope: I must put on my next overseas trip: follow Mr Mulcahy to New York.

MR MULCAHY: You want to do that. You might benefit.

Mr Stanhope: Of course, the credit agency consistently provides rigorous reports. I must say that, even in relation to this year's budget—a surplus in this financial year, and anticipated surpluses in excess of \$300 million under GFS over the next three years; a very significant and solid bottom line, I would have thought—once again one sees from Standard & Poor's the same begrudging acknowledgement that things aren't too bad.

MR MULCAHY: Do you think they are politicised, Chief Minister?

Mr Stanhope: I don't think they are politicised but I think there is a Hanrahan somewhere in the gene pool of anybody who works at Standard & Poor's. No matter how good the significant turnaround such as we have achieved, the efficiencies we have imposed and the anticipated surpluses of in excess of \$300 million under GFS in the outyears, the Hanrahans down there at Standard & Poor's had trouble acknowledging that this was a significant effort.

MR MULCAHY: Is that because they are sceptical about using super gains?

Mr Stanhope: Not a bit. What, are you suggesting that they didn't know what they were talking about when they acknowledged that this bottom line warranted a maintenance of the AAA credit? They knew exactly what they were looking at. They knew what they were doing when they were comparing our bottom line with others around Australia. They know how important it is to compare like with like and not go off on some nonsense. Perhaps this is an occasion for both the Leader of the Opposition and the shadow Treasurer to confirm once and for all, to put beyond dispute, that if they ever do take government again they will only account on the basis of pure GFS. Come on, tell us now.

THE CHAIR: Dr Foskey, thanks for being so patient.

Mr Stanhope: Come on, come on. I would be happy to suspend any sort of process here to allow the Leader of the Opposition to commit to pure GFS in government.

THE CHAIR: Treasurer, the questions are to you, not to the members of the committee. Dr Foskey.

DR FOSKEY: Given the surpluses over the last five years, and in particular the unexpected surplus since the last budget, why have not some of the pressing social needs that have been highlighted by the community sector, which have actually deteriorated since the last budget, partly as an effect of the last budget, not to mention federal government initiatives—

Mr Stanhope: Just give me some examples, Dr Foskey.

DR FOSKEY: We are talking about housing and SAAP funding, for instance—this is probably a major one—and the lack of exit opportunities for people who are in SAAP funding. What I want to know is: why isn't this surplus being used to address some of these issues, which are also really investments in our people?

Mr Stanhope: Thank you, Dr Foskey. Of course, the question that occupies the mind of every minister in every budget deliberation is an appropriate prioritisation of expenditure, and we believe we achieved that. We have sought to do so through some significant rigour, which now has generated pain—we are aware of that. I acknowledge the pain that has been caused within a number of sectors as a result of decisions that were taken—a reduction in expenditure, a reduction in what we regarded as unsustainable expenditures and level of expenditure.

If one were to look today, across the board—I have not done this work but it is one thing, now that the budget has been delivered, that I will do—at an assessment, against national benchmarks, of the extent to which every area of ACT government expenditure is above or below national levels of expenditure, we would find again that in almost every area of ACT government expenditure we expend at a level higher, in many instances far higher, than the national average.

We are a small jurisdiction with a narrow economic base and we over-match in almost every area—I don't know an area where we under-match—of ACT government expenditure. These are simple equations. You get so much money and you can spend it. The areas around prioritisation are always difficult. But in relation to SAAP funding, for instance, we over-match. We spend at significantly above the national average.

DR FOSKEY: We also have some of the most expensive housing in Australia. So there may be good reasons why we need to spend more.

Mr Stanhope: Our average household disposable incomes are also around about 20 per cent higher than the national average.

DR FOSKEY: Average.

Mr Stanhope: Yes, certainly, Dr Foskey. We also have more public housing than any other place in Australia. Our level of investment in public housing: we have the largest public housing stock per capita of any place in Australia. We over-match in SAAP funding. We did reduce overall funding in relation to SAAP, all in relation to the administration. Not one single bed was lost. No single service-end delivery was reduced. The changes that were a feature of last year's budget in relation to SAAP—the example you use—were designed to ensure more efficient delivery of the service.

Dr Foskey, if you ask Ms Gallagher, when she comes here, about the level of service delivery being delivered through SAAP, she will tell you the extent to which it is delivered at above average expenditure levels; that the reforms and the changes that were initiated last year went just to administration; and that there was a demand for more efficient levels of administration. There was no service delivery cut at all. Not a single bed was cut, not a single service was cut. There certainly were stringencies required of those that administer but there were no cuts in the service.

Can you explain to me how do we, as a small jurisdiction, keep expending at above average levels in every area of government service delivery? This time last year we were expending on health at 25 per cent or thereabouts above the national average. That is with a budget now of \$800 million. It is now 14 per cent above that. Explain to me, whilst you criticise the government for increases in taxes—

DR FOSKEY: Sorry, that was not me—

Mr Stanhope: The Liberals need to explain—and I guess between now and the next election they will—as they carry through with their promise of massive tax cuts, how they are not going to cut services or which services they are going to cut. We currently expend at 14 per cent above the national average in health, and we have

undertaken to get that back to 10 per cent. In relation to SAAP we over-match and we fund at above national average levels. We have the highest level of public housing in Australia. We fund in excess of the national averages in almost every area of government expenditure and we are seeking to address that through last year's budget and through a prudent attitude to this year's budget.

I don't believe it is acceptable or sustainable to look at a large, and certainly far larger than expected, surplus in this year without then having some consideration to the year after. It drops to \$50 million in the next financial year. Fifty million dollars in a \$3 billion budget is not much. What is that? It is 1½ per cent—a 1½ per cent variation. Say your revenue expectations are not met. It is easy to lose 1½ per cent and you are back in deficit. We are looking to sustainable surpluses over the term. Right, \$103 million next year—it is a significant amount of money. It is a significant bulwark against future fiscal shocks. But look again then at what is anticipated for the next of the outyears and just understand the sorts of issues that a government has to take into account when making and prioritising expenditure.

Having said that, this budget is almost entirely about the services of most importance to this community—an extra \$70 million over the term in health. Almost two-thirds of the additional expenditure recurrent is devoted to health and two-thirds of the capital is devoted to education—the issues of major concern to this community. Sixteen million dollars for disability services, \$12 million for mental health. These are the issues. Forward planning and design for a new psychiatric facility. We have sought to meet the outstanding expectations, the major priorities of the community, in relation to community safety, education and health. It is very targeted funding—funding designed to meet what we believe to be the leading priorities of this community.

THE CHAIR: Mr Stefaniak.

MR STEFANIAK: Last year, I think in reply to a question asked by Mr Gentleman, you mentioned the reforms at some length. Chief Minister, in the 2006-07 budget, in budget paper 3, page 71, table 5.2.3 summarises the estimated savings from planned reforms, generally referred to as reshaping the bureaucracy. Our total savings from the reforms was estimated at \$29.950 million in 2006-07 and \$49.245 million in 2007-08. The total is in that budget paper. Is there an equivalent table in the 2007-08 budget? If the answer is yes, where is it, and if not, why isn't it there? The only information, by the way, on the reforms appears to be in BP3 at page 21 and for a couple of pages after that. But it is not possible to compare that, which is generalised information in prose, to the quantity of estimates provided a year earlier in your graph.

Mr Stanhope: Thanks, Mr Stefaniak. I will ask Ms Smithies or other officers whether they can deal with that.

Ms Smithies: No, there is no such table in this year's budget paper No 3. The standard practice would be in the year that we brought in the initiatives. Then the tables are actually incorporated in the budget papers, which gives you an idea about the impact of the savings and the revenues in 2006-07 and across the forward estimates. Obviously, because there are no new savings, revenue measures per se in that context, we have not put in a new table, and what is in the base continues to be in the base.

MR STEFANIAK: Perhaps you can tell us what the revised estimate for the total expenditure reform savings in 2007-08 is. Could you also provide the committee with a table for 2007-08 which just updates by one year the estimated savings provided in the 2006-07 budget so that we can actually assess the government's performance in achieving the estimated savings and see how those estimates have actually been revised in the light of one year's experience?

Ms Smithies: Yes, we can do that. Just off the top of my head, I think the only variation on those tables would be possibly \$1 million or \$2 million dollars worth in the areas of TAMS that were highlighted in the midyear review for putting back in some funding. That is probably the only variation but we can do that.

MR STEFANIAK: And you can give us a revised estimate for the total expenditure reform savings for the 2007-08 year?

Ms Smithies: Expenditure, savings—yes we can do that.

THE CHAIR: Ms Porter.

MS PORTER: Thank you chair. Just a little while ago, Treasurer, I think—I am not sure—Mr Stefaniak or Mr Mulcahy and you talked about commonwealth taxes. I think Mr Stefaniak mentioned the GST and asked us if we didn't want it any more, or something to that effect, or if we were going to hand it back. Frequently you hear from the Liberal opposition comments about rivers of gold of GST revenue arriving on our doorstep or flowing into the ACT yet we obviously are taxing ACT households. Can you comment on this, please?

Mr Stanhope: Yes. Actually—and Ms Smithies did touch on this before—the squandered rivers of gold, \$900 million, is something of a mantra which I do hear around the place. I think those that use these numbers spuriously simply look at the budget papers, take the amount budgeted to be received in each year and then compare that with the actual revenue received in that year, and then they attribute it all to GST rivers of gold.

Interestingly—and Ms Smithies did go to this and she may be able to provide some further information to the proposition that you have raised—of the changes between the amounts budgeted in a year to the actual revenue received over the last years, 2002-03 to 2006-07, \$353 million was net market gains on superannuation investments, \$134 million was increased land revenue, improvements due to asset revaluations were \$95 million, increased conveyancing revenue was \$150 million, increased interest revenue was \$92 million, increased cross-border health receipts were \$33 million and increased GST revenues were \$82 million. So when you talk about rivers of gold, of the \$900 million, the amount attributed to GST was \$80 million. But then it is convenient, of course, to just lump this all together and to ignore exactly what it is that is going on, and to suggest that we are being absolutely drowned in rivers of gold from the commonwealth.

I have made the point—and I forget the numbers now—that increased GST payments, I think over the last year, did not even keep pace with increases in health expenditure

within the ACT. So to the extent that there is this river of gold—or should have allowed us if we were not so profligate—the increased GST revenues do not even cover annual increases in health expenditure. This is a great example, really, of the overall position in terms of funding from the commonwealth vis-a-vis the states. I have made the point repeatedly in recent times that commonwealth contributions to primary health care of at least public hospitals has reduced dramatically in the last five years, just as it has in relation to housing. So I think it does give some indication of just the furphy involved in this suggestion that, as a result of this enormous bounty from the commonwealth through the GST and other payments, states and territories are being profligate when the reality is far different from that.

Between 2001-02 and 2005-06 per capita specific purpose payments from the commonwealth to the ACT have declined by 10 per cent in real terms. In 2001-02 the commonwealth contributed—these numbers are there for anybody who wants to find them, see them, assess them and analyse them in the context of rivers of gold—31 per cent of the acute care costs in the ACT. In the last financial year they contributed 23 per cent of the acute care costs. In 2001-02 the commonwealth contributed 18 per cent of the cost of disability services in the territory—in 2001-02, 18 per cent of disability costs in the territory were contributed by the commonwealth. In the last financial year the commonwealth contributed 14 per cent of the disability acute care costs.

Those are the realities that the states and territories are dealing with. The commonwealth is walking away from its traditional commitment or contribution to acute care costs in the states and territories. Health is the biggest issue facing the nation, it is the biggest issue facing states and territories, and the commonwealth is quite content to let the states and territories increasingly go it alone in meeting those most fundamental needs of the people of Australia. So they are some of the facts around commonwealth-state financial relations and what is going on.

THE CHAIR: Mr Mulcahy has the next question.

MR MULCAHY: Treasurer, could you just be quite specific and tell us how much revenue has been forsaken by the ACT under the terms of the intergovernmental agreement and how does this compare with the amount of revenue that you have received from GST payments through the “rivers of gold”, as you call them?

Mr Stanhope: I will just have to check, Mr Mulcahy. I am not sure that I have that information.

Ms Smithies: No, we don't have it on hand.

Mr Stanhope: We will take that on notice.

MR MULCAHY: Would you acknowledge that the amount of revenue you have received from GST significantly exceeds the revenue forgone as part of the intergovernmental agreement?

Mr Stanhope: Well, we are more than happy to take that on notice. I will get the direct answer.

MR MULCAHY: You are not aware of those figures?

Mr Stanhope: I do not know those figures. But what I do know, Mr Mulcahy, is that in 2001-02 the commonwealth contributed 31 per cent of our health acute care costs, and they now contribute 23 per cent. I know just how dramatic that change is and the enormous impact that has had on health care delivery within the territory. I also know that in 2001-02 the commonwealth contributed 18 per cent towards the cost of disability services and it now it only contributes 14 per cent. I know the commonwealth is walking away at a great pace from delivering acute care services to the people of Australia, including the ACT.

MR MULCAHY: So, therefore, have you taken up the Treasurer's offer to re-look at arrangements, financial arrangements, to achieve more tax reform at the state level and potentially generate more support from the commonwealth? I think that offer was made towards the end of March, as I recall. Have you, as the territory government, put in a submission?

Mr Stanhope: We always take seriously any suggestion which the federal Treasurer puts on the table in relation to ongoing tax reform. Indeed, the most recent reforms in relation to taxation, in relation to payroll tax and developing uniform and consistent applications of payroll tax across Australia were led by the states and territories.

MR MULCAHY: So have you put a submission in, in light of his invitation to your government?

Mr Stanhope: I have responded. Well, yes, you might call it a submission. I have certainly written to the Treasurer—I think I have written to the Treasurer and declined the suggestion.

MR MULCAHY: Can we see—

MRS BURKE: Did you sign the letter or not?

Mr Stanhope: I would have to check. I believe I have made a submission, Mr Mulcahy, but—

MR MULCAHY: Could you take that on notice and furnish the estimates committee with that material?

Mr Stanhope: I am happy to take the question on notice but I will not make any commitments to tabling it. I am more than happy to actually confirm that I have a memory of signing a letter to the Treasurer in relation to his most recent suggestion. And it was an interesting suggestion. His proposal was actually that we re-inquire into a tax that was certainly placed on a list for consideration. That was subsequently given due consideration by all states and territories, and all states and territories unanimously determined that it was not appropriate that it be a tax that should be abolished.

In discussions with the federal Treasurer in relation to that, he then simply said he did

not care really where the tax cuts were made as long as they were made somewhere. So, as to any suggestion that the federal Treasurer might make that he is concerned about a rigorous reference or application of pre-identified taxes for review, his attitude in relation to this particular tax was a little ambiguous, to say the least.

THE CHAIR: Thank you members. We will go the break now and resume at output class 1.1.

The committee suspended from 10.29 am to 10.49 am.

THE CHAIR: Thank you, members. We will now go to output class 1.1, budget outlook. Mr Stefaniak, I understand you have a question there.

MR STEFANIAK: Yes. Thank you very much. Treasurer, although the 2006-07 budgeted staff levels were 156, the estimated 2006-07 outcome rose to 172 and in this current budget the budgeted number increases to 181. How do you account for this increase?

Ms Smithies: The numbers that were included in the 2006-07 budget papers are actually a head count rather than a full-time equivalent. So, consistently throughout BP 4, what agencies would have put in this year's budget paper is an FTE. The differences between FTE and head counts really relate to where you have got part-time positions or 0.8 of a position et cetera. A head count is really a bums on seats sort of measure rather than a funding structure. A lot of the difference, pretty much all the difference in the 2006-07 outcome figure between the budget paper last year and this year will really be the way that number has been measured.

Secondly, there is an increase between 2006-07 and 2007-08. The majority of that has been driven by the revenue office. We are retaining a number of staff who are running the shopfront function. The previous policy had been to close it down and move to an online payment system. We are actually taking a good look at that proposal and keeping the shopfront open for a few more years while we look at some other system responses to enable online payments.

Also there is an increase in tax inspectors as well. I think there are two tax inspectors and three staffing—seven staff overall in the revenue office. Then there are two in economic division, just reflecting some of the priorities which are really coming out of the funding that we would have spent on consultants and contractors. We are actually moving them into full-time staff. They are really marginal changes for us.

MR STEFANIAK: Why has the number risen again? You have indicated where it has risen. Does it reflect the fact that last year's efficiency changes have not been implemented or in fact have been ineffective?

Ms Smithies: No, not at all. A good proportion of that is for new inspectors—there is new funding for that—and retaining the office. The shopfront office for the revenue office is again being funded. These are, I guess, new activities. Therefore, there are new people. No.

DR FOSKEY: I am just looking for the commitment to triple bottom line reporting in

the budget and the way that it has been implemented this year. Could you guide me to that in the budget papers?

Ms Smithies: We will ask Stephen Miners to talk about the triple bottom line.

THE CHAIR: Mr Miners, you were here when I read out the privileges card earlier on.

Mr Miners: I was indeed. The triple bottom line framework is actually developed through the performance measures that are in the budget. So you will find that the performance measures listed throughout the budget provide a lot of that information, not just on the financial aspects but also on the objectives that each department is trying to do. That change has been in the budget for a number of years.

The format of the presentation of the budget papers was changed a number of years ago to provide information on the government's objectives and goals, its decisions on resource allocations and the targets that are set out for agency service areas and for the government. So that is where it is in the budget papers. It is there, as it has been for the last number of years.

DR FOSKEY: It is there, but we cannot see it. Is there any way of making that explicit, given that this government actually did commit itself to taking a triple bottom line approach to budget preparation? Could you please explain how the performance indicators do actually inform me and other readers how the budget achieves that triple bottom line?

Mr Miners: Dr Foskey, I am not sure whether you are looking for a particular measure that actually adds up all the various elements of those three bottom lines—

DR FOSKEY: All the measures.

Mr Miners: and produces one measure that says here is where it is at because that is simply not possible. Triple bottom line is much more about the environment rather than the accounting. The way this government—

DR FOSKEY: Social, environmental and financial.

Mr Miners: That is right, so it picks up all three. But it is not about trying to produce a single bottom line number. What it is about doing is actually getting that information out there and making sure that people have that information.

DR FOSKEY: Yes. Where is it?

Mr Miners: That is in those performance measures, that is, these performance measures.

DR FOSKEY: But it is not explicit?

Mr Miners: In what sense is it not explicit? I am sorry. I do not understand the question.

DR FOSKEY: I could not see anything in the budget papers, and I imagine no one else looking for it will be able to see it, too. So some sort of guide as to how triple bottom line is being implemented in the budget would be useful to the growing number of people who are concerned about climate change impact, environmental impact and social impact.

Mr Miners: I think there are a number of things to keep in mind here. One is that in looking at triple bottom line in the budget context what you are actually talking about is a much broader thing than just the reporting on triple bottom line. What you are actually looking at is more a change in decision-making processes and making sure that information is incorporated into the decisions the government makes when it makes its budget decisions and when it makes its broad policy decisions.

DR FOSKEY: But you cannot see it.

Mr Miners: You cannot see a lot of things in the budget papers, Dr Foskey.

DR FOSKEY: That is why I ask those questions.

Mr Miners: There are decisions of government that sit behind all those decisions. Those are made in cabinet, and I am not in a position to talk about any of those. The triple bottom line information is key to making those decisions. It is key to providing that information. Treasury itself is working on assessment frameworks to make sure that information does come forward, and that it is drawn on in making budget decisions.

Ms Smithies: I guess we take a look at a lot of the strategic indicators, and I just pull out the health ones. We talk about the percentage of people aged between 12 and 17 years who smoke regularly. We look at those in a longitudinal sense and see whether the performance in the territory is actually improving or not. Universal newborn hearing screening, breast screening and the prevalence of cardiovascular disease have all sorts of social and environmental outcomes. They are all put down as strategic indicators.

I guess one of the major reasons for us moving to a strategic indicator framework was to allow our agencies to put in indicators that would allow a strategic or a longer term view of the outcomes that they were providing, rather than purely the output reporting that we had in years before that where we were simply counting widgets et cetera. I guess that is what we are trying to do within the budget papers themselves around some of the triple bottom line performance indicators that we have.

THE CHAIR: Mr Mulcahy.

MR MULCAHY: Thanks, chair. Treasurer, I draw your attention to page 69 of budget paper No 4, under the heading “Output Description”. One of the key outputs is:

implementing reforms to ACT compulsory third party scheme—

What is the government's policy agenda with respect to motor vehicle compulsory third party insurance? Given that industry indicated that they anticipated legislation being introduced in May 2007, when can we expect this agenda to be implemented? I am just wondering where it is in terms of the priorities. Does your policy seek to lower the comparatively high cost of compulsory third party insurance in the ACT relative to the neighbouring jurisdiction of New South Wales?

Mr Stanhope: Thank you, Mr Mulcahy. This work is well in hand. In the context of where we are up to, I cannot quite remember at what stage of the formal decision making process the government is at. Has this been to cabinet?

Mr Broughton: That is right.

Mr Stanhope: It has been there, has it?

Mr Broughton: Yes, it has been to cabinet.

Mr Stanhope: Just before I ask Mr Broughton to give more detail, Mr Mulcahy, it is an active piece of work. We have put significant resources and energy into developing new legislation and a new regime. At the heart of that, of course, is a desire to bring up-to-date, to modernise legislation that is quite antiquated. Our compulsory third party scheme, to a significant extent, relies on quite old legislation. It goes back to legislation first passed more than 50 years ago, in 1948. Our scheme is based on legislation that was passed in 1948. It is antiquated. It is out of date. To some extent, parts of it are irrelevant.

To go to one other aspect of the underlying philosophy, it certainly is to seek to reduce premiums. In addition to streamlining, updating and removing those parts of the legislation that simply are no longer relevant—for instance, it contains descriptions of motor vehicles that I think no longer exist—it seeks to make the ACT attractive to a second insurer.

I think we would all acknowledge that a virtual monopoly, perhaps accidentally, has been created in relation to third party insurers within the territory. There is a feeling, I think, amongst other third party insurance providers that this is perhaps a market that is impossible to enter as a result of the dominance of the NRMA—not the dominance, the exclusive role which the NRMA plays. We acknowledge and believe that it is important to overcome what is perhaps as much a perception as a reality around the nature of the market here within the territory.

Mr Broughton tells me that drafting instructions have now been approved by cabinet. The next step is the drafting of draft legislation which will then come back to cabinet and on which we will then, of course, consult. But Mr Broughton can perhaps just give a little bit more information on where we are up to.

MR MULCAHY: Just before he responds, is it part of your process to look at imposing caps on the amounts that can be paid out under third party claims?

Mr Stanhope: Of course that was very much part and parcel of the analysis, the discussion and the submissions that have been made to government by the department,

by Treasury, in relation to issues that we face in the territory. It is acknowledged that the ACT, of all jurisdictions, is the jurisdiction which stood apart most singularly from other jurisdictions in the frenzy of tort law reform that followed the confected insurance crisis. We have not taken some of the steps which other jurisdictions took. It has now been fairly widely acknowledged that the ACT was probably right. Even Justice Ipp has now recanted from the position he took at the time and there is a gathering acknowledgement that the ACT's response to the so-called insurance crisis was the most reasonable and restrained.

On the issue of caps, there is an ongoing issue for us in terms of the potential impact of our legislation on charges. Balancing that, of course, is the fact that we have not legislated away people's rights in relation to damages which they suffer as a result of the negligence of others. Once again, it is an equation, a balancing act. To what extent should governments legislate away rights to be protected against the negligence of others for an action in damages? We believe that we have the balance essentially right here within the ACT, although there are, I think, some worrying aspects around the increase essentially in legal fees, both in relation to proponents and defendants, particularly in third party matters in motor vehicle insurance.

Mr Broughton, is there anything that you would care to add to that?

Mr Broughton: I will add a couple of things that were not mentioned by the Treasurer. The new scheme that we are working on will be modelled pretty much on the New South Wales and Queensland approach to CTP. In particular, we are looking at picking up some of the efficiencies that are in the Queensland model whereby rehabilitation is started very early in the process, preferably before litigation commences. That would be a bit of a change. It should, in fact, bring down the cost of rehabilitation by getting that started earlier. The other aspect where we are looking for efficiencies is the actual litigation process itself and trying to streamline that to reduce the amount of costs associated with claims, the settlement of claims and the process.

We did originally hope that the legislation would be in place prior to 1 July 2007. But in order to make sure that the process we were going through was going to deliver the sort of outcomes we wanted we needed to get hold of some key data, and there were some delays in getting that data. We now have it. It is being analysed and that will support the next stage in the development of the legislation.

THE CHAIR: Ms Porter.

MS PORTER: Treasurer, I refer to page 71 of budget paper No 4, strategic indicators. It states:

In the short term, land sales will continue ... important part in balancing the budget ... However ... ultimate objective is to achieve ... surplus without land sales receipts.

Would you advise the committee what strategies you are planning to achieve this objective?

Mr Stanhope: The overarching strategy is, of course, to continue to budget prudently

and to ensure that efficiencies which we as a community have historically tended to turn something of a blind eye to are addressed. It is tough business in government to address some of the inefficiencies that we have identified through last year's budget and which we have sought to address.

It is about being rigorous. It is about budgeting prudently, but budgeting with an eye to inefficiencies in the delivery of government services. That, of course, was at the heart of last year's budget and, to the extent that we can, we propose to ensure that we achieve an operating budget surplus after land sales receipts. It will require continuing rigor in the administration of ACT government budgets.

It is why, for instance, we set ourselves a target in relation to health expenditure. Health expenditure since we have been in government has increased annually by more than 10 per cent a year. We took a decision last year to reduce that to around the national average of between six and seven per cent. We undertook last year, and set ourselves a target, to reduce government over-expenditure in the context of national averages from around 25 or 26 per cent to 10 per cent. While acknowledging some of the unique aspects of this community, we have accepted that at one level it is reasonable that there be expenditure on health in the ACT over and above the national average.

We are not saying that the lowest common denominator or an average is appropriate or relevant. We are looking at each area of government service delivery. Health is the biggest single item of expenditure in the ACT budget, and we have accepted a target of 10 per cent above the national average as a target which we believe reflects the nature of this community and our capacity to pay, and reflects a priority.

We will continue to work on those efficiencies. We have increased expenditure on health significantly in this last budget, but we have reduced the rate of increase. We have done that by a range of efficiencies which we continue to work to achieve. I must say that the most recent EBA agreed between the government and the Australian Nursing Federation and nurses in a public system again contains very significant productivity.

A streamlining of shifts and staffing arrangements and the recognition of different classifications of worker within our public hospital system represents, again, a significant advance in our capacity as a jurisdiction, working in partnership in this instance with nurses in our public system, to generate those extra efficiencies that we believe will allow us to continue to move quite seamlessly in our commitment to service delivery to a position where we expend 10 per cent above.

This has occurred with all of these measures. We have done it with the Shared Services Centre. We have done it in relation to efficiencies in delivery of health services. We have addressed the fundamental issues in relation to inefficiencies within public education. Through all these measures we believe that, in time, we will achieve a position where we produce operating budget surpluses without the traditional reliance on that serendipitous end of superannuation receipts and land sale receipts.

For the sustainable future we need to do that. We cannot go on, year after year, as we

have, on a prayer and a hope that our superannuation investments will return above long-term averages or that every year will be a booming year in relation to land sales. There will be years that will not be. We have experienced them in the past and we will experience them in the future. Our investments will not return that extra dividend. Land sale receipts will decline over time. They must.

In 30 or so years time—it will happen incrementally—a government will face a situation in which they will not have the capacity to rely on land sales because the population will peak and flatten and there will not be the level of land sales there currently is. We need now to do what we have done, to begin to wean governments off an expectation that budgets can be balanced year after year after year on the basis of that perhaps above average return on superannuation and exceptional land sale receipts. That is the underlying philosophy. All the measures we have taken have been taken to ensure, essentially, that our revenue raising meets our expenditures. It is a simple equation.

THE CHAIR: I think we have moved into 1.2 there. Dr Foskey, you had a question?

DR FOSKEY: Yes. I want to follow up about superannuation funds. We have participated in a review of the potential for socially responsible investment of super funds. When will that review report, and will we see it? How will it influence your thinking?

Mr Stanhope: The work continues, Dr Foskey. I must say I have not received the report. I will have to take advice on that. Mr Broughton actually can update me as well as you on progress in relation to that review. I know it is continuing. It is being taken very seriously. Certainly the results will be made public, Dr Foskey, when they are available.

Mr Broughton: Thank you. The review was commissioned through the Chief Minister's department, but the work is actually being undertaken by the Treasury's Investment Advisory Board. I know they are getting very close to a final report, and that will be out by the end of this month. When I say "out" it will be sent to the Chief Minister's Department. I presume they will pass it through to the Treasurer.

THE CHAIR: Mrs Burke, you had a question.

MRS BURKE: Thank you, chair. Chief Minister and Treasurer, page 67 of budget paper No 4 lists priorities in 2007-08. It refers to:

undertaking specific reviews of government programs to advise if resources are efficiently and effectively allocated.

Can you just tell the committee what programs these reviews will be targeting? What will the reviews that are listed as a priority in budget paper No 4 of 2006-07 be focusing on? Was scope for efficiency gains identified and, if so, have these been implemented? How many of the programs and the efficiencies were identified in the functional review? Will you now, Chief Minister, table that functional review?

Mr Stanhope: Well, I can answer the last of your multiple questions: no.

MRS BURKE: I thought you would. If not, why not, I should have said.

Mr Stanhope: I will ask Mr Ahmed to answer the other questions, Mrs Burke. The answer to the last question is no.

MRS BURKE: So you are hiding. Why would you hide it? Why not now reveal it?

Mr Stanhope: Well, why do we not go through—

MRS BURKE: Anyway.

Mr Stanhope: some Liberal Party cabinet submissions? Why do we not we do that?

MRS BURKE: No. The question was: will you table the functional review? Why will you not table it?

MR STEFANIAK: Why will you not answer the question?

Mr Stanhope: It is cabinet-in-confidence, Mrs Burke.

MRS BURKE: I see. Mr Ahmed, thank you.

Mr Stanhope: You ask me why I will not table the document.

MRS BURKE: You chose not to answer it.

Mr Stanhope: Mrs Burke, you asked me why—

MRS BURKE: Yes.

Mr Stanhope: we will not. I am now going to answer your question because I am polite and respectful.

MRS BURKE: Of course.

Mr Stanhope: We will not table a cabinet-in-confidence document for the very same reasons why Liberal parties in government do not table cabinet-in-confidence documents.

MRS BURKE: It is actually about not letting the public know about what is happening to their money, surely, which Dr Foskey has raised several times.

Mr Stanhope: We adopt exactly the same attitude in relation to the tabling of cabinet documents as Liberal governments adopt. We will continue to do that. We have the Leader of the Opposition here. Would the Leader of the Opposition like now to indicate that a Liberal Party in government will abandon the notion of cabinet confidentiality? I am happy for Mr Stefaniak to give that undertaking here and now.

MR STEFANIAK: We would just like you to answer the question, Chief Minister.

Mr Stanhope: But he will not.

MRS BURKE: That is right. Maybe I can repeat the question.

Mr Stanhope: But he will not. He will not do it for the very same reason that I will not do it. There are very good reasons for maintaining the concept of cabinet confidentiality. Mr Stefaniak understands those. I understand them.

MRS BURKE: I do not think the community does, Chief Minister. Can we move on?

Mr Stanhope: If Mr Stefaniak, at your urging, Mrs Burke, wishes to abandon the notion of cabinet confidentiality, let him speak now or forever hold your peace on this nonsense.

MRS BURKE: If I could just refresh the question for Mr Ahmed.

Mr Stanhope: The answer is still no.

MRS BURKE: What programs will the reviews be targeting? What did last year's efficiency reviews focus on? What scope for efficiency gains was identified and, if so, have these been implemented? How many of these programs and efficiencies were identified in the functional review?

Mr Ahmed: I will go through those questions one by one. In relation to 2007-08, the area to be reviewed that we have on the plan is disability services. The government has already allocated additional funding in this year's budget. What we want to look at in relation to disability services is some medium to long-term projections and modelling to look at the drivers of demand. It is changing significantly. The composition of the society is changing, the demographics are changing, so we want to have a better understanding of how the demand is going to change and what the costs are going to be in the medium to long term and provide advice to government on that aspect. Of course, during the year the Treasurer may ask for other advice, but that is the service area that we have planned for review this year.

I understand you asked about reviews we undertook in 2006-07. By the way, they are not all efficiency reviews; they are not always about reducing costs. In this instance, for example, in disability services it is more than likely that it will be about increasing services and it will be about increasing expenditure. The 2006-07 review related to housing affordability. This was a major piece of work in which Treasury was involved over several months. The results of that review were produced in a report that was made public and it is on the internet.

MRS BURKE: Was that the only one for 2006-07?

Mr Ahmed: For 2006-07, that was the major one. Apart from that, we provide regular advice as required. But the one that the performance measure relates to was that one.

MR MULCAHY: I want to go back to a matter you mentioned, Chief Minister and

Treasurer, in reply to Ms Porter's questions, relating to the objective of producing surpluses down the track and ultimately not relying on land sales in any way to produce those outcomes. I draw your attention to a story that appeared in the *Adelaide Advertiser* this morning which raised some serious doubts about a key budget savings plan which is likely to leave South Australia with a \$130 million black hole in state finances. It follows upon a similar drama in Western Australia that has seen a blow-out in a similar scheme to some \$198 million. This is in relation to the Shared Services Centre, which I know we will deal with later in the week. Two of your state Labor governments have embarked on these schemes as a way of saving money and are now facing serious adverse outcomes as a result of these schemes. I am just wondering how confident you are, going forward, that your anticipated surpluses will not be put at risk by embracing this method of operation.

Mr Stanhope: I haven't seen the report in the *Advertiser* in relation to South Australia, but I was aware of recent reports in relation to Western Australia. Of course, there is a range of very significant differences between the circumstances faced in both South Australia and Western Australia than here in the Australian Capital Territory. As I say, I don't know about the South Australian experience, but much of what Western Australia has experienced is very different to our experience here. I did have some figures, most specifically some comparisons, but I can't see them.

Ours is a much smaller public service. Ours is a public service that is not beset by regional offices. It is not dispersed across a massive state. There was a level of consistency in administration across ACT government agencies in relation to, for instance, InTACT that we have been able to build on through the establishment of the Shared Services Centre. We have advantages, very significant advantages, in relation to scale. We have very significant advantages over those jurisdictions in relation to the level to which there was some uniformity across systems in any event. The nature of the undertaking within the Australian Capital Territory, within Canberra, was far more confined, far more manageable.

My advice today, as my advice has been over the last year, is that the creation and establishment of the Shared Services Centre is on track and that the budget estimates incorporated in last year's budget are being met, and we have every expectation and anticipate that they will be met for this year. My advice is that in the coming financial year the establishment of the Shared Services Centre will generate savings of \$20 million. I have had no advice, I haven't even had expressed to me a concern, that that saving is at risk.

MR MULCAHY: Do these experiences in two states give you cause possibly to wonder whether in fact the forecast savings, benefits and efficiencies are likely to be possibly as optimistic as you have been told at this time? Are you doing any rethinking in light of the experience in those states?

Mr Stanhope: No. I've raised the question and been assured. It has been tough; it is not easy. There is a whole range of issues, particularly in relation to staff and bringing staff from different departments together. To some extent, I think you are aware, there have been some issues in relation to the impact on staff, particularly in relation to, I think, fringe benefits or salary sacrifice. There have been issues. We have had to work

with staff. It hasn't been easy; it has been quite tough and it continues to be tough. Indeed, I am sure that the head of the Shared Service Centre, Mr Vanderheide, would be more than happy to give you greater on the ground detail in relation to what has been done and the level of his satisfaction and confidence that budget targets and expectations will be met.

Mr Mulcahy, let me not suggest it has been simple, smooth sailing and is all easy and it's a done deal. The advice is that it has been tough and hard. It is genuine reform. We have brought together people from across the entire ACT public service into a centralised Shared Services Centre to deliver services across the board, but we believe, unlike apparently reports from Western Australia and South Australia, that it is achievable, it is on target, and it will be done. It might reflect too, of course, the very superior quality of staff and of the government here within the territory.

MR MULCAHY: On the issue of staffing, while we are talking about that, you have now had a department operating without a permanent chief executive for some five months. I am just wondering how this has impacted on the ACT's lead-up to the budget and also what the problem is in securing a replacement for Dr Grimes.

Mr Stanhope: There is no problem. Indeed, I don't believe that it impacted on delivery of the budget. The timing of Dr Grimes's departure was perhaps unfortunate, but these things are never done by design. Dr Grimes spoke to me at the time. He was regretful that his departure was at a reasonably sensitive stage in the development of the budget. Ms Smithies has fulfilled the duties of Under Treasurer in an exemplary way. In fact, I to some level engineered the delay. I didn't want a change, were a change to occur with respect to Ms Smithies, in the middle of the process. So there has been a delay, but it was a delay I sought and asked for.

MR MULCAHY: How long before you get somebody?

Mr Stanhope: I have asked for the matter to be dealt with over the next few weeks and finalised, but I deliberately and consciously required that the process not conclude in the middle of the preparation of the budget. Because of the timing of Dr Grimes's departure and the time frame required to fill a senior position, it was simply not possible to achieve the appointment of a permanent Under Treasurer otherwise than on a usual timetable in the middle of the process, which I didn't believe was in my interests, the interests of the government or the interests of Treasury. I quite explicitly sought a completion date that post-dated delivery of the budget.

THE CHAIR: Mr Stefaniak has one last question on 1.2 and then we will go to 1.3.

MR STEFANIAK: Treasurer, on page 70 you have got a number of key outputs; firstly, the preparation and presentation of the government's annual budget and annual financial statements. The budgeted amount for the whole output is over \$11 million more. The next two are quarterly whole-of-government consolidated management reports and improvements to the management of the government's capital works programs. Given that you do have quarterly whole-of-government consolidated management reports and given that you used to have updates of those quarterly capital works reports, why have you discontinued those, especially as this output seems to have increased funding? Will you consider reintroducing progress quarterly capital

works reports?

Mr Stanhope: The quarterly capital works reports were discontinued on the basis that the information is otherwise available and, as part of just the ongoing and constant assessment of efficiencies and priorities, it needs to be understood that through the last couple of years the government has driven significant efficiencies and made enormous demands on its public service and the public service has responded wonderfully to that. I don't have the final numbers for the last two years, but I think it is fair to say that the ACT public service today has around, if not in excess of, 1,000 fewer employees than it had two years ago. Just over the course of the last year the ACT public service has reduced by 700.

In that environment, it is appropriate and relevant that we monitor those responsibilities or duties which individual public servants pursue to determine whether or not they are a priority, whether or not it is information that is otherwise duplicated and otherwise available, and whether it is reasonable to ask for a report that perhaps has been delivered in the past when public service levels were far higher than they currently are to continue to be provided because it was provided once before in a particular form. We look at a report and think that it is interesting, read it and put it aside without thinking for a second that perhaps that involved a public servant, a single officer, full time for a month in its preparation. If we have a public servant working full time for a month to prepare a report which contains information that is otherwise available, is it reasonable or should we perhaps find a more appropriate function or responsibility for that particular member of staff, or should we perhaps be ensuring that that particular staffing resource is employed in the provision of, say, health care services, education services or community safety?

This is something that governments do all the time. Yes, we have traditionally provided a quarterly capital works report, but the information is otherwise available. We have reduced the size of the public service by 700 in the last year. In reducing the size of the public service by 700, you have to understand, if you are determined to continue to provide services of the same or enhanced level, that you need a significant move in the nature of the services that are provided from administration to service delivery. No services have declined in quality or capacity as a result of any decisions we have taken in recent times. Service levels have been maintained. Services have been enhanced.

MRS BURKE: Are you sure about that?

Mr Stanhope: Absolutely.

MRS BURKE: That is a big call, a huge call.

MR MULCAHY: Are you sure?

Mr Stanhope: Absolutely. Give me an example.

MRS BURKE: SAAP services for one, and don't tell me about the commonwealth.

Mr Stanhope: We have not reduced the delivery of SAAP services at all. We have

cut administration. We have asked those organisations involved in the delivery of SAAP to be more efficient, as we have demanded of our own public service. Not a single bed cut, not a single service reduced.

MRS BURKE: People are handing houses back because they can't run the service.

Mr Stanhope: And we still overmatch significantly, significantly overmatch, in both housing and SAAP. So, because there has been a reduction, it doesn't mean there has been a reduction in services. Similarly in relation to the preparation of reports, the information provided in that report is otherwise available. It is simply not possible to demand a continuation of the level of service which we provide whilst creating efficiencies and maintaining, on the basis of history or precedent, the delivery of a report which essentially is not required because you can get the information elsewhere.

THE CHAIR: Let's move on to output class 1.3, which relates to revenue management.

MR MULCAHY: In relation to 1.3, particularly revenue management, the key outputs include collecting \$820 million in taxation, which is in excess of the 2006-07 target of \$737 million. I am just wondering in terms of what this will now translate into as to the average amount households will pay in ACT government charges in 2007-08. In particular, I would like to draw your attention to your new wage price indexation, unique to this territory compared to every other state in Australia. How do you expect people who are on fixed incomes, retirees and superannuants whose income would be rising only by CPI, to find the money where government charges are going up at a much faster rate than they are experiencing in terms of growth of their own income? What work did your Treasury do on these impacts?

Mr Stanhope: I am just trying to find if we have those particular figures in relation to an average household. I do have estimates and comparisons between 2006-07 and 2007-08 and I will just go through those; but, in relation to the household estimate that you have asked for, I am not quite sure that I have it. For instance, as to differences between 2006-07 and 2007-08 in relation to tax, payroll tax in 2006-07 was \$220 million and we are estimating \$239 million, an increase of 8.2 per cent, plus initiatives to increase compliance activity from the last three years. The estimated outcome for general rates is \$158 million for 2006-07 and we are anticipating \$165 million. That increase is due to an estimated existing growth of 3.7 per cent, new properties of \$1.3 million, and provision for interest charges of \$600,000. The land tax estimates reflect an estimated outcome for 2006-07 of \$63 million and a 2007-08 budget of \$72 million. That increase is due to an estimated growth of properties subject to land tax.

The estimated outcome for conveyance duty is \$198 million and the 2007-08 budget estimate is \$194 million, a decrease of 2.4 per cent. We note that residential conveyances increased by nine per cent due to an expected volume of value increases and commercial conveyancing is anticipated to decrease by 26 per cent as a result of abnormal transactions in 2006-07. So we are anticipating a reduction in conveyancing duty of 2.4 per cent. The estimated outcome for general insurance in 2006-07 is \$33 million and for 2007-08 it is \$35 million, an increase of four per cent, due to indexation. The outcome for life insurance is \$976,000 against an outcome expected

this year of \$635,000, a decrease of 34 per cent, a very volatile line. The estimated outcome for lease duty is \$9.2 million. There were several large transactions in January which were expected to occur in 2007-08. The 2007-08 budget is \$7.2 million, a decrease of 22 per cent. The estimated outcome for motor registrations and transfers is \$25.3 million against the budget for 2007-08 of \$26.4 million, which is a fixed rate increase of 4.3 per cent.

The estimated outcome for shares and marketable security duty is \$9.5 million. That included four unexpected large transactions, each with duty payable of over \$1 million. The estimated outcome for the ambulance levy is \$8.9 million. On 1 January the relevant amount used to calculate the ambulance service levy was increased to 1.72 to more fully cover the costs of providing ambulance services, and that has been reflected in an estimated increase to \$11 million. The estimated outcome for 2006-07 for income tax equivalents is \$26 million. The estimates in 2007-08 reflect large increases from two major public trading enterprises which increased the 2007-08 budget estimates to \$46 million, an increase of 59 per cent. The estimated outcome for regulatory fees is \$340,000. That includes a one-off adjustment of \$8,000. The estimated outcome for the fire and emergency services levy is \$20 million. There is an estimated increase in the 2007-08 budget of six per cent due to new property growth. As a result of the 2007-08 budget revenue initiative, the waivers estimate has increased by \$400,000. The estimated outcome for the 2006-07 city centre marketing improvement levy is nil, due to the deferment of the initiative from 1 January to 1 July. The estimate for 2007-08 is \$1.4 million. The estimated outcome for 2006-07 for the network facilities tax is \$7 million, which reflects a half-year impact, and the 2007-08 budget estimates a return of \$16 million. Those are estimates of the difference.

MR MULCAHY: Are you able to answer my question, though?

Mr Stanhope: But I do not have with me—

MR MULCAHY: The various bits of paper I am hoping for.

Mr Stanhope: There is another. I do have, actually, the increases here. It might be convenient for me to table that document.

MR MULCAHY: Are you able to cite the average, Chief Minister?

Mr Stanhope: The range of revenue measures impacting on all households is: general rates, the fire and emergency services levy, the water abstraction charge and the utilities network. As to the utilities network facilities tax, the estimated impact in 2006-07 was \$234 and the full year impact potentially as a result of the utilities network facilities tax is \$379, an increase over the year of \$145.

MR MULCAHY: Is that \$145 per household?

Mr Stanhope: Per household.

THE CHAIR: Mrs Burke, do you have a question on revenue measures?

MR MULCAHY: He hasn't answered the second part of the question yet.

Mr Stanhope: Which was the last one?

MR MULCAHY: The bit about the impact, how you expect people who are on fixed incomes, who are getting their income growth only at CPI, to meet your rate of increase on taxes and charges under the wage price indexation system unique to the ACT.

Mr Stanhope: Mr Mulcahy, as we are aware, governments in the delivery of services are met with the real cost of the delivery of the service, and the real cost is reflected, as much as anything, in wages. I think the position that the ACT government has taken in relation to this is reasonable. The fact that we have indexed increases in charges by wage price rather than the CPI is a simple reflection of the cost to government of the delivery of the service, and the cost to government—

MR MULCAHY: So what does the superannuant do?

Mr Stanhope: Just let me finish. The cost to government is reflected, by and large and more than through any other item, in the cost of wages. Once again, it goes to the urban myth under which we have laboured over the last 20 years, which is that there is some magic formula or some sort of fairy floss that allows us here in the territory to deliver government services at a level which the community rightly expects but without the wherewithal to pay for them. I wonder what the answer would to the question you pose if a Liberal government, as I assume you would, actually abolished wage price indexation. How would you meet the difference? You would have to put up rates or you would have to put up something else.

MR MULCAHY: Can you answer my question? How will the public meet your charge?

Mr Stanhope: So you would have to actually tax those people that you pretend that you are seeking to protect. You would have to tax them through some other mechanism or you would have to cut services. At some stage in this debate the Liberal Party has to own up to that. You have signalled that you intend to cut a whole raft of taxes. You rabbit on constantly—you did it again today—that we should accept Peter Costello's last foray in relation to stamp duty and the need to abolish that. That would cost us over \$40 million. You endorse that: "You should do this." You rabbit on about it constantly.

MR MULCAHY: I asked you what you have done in reply. I asked you what your submission was.

Mr Stanhope: In the chamber over the last year you have raised this matter a dozen times or more. You are suggesting that I should willingly accept—

MR MULCAHY: It is your budget, nor ours, Chief Minister.

Mr Stanhope: That is right, but the people have a right to know, and I need to know so that I can better respond to you, what the alternative position is. Here we have again Mr Mulcahy today raising a policy that, of course, he is sympathetic towards,

namely, a policy of Peter Costello's to reduce ACT revenues by \$44 million a year, without suggesting how we would fill that particular \$44 million hole.

MR MULCAHY: That is what he has asked you to do.

Mr Stanhope: One of the things we do to ensure that we have the capacity is to ensure that services that are delivered are indexed by the more realistic of the costs which government is required to meet in relation to those services and their delivery, that is, the cost of wages, and that is reflected in the wage price index. But it probably would be relevant to ask a Treasury official to explain the difference in dollar terms between the two, which in 2005-06 was \$600,000.

MR MULCAHY: But how is the individual household meant to cope?

Mr Stanhope: The cost across the territory in a year, and the year for which we have the most recent figures, is \$600,000. Mr Mulcahy, this, of course, is a dreadful impost, \$600,000, but it reflects and it is consistent with the reforms which the government has initiated and it is consistent with essentially the need to understand that, if a government is to deliver services at a certain level, it is reasonable that the costs to government in the delivering of the services, if it is at a level which the community wants and expects and is comfortable with, will be met. Here is another instance of that. If the cost of delivering a service goes up because of the cost of wages and there is a wage rise over the course of the year, the government must, in order to continue to deliver that service at that level, meet that cost.

MR MULCAHY: The wages are not 100 per cent of the cost of the service.

Mr Stanhope: Yes, it is, and the wages go up constantly. Our public servants—

MR MULCAHY: But it is not 100 per cent of the costs.

THE CHAIR: Mr Mulcahy!

Mr Stanhope: We have just negotiated across the board four per cent wage rises for our entire public service, including teachers and nurses, and we are engaged in negotiations for similar rises by other public servants. I do not have the figure in front of me, but what is that in a year for a four per cent wages rise? It is hundreds of millions of dollars. That is what it is. That is what that means to increase—

MR STEFANIAK: I do not think it is hundreds.

Mr Stanhope: Over the term of the agreement it is, a couple of hundred million dollars over three years.

MRS BURKE: My question relates to page 70 of BP4 and concerns the processing of 220 objections and reviews of decision. Can you explain that to us, and at what cost to the community?

Mr Stanhope: I will ask Ms Smithies to deal with that.

Ms Smithies: I will ask the Commissioner for ACT Revenue to deal with that.

Mr Dowell: The 220 objections we get a year relate to all tax lines. That would include property valuations for rates as well as payroll tax. The objections can relate to either the primary tax or any penalties or any interest imposed. They can also relate to any decision made by the commissioner across most of the commissioner's discretions. So they cover a wide range of issues. The process is that, when an assessment or a land valuation is issued, people have 60 days to make an objection, and then the objection is considered internally. Once they have got the decision on that, if they are unhappy with that, they have 28 days, I think it is, to take it to the Administrative Appeals Tribunal.

MRS BURKE: Do you have a breakdown of the objections in terms of the categories you have just listed? What is the breakdown? You may need to take this on notice, and that is fine.

Mr Dowell: I will have to take that on notice.

MRS BURKE: What is the breakdown going back over the last three years.

Mr Dowell: Okay.

MRS BURKE: Could you give us a breakdown of the objections and the nature of those objections, and a cost in terms of what it is costing the taxpayers to actually deal with those objections—if that is possible; it may be hard to extrapolate.

Mr Dowell: That is a little hard to look at. It will depend on what the objection is about, what information they have supplied and what information we have needed to seek from them to get an answer. It will also depend on whether they have taken it through to the AAT. In terms of our costs, once it goes to the AAT it becomes very expensive.

MRS BURKE: And can you give us an indicative cost of that back to the taxpayer?

Mr Dowell: Okay, I will have to—

THE CHAIR: Dr Foskey.

Mr Stanhope: Can I just clarify? I do have the rough numbers. The cumulative effect of the latest round of pay rises over the next four years is \$545 million, give or take a dollar. That is what a four per cent pay rise costs cumulatively over the next four years—\$550 million.

MR MULCAHY: Over four years?

Mr Stanhope: Yes, over the next four years.

THE CHAIR: Dr Foskey—

MR MULCAHY: So it is one-sixth of your total budget?

THE CHAIR: We are still in output class 1.3. We will try and get that finished by midday so that we can have Actew come in.

Mr Stanhope: It is a lot of money.

DR FOSKEY: I want to ask something in relation to a question about increased impacts on households. Wouldn't you think that people who were facing increased costs of the kind that were introduced in last year's budget would expect to have a maintenance of service, if not an increase in service, to compensate for that cost? I refer to things like libraries staying open. Of course, I am not even going to mention the word "schools", but I refer to things like libraries remaining open for that class of people that Mr Mulcahy was referring to, who are some of the people who are most disadvantaged by the closure of the Griffith library, for instance—and now the subsequent closure of the Civic library.

Mr Stanhope: It is rather unfortunate to suggest that I should have held the hail back in some way or that—

DR FOSKEY: Oh, couldn't you do that?

Mr Stanhope: It is an expectation that some have, and I think commentary such as that sort of adds to it. To suggest in a serious question in estimates around decisions that the government has taken that—

DR FOSKEY: Level of service in relation to taxes charged, costs—

Mr Stanhope: Dr Foskey you have just—I do not know whether it was frivolous, but it was in relation to a serious matter—suggested that the government or I, in some way, should now accept some responsibility for the fact that a hailstorm closed a library after essentially destroying all of its—

DR FOSKEY: Let us go back to Griffith library then.

Mr Stanhope: You should not have raised the Civic library then. I am not going to sit here and say, "I accept responsibility for the fact that a hailstorm destroyed the Civic library."

DR FOSKEY: Especially when you are looking for a way out of answering the question, Treasurer.

Mr Stanhope: I am happy to go to the question, Dr Foskey, but I am not going to accept responsibility for a very direct act of God that led to the closure of the Civic library. It is just nonsense. We did, of course, take the decision to close the Griffith library—once again, as a result of a determination to better focus our resources to ensure that they are more equitably distributed and that we have the capacity to maintain services of the standard that the people of Canberra would like. I would like to keep everything open at all times and fully funded. We all would. Nobody likes to close any facility at any time. But at times it is a necessary part of government and decision making. Governments sometimes do not have the luxury or the liberty that

others do. “Keep it open at all times at all costs, irrespective of—”

DR FOSKEY: Increased taxes.

Mr Stanhope: “irrespective of the efficiencies or the demand.”

DR FOSKEY: Reduced services.

Mr Stanhope: I understand, for instance, that it was costing the taxpayer somewhere in the order of \$5 per library loan at the Griffith library. That was the cost—

DR FOSKEY: I would like to see the figures. Could you produce the figures to show that, please, Mr Stanhope?

Mr Stanhope: I am sure they have been, through—

DR FOSKEY: I would like them tabled here.

Mr Stanhope: reports that have been previously completed in relation to this. There are very good reasons for the decision that the government took, and it needs to be acknowledged that in the most recent budget—the budget we are debating today—there is a significant enhancement of funding for the library service. It also needs to be acknowledged that in government we have built a brand new library—state of the art, probably the best library in Australia—in Civic.

DR FOSKEY: Except for its drainage issues.

Mr Stanhope: We have also delivered a fantastic library at Kippax for the people at Belconnen—a fantastic library. We have invested heavily in library services through two brand-new libraries—state of the art, wonderful facilities. Nature has intervened in relation to one of them. We are hopeful, of course, the damage will—

DR FOSKEY: And perhaps some design issues too.

Mr Stanhope: Perhaps, Dr Foskey, but—

MR STEFANIAK: I want to go to page 70 of BP4, which says that key outputs for 2007-08 include “processing 1,500 Stamp Duty Homebuyer Concessions”. That is down from the target of 2,000 concessions in 2006-07. Has this changed due to the deferral of stamp duty? If not, why are you expecting a reduction in stamp duty homebuyer concessions?

Mr Dowell: That is reflecting the number that we got through last year—in the 2006-07 year.

MR STEFANIAK: How many did you get?

Mr Dowell: I think it was around that number this year. It is not reflecting an expectation of a change due to stamp duty deferral at all.

THE CHAIR: Mr Smyth, you have a question?

MR SMYTH: It follows on from that. Chief Minister, could you outline how the new concession—the deferral of the payment of stamp duty—will work? Can you inform the committee at what rate of interest that deferral will be charged and what modelling has been done to determine the extra debt that that would put on first home owners or first home buyers?

Mr Dowell: The amount of interest that will be charged will be based on a commercial bank rate, which will reduce arbitrage between the bank as a lender and the bank; it will be up to individuals to look at their own financial circumstances to determine whether it is something that they want to go into or not.

MR SMYTH: What modelling has been done, and how much will that add to the debt? You must have done some modelling on the effect of this on first home buyers?

Mr Dowell: The modelling, in terms of the length of time they will be able to effectively defer the final part of the payment for—all of the payment for five years and then pay over the following five years. So you are looking at a 10-year term; therefore the total debt would be less than if it were financed through a 20 or 30-year loan.

THE CHAIR: Ms Porter?

MR SMYTH: But what—you said—

Mr Dowell: It is really reliant on the individual's financial circumstances.

MR SMYTH: If it were to start today, what rate would they be charged? Are they going to be charged the same as the home loan rate or is it a different rate?

Mr Dowell: The home loan rate is 8.07 per cent, I think, at the moment; it would be a similar rate.

MR SMYTH: And that is what you would be charging?

Mr Dowell: Yes.

MR SMYTH: Similar higher or similar lower?

Mr Dowell: It would be based on the benchmark, which would be a commercial lending rate.

MR SMYTH: Was modelling done to work out how much that will add to their debt?

Mr Dowell: It will depend on the individual circumstances. You would not necessarily model that across the—

MR SMYTH: With a median amount of stamp duty, how much would that be added to the debt?

Mr Dowell: It is not really adding to the debt, because they would have had to pay it under any other system anyway. It is just an alternative to reduce the incidence of debt.

MR SMYTH: But if we do not know how much—

THE CHAIR: Mr Smyth—

MS PORTER: Thank you.

THE CHAIR: Ms Porter.

MR SMYTH: It is a reasonable question.

MS PORTER: Thank you, Chair.

MRS BURKE: It is a line of questioning.

MR SMYTH: We do not know how much that will be?

THE CHAIR: We are going to the close of 1.3. I want to share the questions around.

Mr Dowell: It will depend on the individual circumstances, and that is varied.

THE CHAIR: Ms Porter.

MS PORTER: Thank you, Chair. I have a matter of clarification, Treasurer, on page 81 of budget paper 4, under the notes to the budget statements. I am sure you will be able to clarify it for me. There are two amounts mentioned. One is a rollover of funding for the restructure fund of \$14 million; then there is a dot point further down which talks about an increase in funding for the restructure fund of \$9.8 million. I am just wondering if you could clarify those two for me, please. This is at page 81 of budget paper 4 under the notes to the budget statements.

Ms Smithies: We had around \$28 million set aside in the restructuring fund in the 2005-06 year. A significant proportion of that will be rolled into the 2007-08 year, largely because that funding has been put aside either for voluntary redundancies or to invest in things that will facilitate the achievement of savings.

MS PORTER: Right.

Ms Smithies: Obviously, a lot of that is around government accommodation or voluntary redundancies. It has not been needed this year, but there is an indication that we will still be needing to call on that next financial year, and that adds to the pool that we have available in the 2007-08 budget.

MS PORTER: So why is there an increase in the funding for the restructure fund of \$9.8 million—mentioned in the third dot point from the bottom?

Ms Smithies: I will get Lisa Holmes, the CFO, to answer that.

MS PORTER: Thank you very much.

Ms Holmes: We rolled \$14 million out of this year into the forward years. However, we rolled it into two forward years. We rolled essentially \$10 million into next financial year and \$4 million into the year after that.

MS PORTER: That is what that dot point is about?

Ms Holmes: Yes. They are different timings. The first explanation is from the original budget to the estimated outcome for this year, which was the \$14 million roll forward. The next one explains from the estimated outcome from this year to the budget for next year.

MS PORTER: Okay. Thank you very much.

MR MULCAHY: Why was it so far off the money?

THE CHAIR: We have got one last question on 1.3.

MR MULCAHY: Just a supplementary to that.

THE CHAIR: Yes, and then we will go to Actew.

MR MULCAHY: Why was it so out in terms of budgeting in terms of your requirements?

Mr Stanhope: Far more people—of the approximately 500 reduction in permanent positions within the ACT public service over the last year, the majority were as a result of attrition and separation. There was not nearly the level of redundancies that it was anticipated at this time last year there might have been. It is quite simple: there were far fewer redundancies. The majority of reductions were achieved through natural attrition and separation. It is quite simple.

THE CHAIR: Thank you, members of the Treasury and officials. We will now go to Actew Corporation.

MR STEFANIAK: I have just one question. Chief Minister, during questioning on this output class, on a number of occasions you have mentioned the reduction of employees. Could you give the committee a break-up? I think you said that there were 700 all up over the last year and about 300 before that.

Mr Stanhope: That is a matter for Chief Minister's, of course.

MR STEFANIAK: True, but could you take that on notice—which ones were redundancies and which ones were positions made redundant.

Mr Stanhope: I will anticipate—sure thing. I will ensure that Chief Minister's is ready with an answer when Chief Minister's appears.

MR STEFANIAK: That would help.

THE CHAIR: Thank you, Treasury officials, for coming in to the estimates committee.

Mr Stanhope: Thank you.

Appearances:

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

Actew Corporation Ltd

Costello, Mr Michael, Managing Director

Knee, Mr Ross, Principal Strategic Planner

McIlwraith, Mr Kerry, Chief Finance Officer

Wallace, Mr Simon, Chief Accounting Officer

Webber, Mr Simon, Technical Manager

Webb, Mr Chris, Deputy Project Director, Water2WATER

Stolt, Ms Marlene, Corporate Communications Manager

THE CHAIR: I welcome Mr Costello and officials from Actew Corporation to the 2007 estimates hearings. I will just read the privilege card for you.

The committee has authorised the recording, broadcasting and re-broadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings.

Before the committee commences taking evidence, let me place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Parliamentary privilege means special rights and immunities attach to parliament, its members and others necessary to discharge the functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

We are due to break at 12.30. Minister or Mr Costello, would you like to make any opening comments?

Mr Stanhope: I have no comments to make. Mr Costello may. I thank the committee for extending this opportunity to Actew to assist with its consideration of the budget. Mr Costello and his officials stand ready to render whatever assistance the committee may require.

Mr Costello: Mr Chairman, I think the committee would probably find it more useful to ask questions than to hear from me.

THE CHAIR: Thank you. Ms Porter?

MS PORTER: Chief Minister, on page 443 of budget paper 4, where it talks about the 2007-08 priorities, one of the dot points mentions “liaising with the Environmental Protection Authority regarding the monitoring and the future review of environmental flow levels”. Could you explain what these environmental flows are and how they fit in with the ACT’s water strategies?

Mr Stanhope: Thank you, Ms Porter; I welcome the question. I will leave it to Mr Costello, but let me just say by way of introduction that there has been, I believe, quite significant misunderstanding and some level of mischievousness around the nature and purpose of environmental flows. It seems to me that there is some confusion around what it is that we seek to achieve through the regulating of environmental flows from our catchments.

This is not some greenie conspiracy. This is just the designation of minimum flows. Environmental flows seek to mimic what nature would provide, taking into account that we have constructed dams across a series of rivers and in catchments. We have interfered with the natural flow of rivers and with riparian systems. Accepting our need for water and secure water storage, in the context of those riverine systems we nevertheless seek to mimic nature to the extent that we can.

“Environmental flow levels” is simply a description of the waters which, accepting the interference which we have had, we believe nature would provide in the circumstances of our need for storage. I regret some of the misinformation that has been abroad in relation to environmental flows—the position that is abroad that environmental flows are in some way some evil and that governments, and environmentalists most particularly, are deliberately seeking to reduce our water security.

In relation to the work that has been done and the liaising which there is between Actew and the Environmental Protection Authority today, I would ask Actew to respond. Perhaps it is an issue you might wish to pursue with Environment ACT when they appear before the committee—to get their perspective.

MS PORTER: Thank you.

Mr Stanhope: Mr Costello?

Mr Costello: I will ask Mr Knee to go into some of the detail, but here are a couple of broad observations. The first is that these are obviously not unique to the ACT; they are part of the requirements of all states. It is part of the COAG arrangements. All states have environmental flows. We are simply part of the national approach required of us.

The second thing—as you will hear—is that they are not absolute; they dramatically respond to drought conditions. When our dams get down to certain levels and certain levels of restrictions are imposed, any amounts of water that come out of our dams change dramatically. At the moment virtually nothing is coming out of Googong Dam—almost no environmental flow at all.

There is sometimes a bit of a misunderstanding as to what comes out of the Cotter Dam. People take the flows that they see come out of the Corin Dam, the Bendora Dam and the Cotter Dam and they add them all up. But of course that is not what happens. They come out of the Corin Dam. They then flow into the Bendora Dam. They flow out of Bendora Dam and then they flow into the Cotter Dam. So, in the end, it is what comes out of the Cotter Dam that is, what you might call technically, lost to the drinking system.

Up until a few years ago you really had to measure what came out of Bendora. We could not control what went out of the Cotter system because we could not take any water out of the Cotter Dam. We could not because we had no ability to treat the water out of the Cotter Dam, which was not sufficiently good quality to use in our drinking system.

In those days we simply took water out of Bendora—very high quality water, pristine dams, beautiful water—did some minor treatment of it of the very low-level kind and put it into the drinking system. It was very high quality water. Unfortunately, the fires brought an end to that. With the denuding of the landscape we got a lot more turbidity in there. The water there, potentially after any big storm, could be so turbid that you certainly could not use it without much higher levels of treatment. Accordingly, we built there—and at the same time took the opportunity to expand at Googong—a plant with the ability to treat water of a much lower quality with much higher levels of turbidity in it.

This had the added benefit of our being able to take water out of the Cotter Dam, pump it up the hill, treat it and use it to drink. So that when water comes down in environmental flows into the Cotter Dam, instead of it all automatically flowing over, we are now able to extract a lot of that water, bring it up and use it. Indeed, we can transfer it to Googong when there is enough water flowing through—if we are not using it directly and we are not using Googong. The situation has changed quite importantly in the last couple of years in relation to environmental flows. We are now able to extract a lot of water out of the Cotter Dam, which we were not able to do in the past.

The existence of the new filtration plant has also had another great benefit. We are now able to extract water from the Murrumbidgee, pump it up in the same way and put it through our treatment plants. Subject to very stringent health regulations—which interestingly enough are about to impact again—we can then use that water.

I have been through those health regulations in some detail before. Fundamentally they mean this: when you have a very heavy rain event, as we have had up at Cooma very recently, you have to stop pumping for several days because you need to check the quality of the water. We have gone from about a 100-megalitre-a-day flow—from which we are pumping successfully and have been for some time—to about a 3,000-megalitre-a-day flow in about 36 hours. You then have to stop pumping.

Fortunately, by early summer, we hope we will have in place a new facility up there called an ultraviolet ray treatment system. We will then not have to stop pumping. Killing all the pathogens as they come out will provide a final level of reassurance.

That will be an additional benefit to us.

We now have the capacity to take water from the Cotter Dam. This changes the environmental flow equation very significantly. It very significantly reduces the outflow from the lower Cotter. It is normally about 15 megalitres a day. At the moment it is five. I think we are in discussions with the environment department to talk about how that can be further modified if we absolutely have to. We are looking at some other alternatives in our current modelling and we are thinking about how we can substitute that.

So with that introduction I will ask Ross to talk a bit more about the current discussions with the environment department. I point out that the first environmental guidelines were brought in, I think, 2000.

Mr Knee: 1999.

Mr Costello: Very good they were too.

MR SMYTH: My word; very sound guidelines.

Mr Costello: Very sound. And, like all good ideas, they need to be reviewed. And they were reviewed, and they were modified I think about a year ago. They came into force in January 2006 and provided more flexibility, particularly for drought situations. That is where we stand. Do you want to add something to that?

Mr Knee: I think you have just about covered it.

Mr Costello: I'm sorry; you cannot shut me up.

MS PORTER: I guess this is like a supplementary to this, Chief Minister. We still need to manage water restrictions as well. Could you tell me how the government is working to prepare for possible impacts of stage 4 water restrictions?

Mr Stanhope: It is best if I ask Mr Costello to respond to that. Indeed, as you are aware, I also have a number of officials from within the government working on exactly the same issue. But Mr Costello certainly could respond on behalf of the work that Actew is doing. Again, it is an issue that I have pursued with other departments. But Mr Costello could go to the work being done, of which Actew is a fundamental part.

MS PORTER: Yes, it is listed as one of their priorities here.

Mr Stanhope: Yes, absolutely, Ms Porter.

Mr Costello: Under the law of the ACT, the responsibility for decisions on what stage of restrictions, if any, we go into lies with Actew. We have foreshadowed the possibility that we will have to go onto stage 4 restrictions on 1 July. I am pleased to be able to say that I will be putting out an announcement early this afternoon that that has been put off until 1 August.

There are three reasons for that. One is that the Murrumbidgee extraction has been very successful—very high quality of very well-tested water coming out of the system. As I have just said, we will have to put it on hold for a couple of days with this big rain event. But still, the fact that we have got such high flows means that we can rely on the fact that, for the next month at least, we will be able to continue to extract water at a good rate from the Murrumbidgee. That is one important reason.

The second important reason is a vote of thanks to the people of Canberra. They are well below the consumption targets of stage 3. In fact, the levels of consumption in Canberra at the moment are pretty much what we would expect in tier 1 of stage 4—about 90 megalitres a day. This is a very significant achievement. That has been going on for several weeks now. Unlike the earlier period when we were failing to hit targets, we are now well under targets. Thirdly—I am happy to say—our dams have gone up in the last couple of days.

MR MULCAHY: How much?

Mr Costello: They have gone up from 30.9 or thereabouts to 31.3. On that basis we would not even reach the trigger target by 1 July, because we are using only about—as a rough rule of thumb—0.1 per cent of our dams per week. If we are now at 30.3 we will not even reach that target. We do not want to be in a position where we drop under and immediately go into it and then come out of it again two weeks later because we get a bit of rain. I do not want to do that. So I think it will be 1 August. You never know, if things keep going as well as this, we may be able to delay it another month.

This gives us the chance to continue the work that we are now doing with both industry and government. That work involves talking to industry groups, community groups and anyone who wishes to speak to us—as we keep advertising—about what we can do if we do have to go into stage 4. We do not want to go in full-blooded on the first day. If we did, we would simply stop all outside watering and stop a number of other things. We do not think we should get to that stage until we are a reasonable amount under 30 per cent. And we are not close to that yet.

What does this mean? It means that with business we are looking at trying to find ways that we can still get a good result—not the full effect of level 4, but still a good result; better than stage 3—by allowing some exemptions. That applies to things such as carwashes. There have been many discussions with carwash people—us, the government and the opposition—and they are becoming more and more fruitful as the days go by. Both we and the government have had a lot of discussion with the construction business.

In the end it is our job, after consulting with government, to make the decision on what those exemptions might be. I think the government is looking—it is for the Chief Minister to say, through its IDC, with whom we are working very closely—to the possibility of what else could be done to help.

One of the things we are now looking at—we should have some more detail on it—is what we can do in supplying water from lower Molonglo on a very large scale, potentially from Fyshwick, although that is a bit trickier. There is plenty of water at

lower Molonglo. But sometimes people do not realise the huge volume and weight of water. For example, it has been suggested to us that each year the carwash industry uses about 25 to 30 megalitres, which does not sound a lot, except it is 25 to 30 million litres of water. One large tanker on a semitrailer takes 20,000. So you see you have a big job of moving water around.

Then look at what you have to do for playing fields. That is huge. However, not being daunted, we are looking as hard as we can at what we can do in that regard. We are particularly concerned about playing fields not only for community and health reasons but also, quite frankly, for industrial, economic and employment reasons. What we can do, we will do, because there are cost trade-offs. There are cost trade-offs to the government in having to repair ovals that suffer and there is the cost to industry. It is not just a question of costs; it is a question of being able to physically do a lot.

MR SMYTH: I have a supplementary to that question. Can you outline the criteria under stage 4 that will leave ovals open or have them closed?

Mr Costello: In stage 4 there should be no watering of ovals at all. That is what stage 4 says. So on what basis will we have some exemptions? Let me be honest about this. There will be a lot of trial and error here because nobody has ever been in stage 4. But roughly what we are trying to do is this: full stage 4 means a target—on average, every day, 365 days a year—of about 83 megalitres a day of use.

We are working on a consumption of about 90 for tier 1. When we get all the proposals in for exemptions—and we expect to complete that process by the end of this week; in fact we now have a bit more time—we need to look at their overall impact in terms of consumption. Until we see the actual proposals, it is a bit hard to make a judgement.

MR SMYTH: But there must be criteria that will guide your judgement.

Mr Costello: Yes.

MR SMYTH: What are the criteria?

Mr Costello: The first criterion is that we have to achieve 90 a day. There is no point having exemptions and suddenly being at 100 or 110 a day because you have got exemptions. That is the first thing. The second thing is that we need to see what is proposed and what people—the sportspeople, both private sector and from the government—think is a reasonable thing. We need to see whether that is viable. We can work only on the basis of the proposals put to us for an exemption. We will be maximising what we can do. If I can put it this way, at first we will err on the side of generosity rather than on harshness.

MR SMYTH: On what basis will you judge the proposals put forward to you?

Mr Costello: They are being put forward as a joint proposal by the government and the industry.

MR SMYTH: But, again, how then will you assess that?

Mr Costello: How will we say it? We will say that if that will take above 15 megalitres a day we cannot do it because that will take us well above 90 megalitres a day.

MR SMYTH: So it will be strictly on the 90-megalitre target?

Mr Costello: Ninety or so.

MR SMYTH: Not on the requirements of the sports or keeping a certain number of ovals open?

Mr Costello: I understand what you are saying about the requirements of the sports. But technically we are supposed to say, "Don't water anything at all from the day stage 1 comes in." This is so that we can achieve a target of 83 megalitres a day. I am saying that we are prepared to give a bit of room and see how things develop until probably summer. But the sort of room we are looking at is an extra 7 to 10 megalitres a day to around about 90 megalitres a day. If they are schemes that we are convinced will not take us way over that—we have to think that others are involved in this too—then we are prepared to do that.

MR SMYTH: Is there a written document you could provide the committee?

Mr Costello: I am happy to send you something on that if you wish; yes.

DR FOSKEY: Page 443 talks about Actew's priorities. I notice that you are investigating opportunities to maximise the efficiency of the existing water supply system. Will these investigations be concluded and taken into account before the water recycling project is embarked upon? When are recommendations on the Water2WATER project due to government?

Mr Costello: We are doing our level best to have them to the government by the end of this month or early next month. That is our schedule. At the moment we should meet it, or go close to it anyway. I notice that Victoria, which had a 1 July date for a similar exercise, has put it off till the end of July or early August. I do not expect us to have to do that. But there are many cold towels on foreheads and much midnight oil being burnt as we try to do this on time.

As regards the other issue, we are looking at doing things such as what we have just done: maximising the use of the Murrumbidgee as much as we can. We are putting more money and more effort into building extra pumping capacity there and building reserve pumping capacity out at the pumping station so that if one of them breaks down—these things do break down every so often—it does not mean that we have a disaster on our hands.

We are looking at how we can maximise the output from the Fyshwick plant. We have a number of ideas in that regard. Some of them will not be completed until the end of next year. By the end of this year, as I mentioned, we should have in place the ultraviolet capacity. This will certainly mean we have a much more reliable source of supply from the Murrumbidgee. When we have difficult events, such as heavy rain for

two or three days, we will not have to stop while we check the quality of the water.

The Tantangara is very important both in the immediate term—the contingency point of view—and in the medium and longer term. In the short term, the federal government and the state governments have said that, if things remain like this, they will take control of the water that is in or will come into the Snowy Mountains scheme generally and make that available to urban centres down the Murray-Darling system. They will give priority to that rather than to the irrigation farmers. They had foreshadowed that they would cut off all allocations to irrigation farmers from 1 July. Whether that will still be the case in the light of the rain—although it does not seem to have affected the Murray-Darling system that much—I do not know. But Adelaide in particular will depend on getting some 200 gegalitres of water a year out of that.

Because our situation, believe it or not, is not regarded by them as dire—as is the situation of Adelaide and others—we would not get access to that water this coming financial year. But if our situation were the same next year, and indeed it got worse—if we had had a terrible summer, a terrible spring and a terrible winter and we were down to much lower levels—then we would have access to that water under that scheme.

So that is a last reserve backup. That water would be released from the Tantangara Dam. Instead of being released down through the normal dam system to create and generate power—where it should go; its natural flow is the Murrumbidgee—we would extract it from the river flow through our pumping system and increase our capacity. That is the contingency idea.

As a long-term option, we have always thought of the Tantangara option. We said it in our future water options paper in 2004-05. If you had the political and legal security to ensure that it really would stick, then Actew buying the rights to say 20 to 40 gegalitres would be a great idea. You would have to do a judgement on high security and low security water. But that being our water—buying it from irrigators downstream and storing it in Tantangara rather than releasing it—when we needed it, it could be released down the Murrumbidgee and used, perhaps by pumping across to Googong from Angle Crossing.

But the trading system was so unreliable. The attitudes—if I may say—of other players such as the Snowy, and New South Wales and Victoria—of course the federal government at that time had no involvement or interest in this—was such that we felt that we could not say to the government with any confidence that you could rely on that as a long-term strategy.

DR FOSKEY: Can I just ask you to elaborate on dot point 5 where you talk about working with the government to achieve a reduction in per capita consumption in mains water? I will not go on; you know those figures well. When are you going to achieve that? Is that being taken into account in the assessment of Water2WATER?

Mr Costello: Yes. As we said in our earlier paper, we assumed that those targets were achieved. It was part of our basic assumptions. Along with three other government parameters, that was one of them. We worked on the basis that those targets would be achieved. The interesting thing was that the permanent water conservation measures

seemed to achieve at least eight per cent, probably a little bit more, of that target. If we were to have even more rigorous permanent water conservation measures, they would go a considerable way.

MR STEFANIAK: Are you going to revise that target to 2013? I thought you were close to 12 per cent now. It is well below other places.

Mr Stanhope: At the moment it would be; it would probably be beyond.

Mr Costello: But that is because the restrictions have been in place.

Mr Stanhope: Yes, it is not usual. But Mr Stefaniak, you are right: that first target because of restrictions has been achieved.

Mr Costello: It has been well and truly achieved.

Mr Stanhope: One wonders whether in a changed circumstance the change is embedded. But through the permanent water restrictions, as Mr Costello says, we are confident that eight per cent of that first 12 per cent has been achieved.

Mr Costello: We know this because in 2006, when we had 67 per cent in our dams, we were only on the permanent water conservation measures. It was actually a little over 10 per cent reduction. We are being conservative. We have done well in that regard. My view—and this is just my view—is that in the end we will need to have another look at how you price these things to achieve the long-term target. But that is just my view; it may not be the view of the regulator. In the end, the regulator has a great deal to say about these things.

THE CHAIR: We are almost out of time. Mr Stefaniak, and then Mrs Burke.

MR STEFANIAK: I have several initial questions. Firstly, how much did the future water options project cost? Was that cost charged to water users? In relation to that, is all the material produced by the future water options, including the Tennant Dam fact sheets and the video of your good self shown at Regatta Point, available on Actew's website? If so, what are the hyperlinks? Why has the cost of the new lower Cotter Dam been revised down from, I think, \$250 million to \$150 million, while the cost of Tennant was revised upwards from \$250 million to \$300 million?

Mr Costello: Let me answer the second question first. The answer is that it has not been revised down at all. Its initial cost, in the future water options paper, was \$120 million and it has been revised up to \$150 million, plus or minus 30 per cent, as we said at the time. We always have these figures plus or minus. The reason is, as you know, until you go out to tender, you do not know.

Sometimes you can be surprised on the downside. But in the current environment, where these things are under huge demand and the whole construction industry is fully engaged, the prices can come as an unpleasant surprise. But they are the best estimates we have from people such as GHD and reputable engineering firms. So \$150 million is an increase on what we said in future water options, not a decrease.

Our original assessment was \$250 million for the Tennant Dam. We have also increased that. Using the same theory that we used for increasing the \$120 million to \$150 million, we increased the \$250 million to around \$300 million. That depends on whether you have to build a new treatment plant closer to the Tennant Dam. We do not quite know the answer to that yet. But if we had to do it, it would be additional on top of the \$300 million. It would not be a saving if we did not.

We have not in any way fiddled figures, Mr Stefaniak, I promise you—unlike some people at your forum on Saturday. On my understanding it was an extremely good and successful forum. But one person got up and announced that he could not understand what this was all about and that only 10 per cent of our water was used by homes, and then made a whole case based on that. Since 55 per cent is used domestically, it makes a bit of a difference to the case.

There are a lot of very loose facts and figures thrown around in this area. It is extremely difficult to know how to respond for the fourth time to the same inaccuracies when they are run by the same people. I am not looking at you; I am obviously talking about others. But that figure is not right. We believe it is \$150 million. We have to get formal validation of that when we go out to tender. In the current market I cannot tell you for sure that is what it will be. But we have not played with figures.

MR STEFANIAK: And the first part of the question?

Mr Costello: All our material from the future water options paper is available on the website. Yes, the cost of doing that work was included in our operational costs as a flow through to the regulator, I think two years ago.

MR STEFANIAK: Can you remember how much that was?

Mr Costello: I think it was about \$3.4 million.

MR STEFANIAK: Thank you.

Mr Costello: Yes, \$3.4 million.

THE CHAIR: Mrs Burke with the last question.

MRS BURKE: Can you tell us whether Canberra faces a serious shortage of drinking water? Or rather do we face a shortage of water for other purposes such as watering gardens, cleaning, washing cars, flushing toilets et cetera? You may want to take all of this on notice given the time. Given that the latter is true and our use of water for drinking is relatively small, why do we need the expense of a failsafe system of treating water for human consumption? Is Actew trying to save itself the cost of installing a second network of pipes and pumps in the ACT to distribute the secondary water? What would be the cost of doing so?

Mr Costello: We will have all that detail. I am happy to supply it to you. But in answer to the question are we trying to save costs—

MRS BURKE: First, could you say whether we have a serious shortage of drinking water?

Mr Costello: At the moment we have a serious shortage of water. A large part of the water available to us for drinking or for any other purposes comes from our potable drinking system. Yes, that is correct. Interestingly enough, seven per cent comes from recycled water through a dual-pipe system. That is available from our Fyshwick plant. There is water available through recycling. As to the virtues of saying, “Well, we have a two-pipe system and we recycle it and the second pipe system is for playing fields and so on,” that will be one of the options that we are putting to government.

I am happy to say—this has to come out the right way—that, from Actew’s point of view, there is absolutely no doubt that recycling, in the way you are talking about for playing fields and so on, is enormously expensive and we will demonstrate that. It also has very significant health risks from different systems being linked up. There was a conference in Melbourne and everyone is moving against dual-pipe systems for that reason. They are all moving against it.

I understand that the Netherlands closed down their national dual-pipe system because they simply could not stop people linking up the wrong pipes by accident. Aside from that, it is very, very expensive and takes a long while to do. From Actew’s point of view, if that is what the government decided to do, we would instantly do it. The cost of that would go into our capital base and it would be calculated by the regulator. From our point of view it does not make any difference. We will do whatever we are asked to.

THE CHAIR: Thank you, minister, and Actew officials. We are over time. If you want to ask any further environmental or water questions, the minister is due back next Monday.

MR STEFANIAK: I wonder whether Actew might come back to that too. I am sure that we have some; I am sure Dr Foskey has some. It is a crucially important issue. We will try to be quick. It might be sensible for Actew to come back for that.

Mr Costello: Could I ask what day that is?

THE CHAIR: Next Monday, 25 June, from 9.30 to 12.30.

Mr Costello: We are at your disposal.

MR STEFANIAK: Thank you very much. If you could, that would be helpful. Thank you, minister.

THE CHAIR: Thank you, minister, and officials.

Meeting adjourned from 12.32 to 2.31 pm.

Appearances:

Auditor General's Office

Pham, Ms Tu, Auditor-General

Nicholas, Mr Rod, Director, Performance Audits and Corporate Services

Sheville, Mr Bernie, Director Financial Audits

THE CHAIR: Good afternoon and welcome to the 2007 estimates committee. I welcome the Auditor-General, Ms Tu Pham, and staff of the Auditor-General's Office. We have allocated an hour for you this afternoon. I will read the privileges card to you. The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings. Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Parliamentary privilege means special rights and immunities attach to parliament, its members and others, necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing. Auditor-General, would you like to make any opening comments?

Ms Pham: No, thank you. I am happy to take questions from the committee.

THE CHAIR: Very good. I will start by referring to page 27 of budget paper 4, relating to the priorities of your portfolio for 2007-08. The second dot point relates to conducting audits in compliance with new and revised national auditing standards. Would you be able to give us an overview of some of the changes in the standards that have occurred?

Mr Sheville: As a result of a number of corporate collapses that happened in the 1980s and 1990s, the commonwealth made changes to the Corporations Act, known as CLERP 9 changes, and one of those changes was to give auditing standards the full force of law under Corporations Act audits. As auditors, we are required to comply with the auditing standards regardless of whether it is a Corporations Act audit that we do. As a result, we have been treating all auditing standards as mandatory from that time forward.

The main change has been in the level of documentation required. Previously, you just documented matters that were important in forming a view about the financial report. The auditing standards have been rewritten to indicate "shall" in relation to many of the procedures that need to be performed now. Previously, you only needed to do it if

you formed the judgement that it was important to forming an audit opinion, if you like. As a result, many audit procedures are now required to be performed regardless of whether the auditor formally holds the view that they add value or not.

The major impact we have found is in relation to the planning of financial audits, where there is a lot more documentation required in how we actually get to our detailed testing in our audit programs and risk assessments. There is a standard specifically on audit documentation, and it is essentially requiring significantly more documentation than was previously required. The impact of the change in terms of time on audits has been assessed by some of the accounting bodies. They predicted costs could go up by as much as 10 to 30 per cent. My feeling is that it will be at the lower end of that scale, as I think many of the procedures that we were supposed to be doing we had been doing anyway, so perhaps the full extent of the cost increases won't happen to us.

MRS BURKE: Good afternoon and thank you for appearing before our committee. I am really interested, as is always my wont, in the audit backlog and my concern is that possibly sufficient resources are not being directed to you in order for you to carry out your functions. How many audit assignments outstanding are either incomplete or have not been started and how long have they been outstanding? Perhaps you could give me the average time between notification and commencement of an audit, any trends over time in those periods of delay and what that lag would be; so a bit of a general overview, really, about the audit backlog, if you will.

Ms Pham: For this year, 2006-07, we planned to do 10 performance audits. By the end of this year, we will deliver on seven performance audits. The issue we are facing is our ability to recruit good, skilled, experienced auditors, rather than lack of money. Certainly with additional funding we could do more audits. However, given the market conditions at this stage and given our small office, our ability to recruit staff has not been as successful as we would like. Another difficulty we have is the high level of staff turnover. In this financial year, 2006-07, we have a staff turnover rate of 30 per cent.

MRS BURKE: Do you know why?

Ms Pham: Because most of our staff's skills are in high demand and they got better offers from commonwealth departments or private companies. In terms of our performance auditing capacity, last year we lost five of our team of nine—over 50 per cent of our performance team left the office—and that was a significant impediment to our ability to deliver a larger number of audits. I do not think that having more money at this stage, given the market condition, actually would produce more performance audits in that sense.

MRS BURKE: It's the people.

Ms Pham: Yes, and I have to make sure that we do not take in too many people without the relevant experience or without an ability to train them properly.

MRS BURKE: You are saying that money isn't the object, yet you are saying they are going to the commonwealth for better pay and conditions. Could you clarify that?

Ms Pham: Mr Nicholas may add more comments on this, but what I had to face was whether or not we were prepared to pay the salary. It is not at the moment, in my consideration, commensurate with the level of experience. For example, people with maybe one year's experience were asking for \$70,000 to \$80,000 per year. Graduates were asking for \$50,000 a year. I did not think that we should be prepared to pay that. I did not want to react to the market and then have to live with that reactive decision for years to come because we still had to train staff, we still had to make sure they had the capacity to do the work.

MR STEFANIAK: Are your four additional staff going to be auditors? With those additional staff are they going to go from 30 to 34? Are they meant to be new auditors?

Ms Pham: Our strategy at the moment is not actually to recruit auditors; we recruit people with broad skills and knowledge and train them as auditors. In the past, we recruited auditors and then broadened their knowledge of government activities and performance audit topics. Nowadays, because auditors are so rare to find, we have had to change our strategy, so the people we took in this year mostly were not auditors but had such experience that we could then train them as auditors.

DR FOSKEY: The PAC has explored those issues, so I won't go into them here. Of course, other members are welcome to do that. Recently, you produced a performance audit report—I hope it does not matter if I refer to it in this particular hearing—in which you said that there is a need for central agencies such as the Chief Minister's Department and Treasury to play a more effective leadership role and oversight the implementation of audit recommendations on whole-of-government issues. I believe that you observed that agencies are more likely to act on recommendations that are specific to their agency and less likely to act on recommendations that go across government. I am interested in whether you are seeing any movement or leadership from the Chief Minister's Department or any other government agency regarding implementing triple bottom line accounting standards and principles. I know that you have done a report on ESD and so on, and the government, of course, had a burst of enthusiasm for triple bottom line accounting, but I am afraid it is not visible, anyway. I have been told it is there in the budget, but I just couldn't find it. There is something wrong. I am just wondering if you could tell me what you have observed as you do your work and where leadership on this issue is coming from.

Ms Pham: I can only make some general observations on what I think has been happening regarding the government's implementation of triple bottom line reporting. I recognise that it is a complex process and it requires up to two or three years to get from the starting point to a position where you actually can produce good reporting on triple bottom line or, generally speaking, sustainability. About two or three years ago there was a commitment to progress triple bottom line reporting. Two years ago, when the government introduced strategic indicators, I believe that was a starting point for providing agencies with the opportunity to report on performance indicators which are not necessarily economic or financial-related. These are social performance indicators and also environmental performance indicators. However, in this budget I did not see further progress made on that line of progress that you would expect the government

to continue to get to the improved or final product of sustainable reporting.

I think that the ACT could fall behind progress made in other jurisdictions because other jurisdictions, and internationally too, are certainly trying to include more reporting on a holistic level. There is a lot of experience from the commonwealth Department of Environment and Heritage, the commonwealth department of family and community services, Sydney Water, Melbourne Water and the city of Melbourne. They all seem to have moved to more holistic reporting and I think that perhaps we have stalled a little bit for this financial year in terms of how I observe the budget process.

MS PORTER: Good afternoon, all of you. My question goes back to some things that I think you were alluding to before. Page 27 talks about priorities for 2007-08 and one of those is improvement of the office's capacity to provide advice to agencies on a range of matters, including legislation and governance. Given that you want to improve in that area, I presume that the advice that you will provide to the committee on where the weaknesses currently exist in that regard would be to do with those staff shortages or with the staff turnover you were talking about. Correct me if I am wrong in that area. Also, the strategies that you have in place, I presume, would be the strategies that you have just mentioned to do with recruiting generalist staff and then training them to be auditors. The second part of my question is that page 28 of budget paper 4 talks about a 13 per cent increase in the number of full-time equivalent staff. I wondered whether those were going to be auditors or whether they were going to be fulfilling other types of roles.

Ms Pham: The number of staff to be increased during the next financial year and some of them during this financial year will be mainly auditors. They will be performance auditors who will help produce more performance audits. At the same time, we put our resources and energy into providing additional advisory services to agencies. For example, we conduct a number of information seminars to talk to agencies about the new change in accounting standards and new audit methodology. We also work closely with Treasury to provide input to financial management issues.

Mr Sheville: The sorts of issues on the financial side that we have been commenting on are in relation to the Treasury model for financial statements, which is a fairly generic set of statements that they use to provide agencies with guidance. Of course, we need to make sure that our staff are undertaking quite advanced programs in accounting to be able to provide comments on those sorts of financial statements. Treasury also issues various financial guidance memorandums during the year and often we are asked to provide comments on that guidance before it is circulated to agencies. In that way we can tick off, if you like, on the guidance being provided against the requirements of the accounting standards before it gets released and implemented among agencies.

In terms of the agency seminars, we conduct one seminar a year in financial audit and that seminar covers a range of things. It alerts those who are actually involved in preparing the financial statements to changes in the accounting standards. This year we invited shared services to it to provide some information about the prospective responsibilities of shared services and what they will do to assist agencies in producing their financial reports. As well as that, we advise them on routine matters

such as the Treasury timetable, the annual reporting timetable, any changes in legislation that are likely to affect them.

MS PORTER: I seek some clarity. That was a terrific answer, but my concern is around the fact that you say on page 27, in the third dot point from the bottom under the 2007-08 priorities, that you want to improve the office's capacity to do those things that you are saying you are going to do. I wondered whether or not staff turnover and the shortage of auditors in the marketplace were going to make it difficult for you to do that.

Ms Pham: Certainly when we lose very experienced staff we do lose the capacity to perform our functions, including the advisory function, that we would like to deliver to agencies. That does not mean that we are no longer in a position to provide that advice. It means that internally we have to do a lot of rearrangement of priorities and that function may fall heavily on senior managers or directors. In the past, if we have very experienced senior auditor levels, a lot of that advice can be provided at the senior auditor level as part of the audit process where they go out and meet agency staff. Nowadays, we do not have the depth of experience at the senior auditor level, because that is the level that we lost to other departments, and the advisory function has come back to the higher level and we have had to juggle the capacity we have and then target different functions to different levels of management. But yes, the aim in the long run is always to have that capacity at all levels to provide advice as requested by departments during the audit, but some years we have to struggle a bit to do that. The brief answer to your question is that it will impact on our ability and capacity to provide advice to the agencies, but we will now build it up slowly again with the recruitment of five staff in the last three months of the year.

MR STEFANIAK: What is the extent of your legal resources? Over the last 12 months, which inquiries have required legal advice and what agencies have provided you with legal advice pertaining to or, indeed, restricting the emphasis of your inquiry?

Ms Pham: We certainly do not have an in-house legal advice capacity, although we do use our own knowledge of the legislation quite a bit, which may not require seeking external advice. When we need external legal advice on a complex area, I go to the ACT Government Solicitor's Office as the first port of call. If the government solicitor's office believes that there could be a conflict of interest because it already advises the government or the client department on the same issue, then we may feel the need to go outside to seek that legal advice. Last year when we did the audit for the sale of the EpiCentre, we sought legal advice from an external firm because the government solicitor had already provided advice to the LDA and the ACT planning authority.

MR STEFANIAK: Was that the only time you went externally? Were there other times when you were able to use the ACT Government Solicitor, and how many times?

Ms Pham: I think that was the only time for the last financial year.

MR STEFANIAK: That you actually had to get legal advice.

Mr Nicholas: We seek advice occasionally on matters, I guess, peripheral to or related to our activities, but not necessarily on audits; for example, perhaps advice on application of the FOI Act et cetera. Typically, they go through the government solicitor's office. Given the reports that we have issued so far this financial year, the only one that we have specifically had to go out for legal advice on was the sale of the EpiCentre block.

MR STEFANIAK: Thank you for that.

DR FOSKEY: I want to follow up on the question I asked you before. I was just wondering if you asked for specifically or received any funding for auditing the implementation or estimating the costs of not implementing triple bottom line principles. That is clearly something that is going to be more important in the public's eye because of the reports we are getting that show that the price of inaction on climate change is going to be far higher than the cost of taking action. I just wondered if you had ever sought funding based on that or received any.

Mr Nicholas: The short answer is no to both of those questions. We have neither sought it nor specifically received it for that particular purpose.

DR FOSKEY: I have one final question and then I will sign off, unless you guys are so inspiring that I think of some more. The Victorian auditor-general is doing a performance audit of records management across all of government. In Victoria that includes local government as well as state government. I have received reports from records managers that legislation in the ACT rarely accounts for the records management implications of that legislation. I was just wondering if you have heard of problems around records management? It is probably severely underfunded. If you have, have you given any thought to doing something similar in the ACT.

Ms Pham: Certainly in recent audits it became clear to us that documentation and record keeping were among the main issues faced by government departments. Whether or not it is credit card information or IT project information, there was a lack of proper record keeping. Our potential performance audits for the next year include an audit on the implementation of the three years old legislation on record management. We believe that that is a problem and we will do a performance audit on that at some time in the future.

Mr Nicholas: We haven't had any specific information come to us concerning implementation per se, but it has certainly been evident through our audits that implementation has been a problem. I am referring to implementation of the Territory Records Act and its various requirements; so it has found its way into our strategic program for auditing.

MR STEFANIAK: Has a performance audit ever been undertaken of the Assembly or any parts of it?

Ms Pham: No, we haven't done any performance audits on the Assembly. Every year we have in front of us something like 30 to 40 different performance topics for audit attention and we know that we can only deliver from seven to 10 reports a year.

Indeed, that is a very ambitious program already, given our very small audit office. If I can compare the performance audit reports that we have produced, we had 10 audit reports compared to New South Wales, 15 performance audits; Victoria, eight performance audits; Western Australia, eight performance audits; South Australia, one performance audit; Tasmania, two performance audits; Northern Territory, nil; and Queensland, three performance audits. So offices like Queensland, Victoria and Western Australia which would have performance audit teams about three or four times bigger produce the same number of performance audits. We already have lots of performance audits to deliver during the year, and it is so hard to take on new topics which may not have the same priority and significance compared to, say, the disabled, aged people, housing and education.

MR STEFANIAK: On page 30 of BP4, \$1.784 million is provided for supplies and services. What proportion of that, if any, is for external contract audit firms? How often are the contracts reviewed and retendered? How much, if you can give me it in percentage terms, of the Auditor-General's work is actually undertaken by external contract audit firms?

Ms Pham: Yes. For this financial year the outgoing for our financial statement contractors is about \$950,000, nearly \$1 million. That is compared with about \$500,000 per year for the last few years. The reason for the increase is twofold. First, our contracts for auditors were retendered, and we do that every three years. Second, the scope of work and the number of audits performed by external contractors increased, and that was mostly to do with ActewAGL. During the last financial year ActewAGL bought a number of subsidiaries, which increased the number of financial audits that we had to do through our contractors, so about \$1 million worth of our work will go to the contractors. That also reflects our problem of recruiting additional staff to do the financial audits. Do you want to add something?

Mr Sheville: Yes. The percentage of work that we contract out is about 30 per cent—

MR STEFANIAK: Thirty per cent?

Mr Sheville: which is not unusual compared with other jurisdictions.

MR STEFANIAK: You mentioned Queensland. Would they be about 30 per cent too, and New South Wales?

Mr Sheville: Yes. It is not far off. It varies a bit between jurisdictions. The Northern Territory outsources everything because they have got no other options available to them.

DR FOSKEY: What is the cost-effectiveness of that? Have you had a look at, say, the Northern Territory? Does it save money by not maintaining its own Auditor-General?

Ms Pham: I think the Northern Territory has problems because it is a small jurisdiction and it is very hard for them to gear up the critical mass to do performance audits or financial audits in house. For example, they do not have performance audit functions at all in the Northern Territory. Our office is very, very good in terms of being able to deliver a lot of performance audits and financial audits in-house.

But the rate of contractor arrangements reflects the drain in recent years, and this has happened everywhere else in audit offices across Australia and overseas. They admit to relying more and more on external contractors to deliver the whole financial audit program. At this stage we limit our contractors to financial audits, and mostly to bigger audits, such as ActewAGL, where the capacity to audit large commercial companies with complex tax arrangements requires the ability of a bigger company like KPMG, Ernst and Young or Deloitte.

Mr Sheville: That is one of the major reasons for outsourcing. But when you have got high staff turnover and legislative deadlines, you need to have a high degree of confidence that you can actually complete the work within annual reporting time frames. For an audit like Actew, for example, if that audit does get a bit behind schedule, a large, big four firm can generally bring it back—

MR STEFANIAK: Who do you use?

Mr Sheville: on track with more resources even if they get the resources from interstate. I have some data on the jurisdictional information, if you would like that.

MR STEFANIAK: Sure.

Mr Sheville: On average, for state and territories, 36 per cent of their work is outsourced. We are 30 per cent. The average for all jurisdictions in Australia is 39 per cent. The variance is from the Northern Territory, which outsources 100 per cent of the work to South Australia, which is only outsourcing around five per cent. It varies quite a bit depending on the circumstances.

Mr Nicholas: May I add one comment about the performance audit. We do occasionally use consultants or contractors for our performance audit work, but typically that is more specialist activities rather than general hands.

MRS BURKE: What is an example of that?

Mr Nicholas: Engaging a quantifier to provide us with advice in relation to the construction of the stadium and engaging a valuer in relation to the EpiCentre. In the recent past we have obtained some information from a variety of organisations who wish to supply their services to us for performance audits. At this stage I think we are considerably cheaper than we can get through them.

THE CHAIR: Mrs Burke.

MRS BURKE: Thank you. I am looking at page 27 of budget paper No 4. Obviously we know that your main role is to conduct financial and performance audits, but I note that you note that the office also performs other activities. I am quite interested in the number of representations, in particular by members of the Legislative Assembly. Has there been an increase in that number over, say, previous years and not just last year? How many representations have been made to you by MLAs this year? Have the level of concern and types of issues raised differed from previous years or has there been a sort of theme, a particular complaint?

Ms Pham: I think the number of representations made to our office is very much at the same level as last year. This year we have received 11 representations to our office, and I think four came from members of the Assembly. The issues brought to our attention by members of the Assembly could range from a quick inquiry into certain government presentations of numbers in financial statements to some significant concerns about government delivery of services. Of those, we considered two or three representations and concluded that they could lead to a performance audit. For others, we could spend two or three days to get an advice back to a member of the Assembly on a specific question. Is that—

MRS BURKE: That is good. I was just wondering if there had been any fluctuations or serious changes.

Ms Pham: No. It is about 10.

MRS BURKE: I have a supplementary question. In terms of some of the excellent recommendations that you make, do you have any auditing processes within that to follow up on the recommendations?

Ms Pham: There are two functions: one a financial audit and then a performance audit.

MRS BURKE: Yes, performance.

Ms Pham: For every single financial audit, at the end of the year we write what we call a management letter. We identify all the deficiencies in internal control or other deficiencies in financial management and make a number of recommendations. A financial audit is a routine type of audit so every year when we start a new financial audit we check whether all the recommendations from last year's audit have been implemented and progressed.

If they are not implemented we advise the management and express our concern about it. About 80 per cent of recommendations from financial audits are implemented by the time we start the next year's audit. In performance auditing it is a different process altogether. It is a one-off audit. It is not a regular thing that you come back every year to check.

MRS BURKE: No.

Ms Pham: This financial year we tried to do follow-up audits to see how well government agencies have implemented performance audit recommendations. The results varied quite a lot from department to department. I think Dr Foskey mentioned before that some audits, such as the hospital waiting list audit, get more attention from the department, and the same applies to courts administration. Partly this is because the public accounts committee has held an inquiry into what are identified as significant issues. That gives the issues more attention and hence gives departments more incentive to implement audit recommendations.

In other departments there was a serious lack of attention to recommendations,

especially to whole-of-government issues. When we do cross-agency performance audits, normally the recommendations are very much at a whole-of-government level, whether it is for travelling arrangements or leave management of rec leave and sick leave. They are not focused on one department but focused on whole-of-government—

MRS BURKE: Yes, whole-of-government.

Ms Pham: and agencies tend not to pay attention.

MRS BURKE: At a macro level, the Chief Minister is the minister responsible for whole-of-government. Would you let him know or just let the department know? I am just interested in how it works. You said you let the departments know—

Mr Nicholas: The reports are directed to the Assembly, obviously, but each of the chief executives gets a copy. Typically, in these whole-of-government issues we find someone, such as the Chief Minister's Department, that takes the rein in a general sense for revision of whole-of-government policy or legislation, if that is required. A number of the agencies tend to wait to see what has happened at the whole-of-government level before they actually do their own implementation processes.

There is perhaps a degree of confusion. I think what has come out of this audit report that we have just tabled is a better understanding of the process in terms of follow-up of performance audits and I think it is going to lead to some changes, particularly with the whole-of-government responses, the document responding to Auditor-General's reports. So I think there is some value there.

The directors, Bernie and I, or our senior managers attend the audit committees for nearly all of the major departments and agencies. We certainly have a hand in encouraging agencies to focus on our recommendations arising from the performance audits and financial audits. We are working with those committees to ensure that they pay some significant attention to that. We are aware now that most of the committees are factoring Auditor-General's reports into their follow-up program for their own agencies so there is continuing attention going into our performance audits. We are looking at other ways, I guess, to encourage agencies to commit to the performance audits and the recommendations in particular and to get them actioned within a fairly short period of time.

MRS BURKE: Yes. I guess my whole concern goes back to the government and the ministry. That is the problem. The report goes to the department, but how can you be confident that it goes to the minister responsible? With an audit like the housing audit, I am sure that the minister would get the report. But whole-of-government is a bit different. Would you say that there are some cracks there and we could do the process a bit better, as you have just alluded to within the last report, for example?

Mr Nicholas: I think there are improvements that are required and I think that we are now working with the government to try and direct that.

MRS BURKE: That is good.

Mr Nicholas: So I think we are a bit better off now than we were a few years ago.

Ms Pham: One of the challenges for our office is how much resources we are prepared to put in to follow up the recommendation.

MRS BURKE: Yes.

Ms Pham: Certainly our role is to audit a department or an area and then report the deficiencies to the Assembly. I believe that a key role for the department head, the government, the relevant minister and, of course, the Assembly is to monitor and scrutinise the progress in implementing these recommendations. If we have to continue to spend our efforts making sure the department is doing the job of implementing the recommendations, then resources have to be taken away from doing or commencing new audits.

There is a role for the government, departments, relevant ministers and Assembly committees to follow up that progress. Within our limited resources we try to do what we can to make sure that our audit recommendations are given some attention, but—

MRS BURKE: I am not suggesting that the onus should be on you. It was more the other end.

Ms Pham: Yes, certainly. Thank you.

MR STEFANIAK: The 2006-07 budget provided for your office to assist agencies with the transition to the international accounting standards framework. That is noted at page 19 of budget paper No 4 for 2006-07. I note that there is no budget provision for this work in the year we are looking at now. Does that mean that all agencies have satisfactorily transitioned to the new framework? If not, how many and which ones are still to complete the transition, and how will that be facilitated?

Ms Pham: Last financial year we had additional funding—

MR STEFANIAK: For that year?

Ms Pham: and that additional funding is now in our budget base. Hopefully, that money will continue year in, year out for the forward years. We certainly try to perform that function within our existing budget without asking for additional funding. It does not mean that all agencies have finished that task of delivering a financial statement that meets all the standards. Some are still falling behind with the quality of financial reporting. I think Bernie may be able to explain more fully.

Mr Sheville: The implementation of the international standards is a process that has been happening for the last few years. In the first years the standard just required agencies to disclose what they thought the major impacts would be and to disclose how they were organising themselves to meet the new reporting challenges under the new standards. I do not think the impact of the international accounting standards was anywhere near as high on the not-for-profit sector as it was for, say, the business sector, which was carrying a lot of things such as intangibles and goodwill where

there were really major changes made.

Last year was the first year they had to prepare full AIFRS-compliant financial statements. Our approach to dealing with that was essentially to review the Treasury model statements. Treasury did work on the background on AIFRS and we reviewed the Treasury model financial statements. In the main it did not affect the numbers hugely. It tended to affect a lot around disclosures more than the actual numbers that actually got produced as a result of the implementation of AIFRS. In that sense, I think generally the reporting is quite reasonable in terms of meeting AIFRS requirements. If they had not met the AIFRS requirements in a material way, we would have had to qualify the financial statements.

Having said that, there are a couple of areas where I think reporting could perhaps be improved around disclosure, for example, of significant accounting judgements made in the preparation of the financial statements. That again relates to disclosure but gives the reader a bit more information about how the numbers were struck. That was probably the main area where I think the disclosures could be improved, but by and large we are there in terms of AIFRS for the 2005-06 and the 2006-07 statements.

MR STEFANIAK: This year's budget provides for the establishment and implementation of an internal audit function, and that is referred to at page 27 of budget paper No 4. What is the budget for that activity? What are the resource requirements?

Ms Pham: This year we allocated \$20,000 for the internal audit committee. The internal audit committee is a key part of governance arrangements that assist an agency to be accountable. While we are very confident that we do everything above board, an external look into our operational areas, especially key risk areas, would give me more confidence that our office is doing the right things. The internal audit committee has an external chair, Mr Will Laurie. Mr Laurie is also chair of the Australian National Audit Office and chair of the audit committee of Treasury as well. He is a very experienced senior partner and certainly adds a lot of value to the internal audit committee.

This year there will be two audits of our operation conducted by external audit firm Acumen Alliance. One audit is into the payment and receipt system within the audit office; the other, currently underway, is into the way we manage our contractors. As you indicated, the value of our external contractors is now up to \$1 million, and that is one of the key risk areas for our office in managing our external contractors. We got an outside firm to come and look into our files and make sure that we manage our contractors properly, and I hope that the report will be okay.

THE CHAIR: Now you know what it is like on the other side.

Ms Pham: Yes, definitely.

MRS BURKE: Has the number of investigations conducted under the Public Interest Disclosure Act 1994 increased or decreased? Very generically, because I do not expect you to talk about individual cases, what sorts of issues have been raised with you over the past year? Has there been an increase or decrease in investigations, and

what issues have been raised?

Mr Nicholas: The increase and decrease is pretty much the same as the response to the question on representations. This year one matter has been referred to us under the Public Interest Disclosure Act. That has come through from the Ombudsman. It was originally a disclosure to the ACT Ombudsman. The ACT Ombudsman has looked at it and referred some aspects of the financial aspects of it to us and some administrative aspects, I understand, to the Commissioner for Public Administration.

The matter is in relation to spending within ACT Housing, and we are looking into that at the moment. While the numbers have not changed very much in terms of public interest disclosures, they are typically fairly complex issues. The one that we have got at the moment is a matter that I do not believe we can resolve quickly. It may well be better dealt with under the Auditor-General Act as a broader performance audit activity than as a public interest disclosure per se. The number is about the same as last year, but perhaps slightly increasing in complexity.

MRS BURKE: I have a very final question. It is about your working relationship with the Ombudsman, and you did allude to that earlier. People say, "I'll write to the Auditor-General and to the Ombudsman." How do you coordinate that activity? Is that working successfully?

Mr Nicholas: It certainly has worked successfully to date. We have not had any significant problems with it that we are aware of. It is more on a case-by-case basis than anything else. We do not have any formal arrangements with the Ombudsman at this stage. We have not really seen the need for it. The Public Interest Disclosure Act is under review at the moment. I guess you are aware of that.

MRS BURKE: Yes.

Mr Nicholas: One of the changes that were proposed initially was perhaps a clearer delineation of the responsibilities of the Auditor-General versus other activities and other lines of inquiry, particularly the Ombudsman and the Commissioner for Public Administration. That review is still progressing. I would say that it is not necessarily a great deal further forward, as far as we can see, in a practical sense than it was perhaps this time last year.

MRS BURKE: That is a pity.

Mr Nicholas: Indeed. But it is a very complex area. I should step back. The Chief Minister's Department has undertaken a review that has looked at broader issues associated with that and how our act compares with other jurisdictions and has taken that advice on board. So I think that might have complicated some of the review processes. But our relationship with the ACT Ombudsman has worked well on the case-by-case occasions that we have needed it.

THE CHAIR: Thank you very much for coming in this afternoon. Keep up the good work. We'll take a break and come back at 3.45 with the Speaker.

Meeting adjourned from 3.24 to 3.38 pm.

Appearances:

Berry, Mr Wayne MLA, Speaker, Legislative Assembly for the Australian Capital Territory

Legislative Assembly for the Australian Capital Territory Secretariat

Duncan, Mr Tom, Clerk

Kiermaier, Mr Max, Deputy Clerk and Sergeant-at-Arms

Duckworth, Mr Ian, Manager, Corporate Services

Jaffray, Ms Robina, Manager, Committee Office

Lutton, Mr Russell, Manager, Hansard and Communications

Skinner, Mr David, Manager, Strategy and Parliamentary Education

Szychowska, Ms Valeria, Manager, Assembly IT

THE CHAIR: I welcome to the 2007 estimates committee the Speaker, Mr Berry; the Clerk, Mr Tom Duncan; and Ian Duckworth from Corporate Services. I will just read the card for you.

The committee has authorised the recording, broadcasting and re-broadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings.

Before the committee commences taking evidence, let me place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Parliamentary privilege means special rights and immunities attach to parliament, its members and others necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of the evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

Mr Speaker, would you like to make any opening comments?

Mr Berry: Thank you, Mr Chairman. I would like to make a formal introductory statement if it pleases the committee. First of all, thank you for the opportunity to make this opening statement to your inquiry into the Appropriation Bill 2007-2008.

The budget for the Legislative Assembly secretariat is to provide procedural and business support for the operation of the Legislative Assembly and its committees. During the next year the secretariat will again be striving to provide excellent levels of service to ensure the efficient and effective operation of the Assembly. In that regard, it is heartening to receive the results of the recent member survey, which

revealed a greater degree of satisfaction than in the previous year from members across all the services provided by the secretariat.

As can be seen from the budget papers, the secretariat has been funded with extra amounts for broadcasting equipment, security and maintenance contracts, additional committee resources, and enhanced security processes. In seeking additional funding this year, certain other priorities were also identified; although they have not been specifically funded, they cannot be ignored as we work to achieve all of our priorities within the funding that is provided. This increased funding will assist in enabling the secretariat to provide the level of service to the Assembly that will ensure it meets the challenges of administering a small but effective legislature.

Nevertheless, it is incumbent upon us to ensure that the resources allocated to the legislature are spent efficiently and effectively, and so I welcome the opportunity to be with you here today and to be subject to your scrutiny.

THE CHAIR: Thank you, Mr Speaker. I might just kick off. On page 1 of budget paper 4, under “2007-08 Priorities”, the first dot point talks about “enhanced security and access control arrangements across the Assembly building”. As you are aware, I have been concerned about the attendants’ position at the public entrance of the Assembly in regard to the glass barrier that is constructed in front of their desk there. In the past, I have written requesting that that be changed in order that the attendants do not feel caged in in that position. Is anything occurring on that front?

Mr Berry: I think there has been some discussion and work considered in relation to that matter. The Sergeant-at-Arms and Deputy Clerk might wish to contribute.

Mr Kiermaier: That attendant station area is part of the front entrance redevelopment project, as you have pointed out. Associated with that is our security upgrade project. There is quite a bit of divergence between the two projects. We are not quite finished with the security project over there. As you can see from the budget documents, we have been funded for an X-ray machine to go in there. Until everything is in place over there, we decided not to go ahead and make the changes at this stage.

It is fully recognised that the glass barriers do prevent some conversation occurring between the public and the attendants who are in the stations, but what we are proposing is that with our new security arrangements there will be more attendants over on the public entrance side. There will be at least two people there; one will be floating around in that entrance area anyway, to be able to conduct conversations with members of the public et cetera.

If the X-ray machine does go in, it would probably go in where our walk-through metal detector currently is. We would need to see whether there still would be a need to have that glass barrier there—or whether it needs holes in it. My feeling at this stage is that it would not need to be changed at all, because that would just be an entrance area for people to come through. One side would be the X-ray machine and the other side would be the attendants’ workstation. It certainly is under consideration, but we are just trying to see what happens and see how the whole area functions at this stage.

MS PORTER: I have a supplementary to that, Mr Speaker. You will probably be able to answer the question, or Mr Kiermaier may be able to answer the question. Given that you have that aim to enhance security, I note on page 28 that the staffing levels are stated to be rising only from 37 to 39. You mentioned additional staff; I just wondered how we are going to manage all of that.

Mr Berry: There will be reduced staffing at the members entrance. The Deputy Clerk will probably be better able to fill you in on the detail.

Mr Kiermaier: The proposal at this stage is, in a nutshell, to reverse what there is at the moment. At the moment we have two staff members at the members entrance and one at the public entrance. Under the new arrangements, we will reverse that: we will have two at the public entrance and one at the members entrance. If we have an X-ray machine, we will have an extra staff resource—or at least a temporary resource there for part of the day. There is a staffing provision that comes with the proposal for an X-ray machine, so that would be an extra staffing resource on the attendants side for that particular function.

MS PORTER: So that is the two staff mentioned in the report?

Mr Kiermaier: It is one.

MS PORTER: Two additional staff are mentioned in the—

Mr Kiermaier: The other might not necessarily be for security.

Mr Duckworth: I could answer that question, if it assists. Ms Porter, the two-staff increase shown on page 2 of the budget papers was for notionally a staff member for the security function and another staff member for the committee office—within the committee office resources. That increase of two is reflected in those two initiatives. As Mr Kiermaier indicated, the likelihood is that the staff at the public entrance may not be necessarily engaged full time every day. They might be engaged on a casual basis over peak periods of the day. You can have two people employed for 0.4 of a day—you know, numbers do funny things.

MS PORTER: Thank you.

DR FOSKEY: Can I ask you something on the staff issue? I wondered if you have observed the skills and labour shortage in Canberra affecting the Assembly's capacity to attract and retain high-quality staff?

Mr Berry: There is an issue there—in particular, to replace the building manager, I think.

Mr Duckworth: I think it is fair to say that the secretariat is experiencing the same sorts of problems that a lot of organisations and public sector organisations in the ACT are at the moment. We have advertised a number of positions in the last year or so, and we do not get huge fields of applicants. I think it is pretty common knowledge that the commonwealth offer competitive salaries and superannuation arrangements. I think we also have great difficulty competing with the parliamentary staff. The house

on the hill generally offer—it is probably not the best, and you would not trade in working here, but it is hard to lure them when the salaries—

THE CHAIR: They've got a good coffee shop there.

Mr Duckworth: That is right. We do have real difficulty in attracting people from other parliaments and other workforces. The shortage of applicants out there is something that all employers are facing at the moment, and we are certainly one of them.

MRS BURKE: We perhaps need to do the silver lining project here, Mr Speaker.

DR FOSKEY: What could you do? Is the Assembly making any moves to try and redress that imbalance—for instance, offering opportunities and noting the special qualities of working here? How can you make it an attractive place to work?

Mr Duckworth: Our hands are tied on salaries, because those issues are negotiated at a whole-of-government level. We regard ourselves as an employer that offers a good work environment. We promote the benefits of working in a small legislature. At the end of the day, we cannot do much on the cash side of things, but we try very hard to create a good working environment and try to promote it.

Mr Berry: There is little else we can do in the current environment, because there are so many demands out there. The discussion about the skill shortage is well known. And, because we are in a competitive arrangement with especially the commonwealth government but also the private sector, it is more difficult for us to recruit the quality of staff that we want.

Mr Duncan: Could I just add to what the Speaker said. We are certainly aware, Dr Foskey. We try and promote the fact that in a small legislature there is a wide range of duties that you would not have in a big organisation—a sort of boutique legislature in comparison with the two houses in the federal parliament. But it is an issue that we are very much aware of. We try to structure our ads and recruitment policies to attract people. But, as Ian Duckworth said, there is a skill shortage and we are competing against the federal parliament, other state legislatures and the commonwealth government.

Mr Duckworth: We have flexible working hours offered to our senior officers, which may not necessarily be available in some commonwealth government agencies and the parliaments. We have a focus on health and wellbeing, where staff can access that level of support. They are small things, but we do our best to try and promote those. But at the end of the day—

MR PRATT: It is closer to town.

THE CHAIR: Mr Speaker, while we are talking about staff, I have noticed that we are expecting some extra resources for the committee office. With that in mind, I notice that there have been some changes in the committee office recently. I want to bring to your attention a press release from Dr Foskey's office this afternoon regarding the chairmanship of the public accounts committee. I will quote from this. It

says:

Over the years, the Committee secretariat has lost some good staff. In an environment where skilled professional staff are in high demand, the onus is on Committee members to take a collaborative respectful approach to our work here, and to the people we work with. That is the way we can get the best outcomes for the Assembly and the community.

Mr Speaker, in your position, do you think that this has any implications for the members code of conduct in the Assembly?

Mr Berry: It is a bit early for me to make judgements about that, because all I have seen is the press reports. I saw some reports over the weekend on ABC TV—I think it was on Saturday night—which implied that it had something to do with staffing. I have a copy of Dr Foskey's press release as well.

DR FOSKEY: Golly, gosh; it's well travelled.

Mr Berry: Well, Dr Foskey, one hopes that all your press releases are well travelled.

DR FOSKEY: I didn't know they went to your office.

Mr Berry: The Clerk drew this to my attention, and we went up to your office and got a copy. It does raise some issues for me to think about. The Clerk has a more direct responsibility than I do in relation to the staff of the secretariat, but I have an overriding responsibility to deal with issues of concern about the members code of conduct. At this stage, I do not have much to go on that would assist me in coming to a judgement on the matter, but I have in mind to write to all members of the committee to ask them if there was anything that I ought to be concerned about in the context of the code of conduct. I think that would be the first step for me. I will then sit back and reflect on what information I gather as a result of that correspondence and work out a way forward.

I say again that I do not have much to go on at this stage, but there is a hint in the media and in this press release that there is a staffing issue that we ought to be concerned about. We have very serious obligations under the Occupational Health and Safety Act. We must take them seriously, and we should not be backward in coming forward in sensing out issues which may be of concern. The Clerk would also have heavy responsibilities in that regard. There is also a document that was signed by me, the Chief Minister and the Clerk in relation to behaviour around the Assembly which we have to reflect on when it comes to staffing matters.

At the end of the day, as you would expect from my background, I have some concerns about staff and their movements and what might go on. I will follow this up and see what comes out of my inquiries.

MRS BURKE: Following on from that, you were talking about staff in general; there has been a high turnover. I have not seen this release, but are you saying that there has a sort of a—in particular let us put it down to the committee area and there has been a high turnover of staff in that area.

Mr Berry: I do not know whether there has been a high turnover. Would you like to respond to that, Mr Duncan?

MRS BURKE: No more than anywhere else?

Mr Duncan: I do not believe so, Mrs Burke.

MR STEFANIAK: I thought the education committee office lost four secretaries.

Mr Duncan: I'm sorry, Mr Stefaniak?

MR STEFANIAK: I thought the education committee had four different secretaries or something.

Mr Duncan: Senior committee members might be able to give me some assistance, but committee secretaries, by their nature, across all parliaments, are people that you generally do not hang on to for very long periods, because—

MR STEFANIAK: It is a skill shortage too.

Mr Duncan: It is a skill shortage, but it is also an area where you tend to get—I know that in federal parliament you might get committee staffers that work for three, four or five years and then move on.

MRS BURKE: Three, four or five?

Mr Duncan: Yes. We maybe have slightly less than that, I think. Robina Jaffray might comment on that.

MRS BURKE: Thank you.

Mr Duncan: Certainly there have been shortages from time to time in different areas of the secretariat. I know that there have been some in corporate services. This year it has been particularly prolific, but prior to that we had a fairly good run.

MRS BURKE: It just seems that people leave all of a sudden. If that is the nature of the beast, then that is the nature of the beast.

Mr Duncan: I will hand over to Robina. Robina might be able to supplement my answer.

Ms Jaffray: We did have quite a staff turnover at the beginning of this Assembly, but it has been pretty stable over the last couple of years. In the committee office, we have at the moment probably the most qualified group of committee secretaries the Assembly has ever had. They are a very talented bunch of people. As you know, we now have one vacancy, and we have another new vacancy to provide some additional research support. They will be advertised this weekend. It will be interesting to see what response we get to those ads.

When we advertised for committee secretaries a couple of years ago, we had an

outstanding field; it was just amazing. But given the nature of the Assembly and the fact that there is very limited career structure, it is probably better for people to spend a few years in the Assembly and then move on; otherwise they will just stunt their careers, if you like.

MR STEFANIAK: How will the additional resources for committees be used?

Ms Jaffray: The additional research officer will probably be shared between the public accounts committee and the planning and environment committee. They have very heavy statutory workloads. The committees do have to be careful about how much work they take on, because there are limited resources. The committees do an outstanding amount of work given the level of resourcing that they have.

THE CHAIR: Mr Pratt?

MR PRATT: Mr Speaker, good afternoon. In relation to the points put to you by the chair re the events of last Friday and the PAC, will you also be writing to the Clerk to ask whether the Clerk will be looking at those events to determine the balance between the allegation that this was a Rhodium investigation driven issue and the allegation that it was a staffing and code of conduct driven issue?

Mr Berry: Once I write to the committee, if that issue turns up in response to my inquiries, it is something that I will have to take into consideration. But I cannot anticipate what the response is going to be. It is a bit of a hypothetical. I will pass on to the Clerk any information that is useful for him, but it is all a bit of a hypothetical as yet. I just do not know what people are going to say. There is not full and complete information out there about the events. It is merely something—if there is an issue about staff that is mentioned, then I think we are bound to respond, and respond quickly.

THE CHAIR: Dr Foskey, you have been waiting patiently.

DR FOSKEY: Thank you. I want to move onto another area—media monitoring, which is on page 11 of the jobs specially done by the library. I was just interested in whether there were any resources to help the library better track and record all local electronic news and current affairs coverage—or even just television reporting. At the moment the Assembly covers WIN and ABC news, but just during the core hours of each week. It can email members and staff electronic files of those items, but it does not cover other channels or news reports out of hours. For instance, it is not possible to have *Four Corners* recorded. It would seem to me that this is a service that is core business for at least some other parliamentary libraries. Do you know how many other parliamentary libraries provide at least television monitoring for MPs?

Mr Duncan: Dr Foskey, the library is not under the administrative responsibility of the secretariat. It is actually under the Department of Territory and Municipal Services at the moment. As you would be aware, there is currently a review being undertaken of the Assembly library, and the Standing Committee on Administration and Procedure has asked to be kept abreast of any developments in that review.

Certainly, there is a role. The Speaker is the chair of the admin and procedure

committee, which has as one of its terms of reference to look at the operation of the Assembly library and to keep track of the level of services to members—of library services. If the Speaker was of a view that we could write to the library to ascertain whether there is a possibility to offer those services, we could certainly do that. But the actual budget money for the operation of the library is not contained within the estimates for the Legislative Assembly secretariat; it is contained in another department—

DR FOSKEY: What about the sorts of services that they have access to through being in this building, like TransACT, with its ability to provide a sort of multichannel recording potential? Is that under the auspices of the other department or is it the Assembly that provides this?

Mr Duncan: Dr Foskey, the secretariat did look at the possibility of having TransACT in this building. We had discussions with, I think, both the library and the executive about having that. It does come at a cost. At the point in time when we looked at it—my colleague tells me it was last year—we did not have the funding available for it. As I said, it is something that we have looked at, and we may well look at it again, but it does come down to a funding issue and whether we can get recurrent funding on an annual basis to fund that service.

Mr Duckworth: I think it is important to add that, as you have indicated in your question, Dr Foskey, any funding committed by the library is essentially a decision of that department—Territory and Municipal Services. There are occasions when we have discussions with the library and ask whether they might be in a position to purchase a particular set of services or whatever, and they take that on board. But if I understood your question, you were asking specifically whether that decision is a decision that we could either make or influence or whether it was a TAMS departmental decision. I think the answer is that it is the latter.

Mr Berry: Can I add that I do not have a sense of increased demand for these additional services from members. You could speculate that additional services are always welcome. I know that the administration and procedure committee would be happy to take these sorts of issues on board if the need emerged from discussions with members. It is not something that I would be averse to considering. But again, these things have to be considered in the budget context and we have to be careful in working them up into policy decisions. I am sure that the administration and procedure committee would be a vehicle that could consider that if it was considered a good idea.

THE CHAIR: Thanks. Ms Porter.

MS PORTER: Mr Speaker, on page 1 of budget paper 4, again under the priorities that are listed there, it mentions that one strategic priority is to strengthen the ACT government's relationship with other parliaments. Could you advise the committee on what processes are implemented in order to build and strengthen those relationships for the future? Also, could you let us know whether that means strengthening relationships with other parliaments within Australia only or whether it means overseas as well?

Mr Berry: I will ask the Clerk to deal with that. He is a past chairman of ANZACATT, so he is well equipped to respond.

Mr Duncan: Ms Porter, there is a range of facets where we could strengthen the relationship with other parliaments. At the member level, of course, we are a member of the Commonwealth Parliamentary Association, and we take an active interest in that role. This year in particular there has been a role, because one of our members, Ms MacDonald, is serving as the Australian representative on the Commonwealth Women Parliamentarians Group; in that role, she is not only representing the Assembly but representing Australia—all Australian parliaments as a whole. As a consequence, she attended last year's CPA conference, and she will be attending this year's CPA conference—with that role of assisting in relation to the role of women in parliaments in the whole Commonwealth.

Of course, we actively support all the Commonwealth Parliamentary Association activities. You yourself, Ms Porter, would be aware that from time to time we get asked to attend other conferences. I believe that you yourself represented Australia as an observer at a regional conference. We do spend quite a bit of time promoting that sort of work and giving secretariat assistance.

At the officer level, there are a range of interactions across the whole secretariat. There is an organisation called ANZACATT, which is the Australia and New Zealand Association of Clerks-at-the-Table. There are four members of that—me, the Deputy Clerk, the clerk assistant and the manager of committees. They have an annual conference every year—a professional development seminar—which we send staff to. There is also a procedure and practice course—a week-long residential course in association with the Queensland University of Technology—which we send representatives to.

There are building managers conferences, IT managers conferences and all sorts of things where we network to try and find out what is best practice occurring in other parliaments and learn from other parliaments' experience and innovations. And, where possible, we try to implement those innovations.

I forgot to mention the committees. There are the public accounts committees, the scrutiny of bills committees and the planning and environment committees. They all have various conferences every year or second year. I know that members get a lot of benefit out of that in terms of learning from how other parliaments operate and learning about innovative procedures. All of that is reflected in that—

Mr Duckworth: I think it is important to add, too, that because of our small size we really play above our weight. We have members each year participating in interparliamentary activities and staff participating in activities. Members and parliamentary staff of larger parliaments would not get the opportunities that we have here because of our small size. We are just about represented at every key event and, as a result, we do get a lot more exposure per capita, if you like.

Mr Duncan: If I can just add a couple of things. We are starting to get a lot of interaction with the federal parliament as well in terms of delegations coming here. Last week, we had a group of Mexican members. A couple of months ago we had a

group of Mongolian representatives. We had two staff from the Bougainvillean parliament come to visit us on a training attachment. We get those all the time. We actively set aside some time to assist those smaller parliaments.

In a similar vein, there is an education trust fund, which is administered by all the parliaments, and we occasionally get asked to provide assistance to that. In that regard, I think last year the Deputy Clerk and Sergeant-at-Arms went to the Cook Islands to run a new members seminar after their last election. He ran a two-day series of programs for the new members of the Cook Islands parliament. So we do get asked. We play what we think is a fairly active role, particularly in respect of the Pacific parliaments, because they relate to us in terms of our size. They can go to the federal parliament and learn lots of things but that is very much a Rolls-Royce parliament with a lot of resources. We are very much similar in size and nature to them.

Mr Berry: I think, as a small jurisdiction, we punch well above our weight in contributing to the network of parliaments in the region.

MR STEFANIAK: I have a couple of questions. When will the installation of the X-ray scanning equipment be completed, and when are the new LA(MS) Act staff likely to start?

Mr Duckworth: Perhaps I can deal with the second part of that question while the Deputy Clerk is taking his chair. Mr Stefaniak, the certified agreement for LA(MS) Act staff is dependent on the finalisation of what is regarded as a template agreement for the ACT public sector. Our advice as recently as late last week is that that is very close to finalisation. The delays in this round of agreements have been due to the changes in the structure of these sorts of agreements since the last time they were voted on three years ago. But our planning is that probably early in July the agreement for our LA(MS) Act staff, as well as secretariat staff—there are two separate agreements—would be out to staff for a vote. The consideration period takes a week and then there is a vote taken. I would expect that those agreements would be finalised probably during the second half of July, with pay and so on flowing into people's pockets in August.

MR STEFANIAK: And the first part, Max?

Mr Kiermaier: As you know, the proposal for an X-ray machine is an initiative for the next financial year. What we will have to do now is start a procurement process for it. It gets a little bit complicated with the tendering guidelines that we would have to abide by but I would imagine we would have it by the end of the year. I cannot see any reason not to.

MRS BURKE: There are assertions by many MLAs—I did not used to be one but I am becoming increasingly of that mind—in respect of resources. We have talked about staffing in the Assembly and secretariat and corporate services. However, members feel that perhaps we are not keeping pace with all the parliaments in terms of resources to all members. I am talking about basic equipment such as colour printers. It is very minor but it all adds up to being able to do the job properly. Certainly there is a need to keep up with technology. I know, sir, that you are averse to technology but I think if we are to compete in the modern age we really need to

have things that will enable all of us in this place to do our job to the best of our ability. What are your thoughts on that?

Mr Berry: Well, in the first place, I accept that I and we have got to keep up with the technological demands of our constituency. Our constituency is switched onto the technological age and we have got to respond appropriately. Mr Stefaniak would recall the very meagre resources that this Assembly started with. If you think they are meagre now—

MRS BURKE: No, I was not saying that. We have just got to keep pace and not fall too far behind.

Mr Berry: We have been adding to those resources year by year very slowly, and quite often not consistent with members' demands.

MR STEFANIAK: It is a bit like a British cavalry regiment in the 19th century—you have to bring your own horse.

Mr Berry: And that is still going on. The latest development is that we have asked the Remuneration Tribunal to look at this issue as well.

MRS BURKE: When are we likely to hear about that? You do not know when they are likely to—

Mr Berry: I cannot speak for the Remuneration Tribunal but it cannot be too far away. Of course, it is about this time of the year that they usually report. But, again, that is their judgement.

MRS BURKE: No, not as to what they will say but the timing of their report.

Mr Duckworth: The one thing we know for certain is that the tribunal is required under its legislation to conduct a review and publish the results of that review before the end of June. So we are actually expecting a determination from them any week, any day. Whether or not that addresses some of the issues we have raised—and that is not always the case—they are certainly required to conduct it. I think I can say that it has to be imminent.

Mr Berry: In the last budget process we identified some other priorities, but they were not specifically funded. So we have just got to soldier on within the resources we have. I know that we will have to work off the decision of the Remuneration Tribunal when it comes. But we have put to them a different approach to the way we fund some of those resources. We will just wait eagerly for their decision so that we can get on with it as a tool for servicing members' needs. But these things, as everybody would appreciate, are never going to change overnight. I think we as an organisation have an obligation to fully justify these things, to ensure that the taxpayers out there understand that we are being very careful about the allocation of resources, and that they do in fact balance with the needs of the community.

MRS BURKE: So you will be allowing laptops in the chamber soon, then?

Mr Berry: It is not a matter of allowing laptops: it is about getting funding for all this stuff to make it happen. That is the way it is. Members now can have a laptop in their office, if that is what they want to do, out of their current funding arrangements but, overwhelmingly, members have decided against that because they think there are other priorities within their funding parameters.

THE CHAIR: Ms Porter.

MS PORTER: Thank you. Under priorities for 2007-08, mention is made of building improvements. Apart from the security improvements that we have already discussed, are there any other building improvements that would come under the priority that is listed here?

Mr Duckworth: I think it is worth noting that for the last few years the government has introduced a concept of funding called capital upgrade funding, which is designed for giving money to agencies which have major assets to manage. We have developed to accompany that processes a document called a strategic asset management plan. It sounds very glorious but, in a nutshell, it recognises that this is a territory-owned building. It contemplates that the building may even outlive its current function, but we will not go there. But in that light it recognises that money needs to be spent on this ageing asset. We have identified costs that probably run to \$500,000 a year that we think we could spend on this building to maintain it and to keep it to the standard, and obviously the government is not in a position to fund that level.

We have received for the last two years \$200,000 to contribute to improvements in the building. For example, we have replaced the cooling tower that was getting old and causing some problems. We had a new chiller put in the basement a few years ago. We have some work scheduled on a new fire control panel. It is that sort of infrastructure that helps manage the building.

For this particular year ahead, the government agreed to an additional \$85,000 worth of funding, which we see as a big improvement. But I must say that it still does not enable us to get done all the things on our to-do list, if you like. I could indicate, however, that there is certainly an expectation that we will be doing some further work on fire control mechanisms. There are some defective fire barriers in the roof, where cavities have been put through for cabling and have not been properly patched up, and we see that as an important priority. We have got some serious work to do on building hydraulics, because of water not being able to escape through stormwater drains and gutters perhaps not having the proper capacity. We found some interesting things in the chamber during the last large recess after the hailstorm in February.

We have got some plans for the coming year that would involve spending \$286,000, which is a big increase on what we have had. We are very hopeful in the years ahead that we might be able to continue to persuade the government to provide further funding so that we can continue to work towards some of the goals in the strategic asset management plan that we have mapped out. We are very concerned that if we do not keep the funding up to the level of demand for what the building is doing, we will continue to defer and stockpile, and there might be a serious problem down the track.

MS PORTER: Thank you.

THE CHAIR: Mr Pratt.

MR PRATT: I have a supplementary question to the questions raised by Mrs Burke. Perhaps Mr Duckworth could answer. I declare a very personal vested interest here, but regardless of that, I ask this question on behalf of all MLAs. I wonder whether we have in fact gone backwards a little in relation to the personal equipment issue. I noticed that in 2002-03 I was able, for example, to acquire a PDA with my allowances in addition to my issued phone. But this year I have been unable to reclaim or at least to even come to a negotiated replacement cost for a combined PDA phone. So what is happening there? Are we declaring a new standard or are we simply running out of budget?

Mr Berry: I will hand that over to Mr Duckworth. I am sure he knows all the answers to that.

Mr Duckworth: The issue with mobile telephones and PDAs is particularly complicated. A few moments ago Mr Speaker made a comment to his colleague Mr Stefaniak about the days of old, when resources were quite meagre. I think it is certainly safe to say that many years ago, whilst they might have been meagre, they were very certain. There was no doubt about what members got. We gave them all a mobile phone. Mobile phones included a phone plan. We paid \$30 a month, which included some call costs, and it all worked rather well. Over the years, with certain members saying, "I have got more need for a mobile phone than I have for postage" and other members saying, "No, my situation is the opposite," we have introduced flexibility into those arrangements.

Some years ago there was a substantial increase in the discretionary office allocation that enabled members to acquire laptops if they wished. Some took that up but then they have been progressively phased out. But all the time the phone arrangements have become particularly complicated. Some members have a very basic requirement and some members are embracing some of the newer technologies.

MR PRATT: Complex requirements.

Mr Duckworth: Yes, and I think it is an issue that we have really grappled with. We have had issues about wanting to make sure that members' personal use of mobile phones does not get them into strife with section 14 of the self-government act, and most members have responded with appropriate arrangements.

It is certainly an issue we flagged with the tribunal this year. We have said that this is a particularly problematic area. As we indicated in a response to an earlier question, we are expecting to hear in the coming weeks from the Remuneration Tribunal, and it may well be worth looking at what they may have judged as an appropriate response to that, and there may be some solutions there for us.

But I think you are right: members have increasingly expressed an interest in having a PDA, if I can call it that, not just as a phone but as a calendar; being able to access emails and so on. I think, depending on what happens, we need to be in a position to respond to that sort of technological advancement within our resource base.

MR PRATT: I can take this up as a personal issue with Mr Duncan later but is any thought being given to perhaps a negotiated repayment plan, where if somebody does buy something—a PDA/phone combination—which is, for argument’s sake, in the region of \$1,200, you might at least come up with a base level which is about an equitable amount of money you would pay up for the cost of another unit in any case? Is there that sort of flexibility in the way that we address the needs of members?

Mr Duckworth: What you are referring to, as I understand it, is the fact that historically members who choose to were provided with a handset. Certainly up until now, it has not been the policy of the secretariat to make that a standard provision. You are asking whether there should be some relief or rebate given. You are not demanding. It is an issue that we are certainly aware of and it has become an increasingly prominent issue in recent months. I would have to say that we would be foolish if we did not look at that issue over the coming months to try to find a better outcome, whether or not it is the perfect outcome. Equity of arrangements between members’ offices is something we have been very keen to maintain, and sometimes getting the equity right does not quite give the results.

Mr Duncan: Can I just add that we are looking at it but we are waiting to see what the Remuneration Tribunal has to say. We do not want to put in place a set of procedures and then find that the Remuneration Tribunal has addressed the issues. So we are waiting to see the results of the Remuneration Tribunal and then, depending on what they do, we may address it that way.

THE CHAIR: Dr Foskey.

DR FOSKEY: I have a couple of substantive questions but I might only get one in. Reference is made on page 6 to revenues. On page 10, under notes on the accounts, it is explained that the revenue rise is due to higher than expected use of the Assembly’s seminar and conference facilities. Could you please advise whether the Assembly now breaks even on those uses of the building; whether there is a growing demand for those facilities; whether any community groups have expressed difficulties in using those facilities; whether community groups have expressed concerns about the costs of those facilities; and whether the Assembly’s charges are set at comparable rates with other equivalent venues. I have asked these questions all at once because I thought otherwise I probably would not get a chance.

Mr Duckworth: I will deal with the technical issue, which relates to the figures in the financial statement. We have certainly included a note to indicate that the revenues we are getting from room hire have increased. In fact, legislation was passed in the Assembly which requires the Speaker to set fees and charges for that room. So there is a legislative requirement for those to be set. It is certainly the case that we predicted an increase in the revenues. I do not have the exact amount at my fingertips—whether it was a small increase or a significant increase. On the issue of the views of the community about the use of the facilities, I might take the liberty of deferring to the Speaker.

Mr Berry: I think it is fair to say that everybody would rather avoid paying for it if they could. But we have a responsibility to the taxpayer to collect a fair return for the

people's asset, if you like, in the form of the Assembly. I think we also have an obligation to other nearby private sector places not to be providing a place free, which might be anticompetitive as far as they are concerned. But I think the most important issue is that we treat the people's asset with respect so far as charging out for it is concerned. We recognise that in the context of the extra funding we have provided for members with the new changed arrangements so that members can have fair and equal access to this resource as well.

It is fair to say that most people would rather avoid it. I do not know of any particular complaints about payment. People make a choice about whether they use them or whether they don't on the basis of the cost. My understanding is that the costs are reasonable, and we give people a fair go in relation to the hiring of them. The increase of \$30,000 is not going to go far in terms of the maintenance of the facilities in the Assembly.

Mr Duncan: If I can just add to what Mr Speaker said, when we looked at the costs, when the Speaker made a determination for the first time last year under the precincts act, in setting a schedule of fees we did look at the costs of using similar facilities within the ACT. We looked at school halls, we looked at the Griffin community centre, and we also looked at the facility just across the way, the Cultural Facilities Corporation. I think you will find that the rate set by the Legislative Assembly is less than all three of those facilities. So we certainly were mindful of the fact that, in striking a cost, we wanted to make it as accessible to as many people as possible.

But the attendance charges relate basically to cost recovery. In terms of the wear and tear of the building, when groups use the facilities there is an element of wear and tear. I think I have explained in previous estimates committees that there has been a huge increase in the use of the reception room and the exhibition room. According to the latest statistics, it was something like twice a day, whereas in years gone by it was probably less. Which is good—you want people making visits to the Legislative Assembly and we want it to be accessible, but that does have a cost in terms of wear and tear from use of the facilities.

THE CHAIR: Mrs Burke.

MRS BURKE: I was going to put this question on notice but maybe you can answer it. As those who are listening to or are present at this hearing would know, I have always been a long-time fan of the education unit. I love it, I think it is great and it does a fantastic job. I would love to know—and you might want to take this on notice: in the last 12 months as compared to the previous 12 months, the number of visitors and schools to the Assembly; the number of open days we have had, and visitors through on those days; and the feedback, particularly how you gather that information and what happens to that feedback. You can take it on notice if you wish.

Mr Berry: We will take that one on notice and get those up-to-date details for you.

MRS BURKE: Thank you very much. Well done to the education unit.

THE CHAIR: Our time has almost expired. Dr Foskey and Mr Pratt have indicated they have questions. We will stay for another five minutes.

DR FOSKEY: My question should only require a yes or no answer, and I know that you would be prepared for this one. Is better bicycle accommodation part of the plan in respect of your building improvements? I know that many people cannot fit a bike in the little fire escape alcove. I had a door fall on me once—and it is all right; I am still here—but it is probably a bit of an occupation health and safety thing.

Mr Berry: What was the door doing there?

DR FOSKEY: It was leaning up against the wall.

MR PRATT: Was the door compensated?

DR FOSKEY: I am sure it has gone now.

Mr Berry: We had a discussion about what we were doing in the context of building. Ian might know.

Mr Duckworth: Elsewhere in the budget papers, the Cultural Facilities Corporation had argued this year, and successfully it turns out, for some funding for the upgrade of Knowles Place, which is the laneway between the theatre and the Assembly building. It is probably important to clarify that it was a Cultural Facilities Corporation initiative that had our blessing, because we do think it is a bit of a ghastly space and not well lit of a night time.

MRS BURKE: Perhaps somebody might make that clear to the general public, because they think it is coming from here.

Mr Duckworth: I had noticed mention in the press that it was the Assembly feathering its own backyard, or whatever. But we have been involved in some discussions with the Cultural Facilities Corporation about that upgrade project, and we agreed last week that we would certainly ask the design team to take on board the issue of incorporating bicycle parking, because we are aware that it is an issue in respect of which there is some pressure. At the current point in time it is our intention to try to use that half a million dollar upgrade funding to see if we can incorporate something in that project. Hopefully that would help to alleviate the problem.

THE CHAIR: The last question is for Mr Pratt.

MR PRATT: I refer to page 5 of budget paper 4. I do not think this has been covered and I will risk going over old ground. Have there been any changes to the proposed completion date for security upgrades and, if so, what is now the estimated completion date?

Mr Kiermaier: I assume you are talking about the closed-circuit television upgrade project and the access control arrangements. We are in the final stages of those. I would imagine, if we had to put a date on it, by the end of this month we would have it completed. We are virtually completed now. As you know, the new pass system is in operation and the CCTV cameras are actually recording everything.

What is not happening is the outfitting of the attendant desk in the public entrance. We still need to outfit that with the appropriate equipment—screens; there needs to be a lock on the door; there needs to be a bit of work done on that. There is a door that needs to be moved outside the press area, outside Ms Porter’s area. That has got to be moved back. There is a bit of equipment that needs to come in before that can be installed. But we are in the final stages of that. It will not be long until that project is complete.

MR PRATT: Thank you.

THE CHAIR: Thank you, Mr Speaker and staff from the Assembly. A copy of the transcript will be available to you shortly in case you need to make any amendments.

The committee adjourned at 4.35 pm.