LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2008-2009

(Reference: Appropriation Bill 2008-2009)

Members:

MS M PORTER (The Chair)
MRS V DUNNE (The Deputy Chair)
MR M GENTLEMAN
MS K MACDONALD
MR B SMYTH

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 16 MAY 2008

Secretary to the committee:
Dr S Lilburn (Ph: 6205 0490)

By authority of the Legislative Assembly for the Australian Capital Territory

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

APPEARANCES

The committee met at 9.37 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, Under Treasurer, Executive
Broughton, Mr Roger, Executive Director, Investment and Economics
McAuliffe, Mr Patrick, Acting Director, Investments and Economics Division
Dowell, Mr Graeme, Commissioner, ACT Revenue
Ahmed, Mr Khalid, Executive Director, Policy Coordination and Development
Miners, Mr Stephen, Director, Policy Coordination and Development
McDonald, Mr Tom, Director, Legal and Insurance Policy

THE CHAIR: Good morning, Treasurer and officials. We are glad to have you with us for this first hearing of the Select Committee on Estimates. Are you all familiar with the privilege statement and understand the privilege implications of the statement? Everyone has nodded. Thank you very much. For the record, I move:

> That the statement be incorporated into *Hansard*.

The statement read as follows—

Privilege statement

To be read at the commencement of a hearing and reiterated as necessary for new witnesses

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.

Can we please ensure that only one person speaks at a time—and that goes for all of us. We are very pleased to have you here this morning on a lovely rainy day. I believe, Treasurer, that you do not want to make an opening statement.

Mr Stanhope: No, I have no opening statement, thank you.

THE CHAIR: We will move straight to questions.

MR SMYTH: Treasurer, on page 2 of your budget speech you stated:

> The internal stringencies we have demanded of government operations have delivered about $100 million a year in efficiencies, for example—year after year.

Can you detail what those stringencies are and how they have had the desired effect for which you stated they were put in place—so that we would live within our means?

Mr Stanhope: They have had the stated effect. There is $100 million of stringencies, efficiencies, that were the result of decisions taken in previous budgets. They have been factored into the budget and into the forward estimates. They are in the order of $100 million. They have had the desired effect in that our budget is now sustainable, with sustainable surpluses, as you see in this budget, in the budget year and in the forward estimates. So they have very much had the desired effect.

MR SMYTH: One of the stringencies that you implied was the loss of 500 staff, yet we see in the outcome for this year, from the projections in 2007-08 through to next year, that you will have undone that. How is that sustainable—to lose 500 jobs and then regain them the year after?

Mr Stanhope: We did not lose 500 jobs and regain them the year after. Certainly, there was a significant reduction in the size of the ACT public service over the last three years. As a result of the good and hard work that has been done in ensuring sustainable budgets and sustainable expenditure, and that they are able to meet our priorities, we have had the capacity in this budget, because of those decisions, as well as the continuing strength of the ACT economy, to initiate through this budget an expansion of services and service delivery. That will involve an increase in the size of the ACT public service by somewhere in the order of 350, which is a great outcome.

As a result of the management of the economy, the budget and our budgetary position, we are in a position this year to expand a range of government services, most particularly in relation to health. Of course, a significant change in the employment profile reflected in this budget is the engagement locally of corrections officers to staff the Alexander Maconochie Centre rather than, as we have done traditionally, pay for the salaries of New South Wales corrections officers through our payment to New South Wales. So the most significant single identifiable cohort of additional ACT government employees reflected in this budget relates to the engagement of corrections officers within our economy to replace those New South Wales corrections officers for whom we effectively pay now.

MR SMYTH: At the start of that answer you seemed to indicate that perhaps the 500 staff losses that were projected in 2006-07 did not occur.

Mr Stanhope: I do not have the numbers with me now, but over the last three years the number of people employed by the ACT public service has declined dramatically. I am more than happy to provide the numbers, but there has been a dramatic decrease in the size of the ACT public service. I am happy to take that on notice.

Ms Smithies: The numbers did decline because of the implications and outcomes of the 2006-07 budget, but the budget that was put in place even in those years still contained, across the forward estimates, reasonable growth in capacity and parameters for a number of departments. For example, the Department of Health, at the time of the 2006-07 budget, was provided with a growth envelope which allowed it to increase its services in line with a reasonable level of growth in activity to be provided to the community.

So even when the government went through the 2006-07 exercise, it was always anticipated that over time the size of the public service would grow. There are obviously more and more services that need to be provided; there is natural growth in the system; there is ageing of the population et cetera. What actually happened in the staffing profile was that a number of positions were taken out—around 500 to 600 positions. What we now see, two years later and across the forward estimates, is that you will get a degree of natural growth. As the Treasurer discussed, there is also new money for health, which adds to the money that is in the health envelope, and the changing staffing profile for justice. So I do not think there is anything necessarily untoward about the increase in the staffing numbers that has been put into this budget.

MR SMYTH: But in claiming that you invent savings but then increase the staff, you have not made the saving, have you?

Ms Smithies: I do not think anyone could expect that the expenditure levels were going to stay the same as those that were put into the 2006-07 budget. I do not think the level of services that have to be provided to the community will always stay the same. There is always going to be some type of natural growth in the system, and that also goes to growth in services, particularly in areas like health and education.

MR SMYTH: This is probably more of a question for the Chief Minister.

Ms Smithies: But the answer is that if the government had not done what it did two years ago, instead of the growth being 600 this year, this budget would have added to a base that was substantially higher. The base now is lower, in staffing numbers, than it would have been two years ago had those stringency measures not been put in place.

MR MULCAHY: If you focus, say, on Chief Minister’s, your staff increases there are substantially higher than you forecast in the last budget, are they not?

Ms Smithies: Yes.

MR MULCAHY: Why has that happened?

Ms Smithies: There has been an increase in the services being provided through the Chief Minister’s Department.

MR MULCAHY: The forecast is very rubbery at best.

Ms Smithies: No. Government makes decisions, when it goes through a budget process, to provide new services in targeted areas. Those new services need to be provided by staff, so there will be places where staffing profiles will grow.

MR MULCAHY: You did not know those a year ago?

Ms Smithies: The decisions in relation to those services had not been made a year ago.

Mr Stanhope: In relation to the Chief Minister’s Department, Mr Mulcahy, that is essentially a decision to fund the major projects unit at an appropriate level. The significant additional staffing within the Chief Minister’s Department is to provide ongoing funding for the major projects unit, headed by David Dawes. As the Under Treasurer has said, that was a decision taken by the government in relation to essentially a new function which had been previously initiated but which had not been funded through the estimates.

The government took a decision that the work, role and expanded function being performed by David Dawes and his group were important and were a priority, and it has now been funded in this budget and in the forward estimates. So that is the explanation. It was a decision taken by government, in the context of government support and assistance, that a major projects or strategic priorities capacity within the Chief Minister’s Department was serving a useful purpose and should be funded.

MR MULCAHY: There was no capacity to reassign staff?

Mr Stanhope: No, there was not. This was as a result, of course, of the stringencies of the budget two years ago, particularly in relation to that division of the Chief Minister’s Department which Mr Dawes, as Deputy Chief Executive, is responsible for—namely, the business and economic development area, which was reduced significantly. To that extent, the reassignment or realignment of priorities has occurred over the last three years.

Ms Smithies: It is also worth pointing out that the 2006-07 budget stringencies were really about back-end services. They were about increasing the productivity of the public service—doing the same with less staff. This budget puts staff into the front end. Essentially, it has taken the staff out of back-end functions and moved them to the front end.

MR SMYTH: Will you table a chart containing the $100 million of stringencies and whether or not they have been achieved?

Mr Stanhope: They are; they are in the budget.

MR SMYTH: So you can table that for the committee?

Mr Stanhope: No. You can find them in the budget, Mr Smyth; they are there.

MR SMYTH: Can’t you provide the committee with a summary of the stringencies?

Mr Stanhope: Go back to the 2006 budget.

MR SMYTH: I am asking you to provide—

THE CHAIR: Mr Smyth—

Mr Stanhope: Madam Chair, I am more than happy to provide a copy of the 2006 budget for Mr Smyth.

THE CHAIR: Thank you.

MR SMYTH: Are you happy to provide a list? Can you identify them? Is that the problem: you can’t identify your stringencies?

Mr Stanhope: Of course I can; they are in the 2006 budget, Mr Smyth.

MR SMYTH: All right then, why won’t you?

THE CHAIR: Mr Smyth!

Mr Stanhope: I will table it. I will table the 2006 budget.

MR GENTLEMAN: I have got a copy here, if you need it.

Mr Stanhope: Mr Gentleman has a copy.

MR SMYTH: I have got a copy here. Would you like my copy so that you can identify them and report on them? It is actually on page 26 of BP3.

THE CHAIR: Mr Gentleman has the call.

MR GENTLEMAN: Treasurer, my question relates to the first answer you gave. You talked about priorities. In particular, budget paper 4, page 61, the first dot point in priorities in regard to the territory’s AAA credit rating, says that you want to ensure that continues. Can you tell us what basic measures you have put in place to ensure the ACT continues to achieve this AAA credit rating?

Mr Stanhope: Ms Smithies would be more than happy to go to the nature of the considerations which our rating agency takes into account in relation to the AAA credit rating. But, of course, much of what the ratings agency would look for or to is self-evident and is reflected very much in this budget and in the way this particular budget has been structured. It is inherently strong, it is sustainable, it anticipates a significant surplus in the budget year and an average of $61 million over the estimates period.

In relation to a range of the other indicators of the strength of this particular budget and its cash position issues in relation to negative debt, Ms Smithies would go to perhaps each of the criteria that the ratings agency would take into account.

Ms Smithies: One of the things that the credit rating agency actually does take into account, one of the first things it looks at, is the cash surplus/deficit. On any measure, the territory, the general government sector and the whole of government financial statements show strong cash positives for both the cash surplus and the cash operating positions.

The cash operating simply says that the territory can afford, in an operating sense, not only to pay for all of its operating expenses but we actually make a surplus with our operating revenues. What those revenues and that surplus get used for is obviously to fund our capital development program; so essentially we are balancing off the other side of the equation by allowing for investment in capital works. We also take into account the sale of assets. In this set of financials, obviously that means our land sales.

But on both measures, the territory has very strong measures of the cash surplus, which in the commonwealth world is the underlying cash surplus—that is the main key measure the commonwealth use—as well as cash operating.

The credit ratings do look at a couple of other things, obviously, and one is the strength of the balance sheet, the level of our net financial liabilities, net financial assets, our net worth, strengthening the risks related to the economy, whether we are relying on our PTE sector et cetera. Then, obviously, it goes to the operating statement and the credit ratings say, "Is the territory operating at a surplus—yes or no—what is the composition of that surplus and how is the territory moving towards creating capacity to invest?" I think, under any of those measures, this set of financial statements still present a strong position for a credit rating agency.

I am suspecting that they will look at the deterioration of the net operating balance over time and they will ask questions on the government's commitment to a sustained operating surplus and the government's commitment to sustained and prudent financial management. I think that is quite clear, if you look at the level of investment and the nature of the activities the territory is investing in. I am not anticipating that they will have many concerns about that particular measure. It is still strong and positive in the context of the territory and it is still strong and positive overall in the context of other jurisdictions.

MR MULCAHY: I have a supplementary on the net operating balance issue. It is related to that last comment.

THE CHAIR: Wait until Mr Gentleman has asked his question.

MR GENTLEMAN: The Property Council referred to smart targeted tax cuts in their reply to the budget. Treasurer, what effect would that have on the strong cash positives and the possible effect on AAA credit ratings later on?

Mr Stanhope: I think it needs to be understood—and I think it has been overlooked—that there are a number of revenue measures of some tax relief. In any event, it needs to be understood that in this budget there are three small but quite significant measures.

The first is an increase in the payroll tax threshold to $1½ million. That is a very significant move in the threshold. In the context of that, it needs to be understood that there are different payroll taxation regimes around Australia. Of course there is no consistency in the way states and territories deal with the issue of payroll tax, but a $1½ million threshold for payroll tax, an increase of 20 per cent of 1.25, is a significant boon for small business within the Australian Capital Territory.

There is a very significant measure in relation to stamp duty on the sale and purchase of homes. There is an exemption for a range of pensioners from the payment of stamp duty if they sell their homes and purchase a home up to the median price. They will be exempt from stamp duty. There is an increase in the threshold in relation to housing. Those are significant.

But it does need to be understood that these sorts of just straight tax cuts that the Property Council is advocating would have a significant impact on the bottom line, on the balance sheet. The Property Council is advocating the abolition of the utilities tax, at around $17 million. It is advocating the immediate abolition of the fire levy. It is advocating a reduction in conveyance and stamp duty across the board. I would think that, if one were to take seriously the claims of the Property Council in relation to its particular agenda in relation to tax, we would be talking somewhere in the order of in excess of $100 million a year. And of course that would have a dramatic impact on the balance sheet.

Indeed, if we did not have those particular streams of revenue then we could not provide the service that we are currently providing. I guess that is the equation always. It is easy to enter into any discussion about taxation regimes or revenue efforts, but it needs always to be remembered that the ACT is not a high-taxing regime—it is not; it simply is not.

In the context of our expenditure revenue, our expenditure effort as opposed to our revenue effort, the expenditure effort is very strong. We spend, on delivery of services, well above the national average but we do not, in relation to our revenue effort, actually expend the same level of effort in terms of revenue. And that is the equation always.

There can be no real or sensible engagement on the issue of taxation or revenue without a similar engagement on the issue of services and government service delivery; it is a simple equation. You can provide a level of government services consistent with available revenue or resources and, if the revenue or the resources are not there, the services cannot be provided. It is as simple as that.

I think the level of intellectual honesty we need in any discussion on taxation rates and revenue must involve serious discussion or contribution to the debate and, if there is a representative or an organisational review that shows we can cut, willy-nilly, taxes by $50 million or $100 million, an associated discussion or contribution to the debate about which services should we not look to provide or which services should we cut. It is as simple as that. I must say there are some that are engaging in the debate about revenue or taxation effort or structure without engaging in the second part of the necessary debate about what services within our community do we believe perhaps are not a priority or are expendable that we should not assist with.

There needs to be a real understanding of the incremental, increasing demand for health and the capacity of communities or jurisdictions to meet that need. And that is, of course, that health is the most pressing of the strictures that governments face in getting the balance right. Expenditure on health in the ACT has doubled in just over six years; it has gone from $440 million to $880 million a year. It has doubled. And that is every year. It is not just saying it has doubled for this year; it has doubled to a point where the expenditure now is essentially $900 million a year just on health.

THE CHAIR: I have a quick supplementary on something Ms Smithies said before. Probably she could answer it fairly quickly. You mentioned assets. One of the dot points under priorities talks about finalising government’s revised asset management framework in establishing the rolling program to develop review agencies’ strategic asset management plans. Obviously that is important. Could you comment about that, please?

Ms Smithies: Yes. The existing framework that was put in place for strategic asset management was put in place around the time of the original financial reforms, which was around 2006. And essentially what we are doing at the moment is going through a process of that strategy document and framework document and refreshing it and updating it for more contemporary practices. The document itself is actually fine in its basics but we obviously need to refresh it and re-promote it across the public service to make sure that we have got the foundation documents on strategic capital planning right.

Then, on top of that, we are going to work with agencies to ensure that all asset management plans are finalised. It will be a rolling program across a few years, essentially, where we still have major classes of assets where there are no up-to-date asset management plans. We will work with them to get those in place and then, over time, refresh those so that that can form the basis or the building blocks for information that heads into the budgets of the future in relation to the service delivery standards and the quality of the assets. It will go to the issue about asset disposal as well.

I guess I should add that it is not to say that a lot of agencies do not actually have this in place because, if you look across all agencies, there are examples of these documents but it is time that these things were refreshed and actually updated and made more contemporary. Obviously the state of assets changes over time. There are a number of AAOs or administrative changes that have occurred over the last few years which have moved assets or classes of assets or asset bases around and across agencies. We just need to make sure that they actually reflect the existing service and pattern of service delivery here in the territory.

THE CHAIR: We have 10 minutes more on overview.

MR MULCAHY: Chief Minister or Ms Smithies, in your discussions between officials and Standard & Poor's, the credit rating agency, have they flagged any concern to you about the deteriorating net operating balance when you take out long-term returns or superannuation assets? That is really now, in the four years, the only way you are getting a positive outcome. Have they flagged concerns about that approach?

Ms Smithies: Each year when we meet with the credit rating agency we go over the accounting issues that make the territory different to all other jurisdictions. We look at our net operating balance and the change, once you take out the long-term revenue related to our superannuation assets. Essentially, the reason why we do the changes is to actually show our financial statements in line with other jurisdictions.

While I think it is true to say that they are not particularly enamoured of that approach, they do actually understand the fact that we have a long-term investment strategy that is pegged to a long-term expense. And the long-term nature of the defined benefits scheme that we have in superannuation means that you really need to peg a long-term earning rate to it.

MR MULCAHY: So they have flagged the concerns they mentioned to me about it?

Ms Smithies: I am not too sure that I would actually say that they are terribly concerned about it. Their preference is for conformity in financial reporting across all states, but I do not think it is a preference for conformity at all costs in terms of necessarily having one state or territory penalised in the way that people view information vis-a-vis other states, which is what we are getting.

MR MULCAHY: It is something of a distortion, is it not, in that it does not tell you the true position?

Ms Smithies: I disagree with that. I think it remedies a distortion in the territory's financial statements in comparison with all other jurisdictions. All other jurisdictions are actually netting out the effects of their long-term revenues against the effects of their long-term costs and they are bringing a net number into their financial statements.

This is, in effect, what we are doing. We are essentially doing our financial statements on the same basis as every other state and territory. Then I guess the question becomes: is the territory happy about it and is Standard & Poor's happy about the long-term strategy that we have in place to take care of our defined benefits superannuation liability? The answer is definitely yes.

MR SESELJA: I have one quick supplementary before I ask a substantive one that I have. On long-term superannuation, just quickly, what is the expected return for this financial year expected to be?

Ms Smithies: All up, we are going backwards; we are going to have around a $70 million loss at the end of the financial year.

MR SESELJA: Which would be in percentage terms?

Ms Smithies: Minus three per cent on our superannuation, yes.

Mr Stanhope: What was the result last year, Ms Smithies?

Ms Smithies: It was an increase of around $200 million above our estimate.

Mr Stanhope: As a percentage, that was?

Ms Smithies: Above 15 per cent. And the two years before that are similar increases.

MR SESELJA: We have already seen the ones from last year, Mr Stanhope. The liability has blown out, has it not, now? We have moved further back.

THE CHAIR: Wait a minute; one question at a time.

Ms Smithies: What you are talking about is a net position. I would have to say, in comparison to the total level of superannuation liability that we have versus our superannuation investment, the change is marginal on the total value of the balance sheets.

MR SESELJA: Moving on to capital, obviously the spend on infrastructure was a major focus of this budget. Are you able to tell us, Chief Minister, from a Treasury perspective or from your perspective as Chief Minister, given the massive underspend that we have seen in previous years on projected capital spend, what you are going to change internally so that we see some of what has been promised in this budget actually delivered over the next five years?

Mr Stanhope: It will be delivered over the next five years. I think there is a real confusion on our arrangements in relation to capital. The notion of an underspend, of course, creates a perception that the money is never spent. Of course, capital is rolled over but the funds are expended. I know of almost no occasions on which particular projects that have been commenced and funded were not completed. Of course in the context of timing, there are delays inherent in issues on—

MR SESELJA: There is some 48 per cent underspend; it is not a minor rollover.

Mr Stanhope: It is not, but of course work from the previous year was undertaken in the year, so that the actual spend in any given year is almost certainly consistent with the anticipated spend for a particular year, whether or not it is a spend that incorporates all the moneys appropriated with a view to their expenditure in a given year, or whether or not it includes funds that have been rolled over from the previous year. So the spend in any given year, probably more often than not, is entirely consistent with the amount of capital that it was imagined would be spent or expended in that particular year. That has been the case since 1989.

If one looks at the historical record regarding levels of expenditure—a portion, at least; accepting that during the Liberal years there was almost no capital investment in the ACT—the capital delivered in 1998, 1999 and 2000 was often in the order of $50 million to $60 million, with exactly the same level or proportion of rollover as we see now. It is quite remarkable that, over the last 10 years, the proportion of rollover from year to year has barely changed. It is almost within a per cent. It is somewhere in the 60 per cent range and it has been in each of the last 10 years, and it will continue thus. That was the experience of the Liberals in government.

The great difference between capital and capital expenditure and effort today is that we are now investing, through our capital programs, in the order of three to four times as much. Expenditure on capital has increased by over 300 per cent since Labor came to power in the ACT. Actually, there is an interesting number in relation to capital expenditure. We have committed, and will deliver in the year just about to conclude, as much, at just over $300 million, as the Liberal government delivered in its last four years in government.

Just ponder that: in this year, 2007-08, my government will deliver a capital program which is equal to the last four years of the last Liberal government. Just imagine that in this one year—and this is our commitment, and it is a commitment driven out of our determination to ensure a sustainable budget and sustainable estimates—in 2007-08, we have delivered on the ground a capital program equal to the last four years of the previous Liberal government.

THE CHAIR: Treasurer, I think the point is made.

Mr Stanhope: So in the context of any discussion around capital and the delivery of capital, there does need to be a genuine understanding of, firstly, the Liberal Party's complete disinterest in building the capital asset base of the territory. Secondly, there is a high level of hypocrisy around their effort. If one looks at the results since self-government, one sees that, in every year, the degree, quantum or proportion of the capital program that has rolled across the June-July end-of-year break is almost identical, within a couple of per cent of each other. The figure for this year is perhaps the biggest that any government has ever recorded. Our expectation is that in this year, 2007-08, we will have delivered on the ground $340 million of capital. I think it is the highest year ever for an ACT government, in terms of capital achievement. It is a wonderful achievement.

MR SESELJA: Chief Minister, at the breakfast you said that any delays in delivery of infrastructure were as a result of industry failing to deliver. But if you look at budget paper No 5, pages 122 and 123 give a lot of the reasons for the underspend. With the Tuggeranong P-10 school, for instance, there are unanticipated delays due to the time taken to engage a suitable officer to manage the project. The delay in relation to improving the look of the city is as a result of delays in a number of projects due to community consultation and market conditions. I am not quite sure what that means. There is reference to delays caused by scoping of work and site access. A lot of these seem to be internal issues—failing to engage an officer is an internal issue. What are you going to do to fix some of those things, rather than just blaming others?

Mr Stanhope: At the outset, I said no such thing at the breakfast. That is simply not true. The claim by Mr Seselja that I was blaming industry is actually false.

MR SESELJA: There was a very strong implication in what you were saying—a very strong implication.

Mr Stanhope: Madam Chair, that is simply false, and I would like the record to show that Mr Seselja actually misled the committee in making that particular comment. That is just not true.

MR MULCAHY: On a point of order, chair: I do not think the use of the term "mislead" is appropriate.

MR SESELJA: I don't know how he gets to rule on such matters.

MR MULCAHY: I don't think he can even make the allegation, under the standing orders.

Mr Stanhope: Mr Mulcahy, I am not going to sit here and accept from Mr Seselja that I said something which I quite clearly and plainly did not say, and the record will show that I did not say it.

MR MULCAHY: So be it, but you can't make that statement.

Mr Stanhope: I can make it here now. I want this record to show that Mr Seselja was wrong, and the record will now show it, through the transcript.

MR SESELJA: So are you going to answer that question?

Mr Stanhope: The suggestion that was being made was that there was no capacity to deliver a major capital works or infrastructure program.

MR SESELJA: Well, it is a 48 per cent underspend, so we lost 33 per cent—

Mr Stanhope: I was simply making the point that, at its heart—

THE CHAIR: Mr Seselja, do not talk over the Chief Minister.

Mr Stanhope: I discussed this issue with Ross Barrett of Woden Contractors yesterday, in relation to the claim which the Liberal Party and members of some representative groups around town are making that a large capital or infrastructure program could not be delivered within the ACT. Essentially, the suggestion that a large capital works program, a historically large infrastructure program worth $1 billion with an associated $400 million of additional capital, could not be delivered by the ACT suggests that we do not have the capacity within the town to deliver major infrastructure or civil projects.

MR SESELJA: I'm pointing to the problems you have internally.

Mr Stanhope: I am just saying that I discussed this yesterday with the President of the Masters Builders Association, Mr Ross Barrett, the chair of Woden Contractors, and he indicated that it was complete nonsense; that he, other civil contractors and the construction industries within the ACT had all of the skills necessary to deliver a $1.4 billion infrastructure and capital program; and that any suggestion to the contrary was really an insult to the construction and civil engineering community within the ACT, as well as the project managers.

That is the point I made at the budget breakfast. To suggest, as the Liberal Party is suggesting, that the civil contractors and constructors in this town did not have the capacity, the expertise or the wherewithal to deliver a major infrastructure and capital works project was an insult to that particular industry and, indeed, to the ACT. To suggest that they were not smart enough, clever enough and did not have the capacity or the wherewithal to deliver a major infrastructure program was to talk the town down and to talk the industry down.

MR SESELJA: We were just suggesting that, on your record, you could not deliver it.

Mr Stanhope: I discussed this yesterday with Ross Barrett and other members of the Master Builders Association.

MR SESELJA: You should actually stick to the facts.

Mr Stanhope: Mr Ross Barrett and the Master Builders Association agreed with me that their industry, their sector, had capacity, were looking forward and were eager to work with the government in delivering a historically large, most significant infrastructure plan—the only genuine infrastructure plan that had ever been prepared—and that it would be delivered. It is a long-term plan for the future. It ensures that the ACT has the capacity to meet the needs of the Canberra community in the future. I reject absolutely the suggestions that the Liberal Party is making that the Canberra construction and civil engineering community does not have the capacity to deliver this major infrastructure program. I reject absolutely, on behalf—

MR SMYTH: By that logic, if the community can deliver it then the problem must be inside government. Will you answer Mr Seselja's question.

Mr Stanhope: I would like to conclude this. I would like to conclude, Madam Chair.

THE CHAIR: Excuse me!

Mr Stanhope: I reject absolutely the claims being made by the Liberal Party that the construction and civil engineering community in the ACT does not have the capacity.

THE CHAIR: Okay, we will go to Dr Foskey.

Ms Smithies: I could probably add a little bit more to the debate.

THE CHAIR: We will go to Dr Foskey immediately after that. At the beginning of this hearing I asked you not to talk over each other. I said that only one person was to speak at a time. I asked you to respect that, and you are not.

MR SESELJA: Chair, you also said you were stretched for time, and you are allowing the Chief Minister to give very long answers that do not address the point he has been asked about. If you want to keep him to the point then there will not be the need.

THE CHAIR: Do you want to carry on, because we will carry on having this discussion or we will go to the question.

MR SESELJA: I would be very happy if the Chief Minister or Ms Smithies could answer the question.

THE CHAIR: Good, except that I am asking you not to talk over people when they are answering questions, and the same goes for you, Mr Smyth. Ms Smithies?

Ms Smithies: I wanted to add that the construction industry in the territory has certainly already delivered a program of this size, and there is capacity for this to be delivered. In relation to internal processes of government, obviously the contribution that the government has made in relation to the skills shortage should assist the territory in regard to the skills position, with the investment in Live in Canberra in relation to population.

Going further, 2007-08 was the first year in quite some time that we had released a call tender schedule again to industry. That was warmly received. So industry is well advised on what the government will be releasing by way of packages of works well in advance. The call tender schedule for the 2008-09 package of work will be delivered to industry very shortly—within the next two weeks. So there is a huge amount of planning that has already gone into programming the delivery of this capital works program over the next year.

On top of that, Procurement Solutions is busy doing a review of its pre-qualification system, which should assist the industry in relation to tendering for work and becoming pre-qualified for work. That involves mutual recognition of other jurisdictional pre-qualifications, the levels of pre-qualifications and the risk matrix that the territory will be exposed to, depending on how we go with pre-qualification.

There is also a significant emphasis in this capital works program on forward planning and planning and design—in particular, in the areas around health. The health plan has taken over a year to get to this stage, so a lot of the planning there has actually been done. There is additional work being undertaken within Procurement Solutions in reviewing the template documents that we use for tendering and contracts, which should help the industry in relation to streamlining the processes and the time taken to respond to government tendering.

Further to that, there is an awful lot of discussion with the industry right now in terms of how we package the goods in this budget, and in trying to get the synergies across all of the goods that we are packaging so that we can ensure the orderly and logical entry into the market around the goods and the capital works that are in this year's budget. So a lot of the work has actually been undertaken, as much as can be done in advance, in relation to the scheduling of work. That has been undertaken in parallel with the budget process. For each of the last two years, within the bureaucracy we have been pulling closer and reducing the time frames in relation to the work, in order to get these packages out to tender. I think there is a lot of good work being done to support the delivery of the 2008-09 program and that of future years.

THE CHAIR: We will go now to Dr Foskey. Could we keep the answer as brief as possible, because we need to go on to output 1.

Dr Foskey: If this requires an expansive answer, I will be very happy to hear it. I refer to pages 2 and 7 of budget paper No 2, *Ready for the future*. Page 2 shows a diminishing government surplus from now until 2012, but page 7 shows strong projections for the ACT economy in outward years. The problem, as I see it, seems to be that the surpluses post June 2009 are based on data that, in a footnote on page 7, footnote (b), says "do not reflect an expectation (forecast)" of future projections. Why hasn't the government been able to provide economic forecasts past 2009-10 rather than projections based on long-term averages? I have a follow-up question as well.

Ms Smithies: I will ask Roger Broughton to answer that, because it is a technical—

Dr Foskey: It is not that far away, and I am interested in whether there is data out there and whether it was considered.

Ms Smithies: We will go through the process.

Mr Broughton: The simple answer to the question is that it is impossible for us to predict the business and economic cycles that will occur in the ACT beyond a relatively short period. Our experience has shown that the best we can do, and the most reliable indicator we have got of the future, are the long-term trends of the past. Beyond what we know with a reasonable degree of certainty, we put in place those long-term trends and they are more around planning for the future than trying to predict the future.

THE CHAIR: Did you have another question? We need to move on to output 1.

DR FOSKEY: Yes. I am just wondering if you have some forecast, because June 2009 is not that far away, that is not displayed in the budget. Do the trends that you predict post 2009 depict a case in which the ACT government, based on current spending, will still achieve a surplus in outward years? In other words, was that the premise from which you worked—the need to show that there would be a surplus—and therefore the data may have not supported that, may have been rejected? I just want to know. There must be data out there.

Mr Broughton: There is some data. When you look at the ACT economy, the key segments are private consumption, private investment, public consumption and public investment. In relation to the public side of that, we get our information essentially from the budget documents of both the ACT government and the federal government. So we utilise that information to give us a bit of a clue as to what is happening there.

In relation to private consumption, that has been a very stable thing over many years and our use of long-term trends is probably about as good a predictor as you can get.

Private investment is a highly volatile part of our economy and it is impossible to predict just how that investment will be timed. We have got a feel for where we think investment will go, because we have a list of major projects that we monitor. We also understand what the government's land release program is and what we think the consequential residential investment will be as a result of that. But the actual timing of some of these significant investments that are going to be incurred in the ACT is extremely difficult to predict and we do not attempt to do that.

We do the economic forecast. That is the first step we do in the whole budget formulation process, so it is done independently of any idea of how the budget is going to turn out or what the surplus is going to eventually look like. Having said that, the budget outcomes are not as sensitive to the economic forecasts as individuals might think they are. What we find is that a number of our revenue streams, our important revenue streams, seem to not respond particularly well to changes in the economic circumstances. We do, however, take those into account in reaching judgements about where we think revenues will go. That step, that estimate of the revenue forecast, is done independently of the expenditure side of the budget process and they only come together towards the end. The idea is that the revenue forecast will inform the government about what its capacity is to spend money.

THE CHAIR: Thank you very much. We will now go to output class 1.

MR SMYTH: Chief Minister, on page 9 of budget paper 3, table 1.2.1, the budget operating surplus/deficit, which we have already had some discussion on, under the UPF, the net operating balance for this year and covering the next four years, there are predicted deficits. Why at the top of the economic cycle are we predicting deficits if the economy is as strong as you say it is?

Mr Stanhope: We are not predicting deficits at all. The Under Treasurer actually went into some detailed explanation of this particular issue in response to a question from Mr Mulcahy just 15 minutes ago, but I assume the shadow Treasurer did not understand Mr Mulcahy's question or the Under Treasurer's answer. A detailed answer to this question was given within the last half-hour, but I am more than happy for the Under Treasurer to repeat it.

THE CHAIR: Do you want to repeat it?

MR SMYTH: I have more questions. As I pointed out to you at the time, rather than ask a supplementary, I said I would wait until the appropriate time to ask you.

Ms Smithies: Our key line measure is the net operating balance, which is in surplus across all four of those years. When we comply with the technical arrangements, I guess, of the UPF, we have to pull out our expected long-term gains on superannuation investments, which is what drives the difference. But the UPF does not actually ask us to pull out the expected long-term expenses of superannuation every year. So essentially what we do by complying with the UPF is pull out the revenue side of the equation and leave the expenses side of the equation in the financial statements, which creates a misbalance. It actually goes against the concepts of matching expenses and revenues in the years and the periods to which they exist, so in line with all other states and territories who do have their superannuation assets sitting with their superannuation liabilities in plan asset schemes.

What they do is bring the net of those two, the annual expense for long-term expenditure liability, or superannuation liability, with annual revenue gain from the investments of all of the financial assets we have put aside for superannuation. They essentially take the net of those things and what comes back into their general government sector operating result is the net of those two equations. But what we have right now under the UPF set is all of the expenses and none of the revenues. So they have both sides of the equation in their states, under their UPFs, but we have only got one side of the equation in ours, which is why we back all of that out to provide a set of information that is comparable.

So what we essentially have when we do our net operating balance is a fair indication on an annual basis of what our expenses are on superannuation and what our revenues are from superannuation in each of those years, rather than only having the expenditure side. I guess the implication of that really is: should governments, any government, make decisions on sets of financial information that are not balanced, that only have one side of the information? Obviously, what you are going to end up with is a whole lot of decisions around either increases in taxation or decreases in expenditure—for what?—based on the fact that under a UPF presentation the UPF does not allow us to show our long-term revenues but requires us to show our long term expenses. It is not a good basis on which to make policy.

MR SMYTH: But at the heart of that is section 9 of the territory's superannuation provision protection act 2000 that says that all of these payments must go into the SPA. Even though you will include the expected long-term capital gains on superannuation investments, you cannot actually spend them, can you?

Ms Smithies: The returns go into the territory superannuation account and get accumulated there. When we talk about expending superannuation, we expend it; we expend $450 million per annum on superannuation every year in this territory and that is what sits in our headline statements.

MR MULCAHY: But he is talking about day-to-day operations of government.

MR SMYTH: That is superannuation paid to ACT public servants; you cannot spend that on recurrent programs delivering services.

Ms Smithies: No. That is the total cost of our superannuation in each annual period of long-term superannuation funds largely for defined benefit funds. So it is not cash out the door; it is basically an actuarial assessment in a period that relates to a long-term expenditure profile on superannuation. We actually include a lot more in superannuation expense in our financial statements than we do revenues.

MR SMYTH: But, in terms of it being a surplus that we can spend on recurrent programs, giving further services to the people of the ACT, this money that you include in the bottom line cannot be spent?

Ms Smithies: If you want to take that argument—and I can understand where you are getting with that argument—to the conclusion, what you need to do is have a look at the cash flow—

MR SMYTH: I do not disagree.

Ms Smithies: if that is your line of logic. Again, the cash flows do not only mirror the operating statement results; they far exceed the operating results, not only in relation to operating cash but the cash underlying surplus. I guess what I am saying is that in an accrual sense those gains that we are getting on superannuation, the long-term gains, you could almost view as being expense every year. They are being spent; $450 million of it is being spent every year. Simply, all we are doing is matching the one with the other. But, no, we are not breaching the act. The actual cash returns do go into the superannuation account and they get put aside for when the cash actually does need to leave the door.

MR SMYTH: So, if there was a need for a second appropriation, we actually do not have $84.9 million in surplus that we could spend on a second appropriation, do we?

Ms Smithies: Yes, we do.

MR SMYTH: So you think you can spend this money if there was a need for a second appropriation—sorry, without taking us into deficit, further into deficit?

Ms Smithies: If we spent $84 million, regardless of where we fund it from, we will be in deficit. But we can spend $84 million without breaching the superannuation act.

MR SMYTH: Is this a notion recognised by the ABS? I note the uniform presentation framework, the net operating balance. Is that recognised by the ABS? Is it unique to the ACT and is it used by other states in their reporting?

Ms Smithies: That measure is unique to the ACT. The ABS recognise our problem, have looked at our issue in comparison with all other states and territories and I think have acknowledged that we do have an issue in terms of how we structurally set up our superannuation in comparison to all other jurisdictions. Other jurisdictions essentially have different bodies that sit outside the general government sector on which these funds accumulate, and we do not, for good reasons. But, notwithstanding the fact that they acknowledge it and appreciate our issues, they are still dealing with a whole lot of rules and interpretations that they need to take account of and they are not prepared to make an exception for the case of the territory.

MR SMYTH: On page 8 of budget paper 3 of 2006-07, there is a footnote that says that this is currently being reviewed by the ABS. What is the status of the work? This is two years ago now.

Ms Smithies: The ABS did a comprehensive review across all jurisdictions. It took a long time. The answer to that review did not come out until well into 2007, and essentially they decided that there was no change that they could make in relation to the way that they account the superannuation across jurisdictions.

MR SMYTH: So what suggestions?

Ms Smithies: I have just been told that technically the review is not final either.

MR SMYTH: Yes, I understand. I spoke to the ABS earlier this week. But the footnote on page 8, I am advised by the ABS, is incorrect, because the project that, as you say, is still underway, involves the development of guidelines for states to report on the treatment of superannuation and it is expected to be completed by the end of 2008. Have you been given any interim advice on the reporting method that you use here?

Ms Smithies: On the review we have not seen anything for over a year. In terms of their interim advice they have told us at officer level that it essentially is not how they put together their accounts, which is why we do the UPF net operating balance and then we present our own operating balance. We have been quite clear about the fact that the territory's measure, the net operating balance that the territory uses, does not technically comply with the ABS; we have been quite clear about that.

Mr Stanhope: Just for the record and the sake of completeness, I think it is an interesting development that the Liberal Party, through its questions today, is signalling that, should it ever regain government, it will present as the primary measure of the budget the UPF net operating balance, which will be very interesting; and we await that with great interest.

MR SMYTH: Perhaps the question is: why don't you?

Mr Stanhope: Because it would actually provide a real distortion, but it is interesting—

MR SMYTH: Why is it a distortion if that is what all the other states report on?

Ms Smithies: It is not.

Mr Stanhope: Ms Smithies has gone into great detail to explain the difference and I am intrigued today—actually I am very interested—to learn that the Liberal Party's formal position on this is that in government it will present as the primary measure of its budgets against the UPF net operating balance.

MR SMYTH: And I am intrigued that you won't answer the question.

Mr Stanhope: I think Mr Mulcahy understands what I am referring to here in this

MR MULCAHY: I would actually like to see you present it that way, too, I am afraid, Chief Minister, because—

Mr Stanhope: We await with great interest that day in the dim distant future that the Liberal Party might regain government, to see the basis or the nature on which it presents its budget. Let me tell you now—and I will say it here so you can reflect back on it in 15 years time if you ever do get back into government—that the Liberal Party in government will not present its budgets under a UPF; it will present its budgets in precisely and exactly the same way the ACT government is currently doing it. And it will do that because it is the only way in which a true picture, relative to every other jurisdiction in Australia, of an ACT budget can be presented.

It reflects the very simple fact that the constitutional arrangements and our history provide that we simply cannot present our superannuation in the same way as the states do; we just simply are unable to do that because of the cord that binds us to the commonwealth, most particularly through our superannuation arrangements, the CSS and PSS schemes. It is as simple as that.

MR SMYTH: But the Under Treasurer has just said that the ABS does not accept your presentation.

Mr Stanhope: This is humbug. The Liberal Party are claiming today that they intend in government to present their budget against the UPF. They have absolutely no intention of doing that and they never will.

Ms Smithies: Can I correct that? The ABS will acknowledge that the UPF or the ABS net operating balance as we present it in the financial statements is correct. The ABS will also acknowledge that it is up to each state and jurisdiction to determine whatever key financial indicator it chooses as part of its budget.

With the commonwealth budget, its cash underlying surplus actually removes a whole heap of superannuation transactions from its cash flow in order to get to that number. That number does not accord to the UPF number. The commonwealth itself makes changes when it goes through its cash flow to remove things and add other things in order to get to that number, and that is what the commonwealth has chosen to use as its key performance measure.

MR MULCAHY: They do not rely on superannuation gains to achieve—

Ms Smithies: The commonwealth does that because it makes sense in terms of where the commonwealth sits with its superannuation schemes and the way that it funds things like the future fund and its superannuation liabilities as well. I guess the issue comes down to key measures. You do not want a key measure that will provide a distortionary effect on policy, which is, I guess, the end result of where the commonwealth sits and it is the end result of where this government sits on its net operating balance.

THE CHAIR: Mr Gentleman.

MR GENTLEMAN: Treasurer, can I bring you to budget paper 4, page 65, in this output class. There is a discussion there on key outputs to be delivered in this budget, including the overseeing of the implementation of the COAG regulatory reform program. Treasurer, what impacts will this program have on the territory's bottom line and, if there are impacts, what measures have you taken in this budget to cover those?

Mr Stanhope: Thanks, Mr Gentleman. Ms Smithies.

Ms Smithies: The COAG work on regulatory reforms is covering a number of the hot spots that were agreed by COAG a year or a year and a half ago. As the territory goes through the process, we will assess all of those for the costs and the benefits of implementing them. There will probably be a few things in the context of the territory where aligning nationally may not make sense in relation to our economic situation, but there will be other things around trade licensing, a lot of things to do with our payroll tax; there are a whole heap of things that do not obviously impact us in relation to ports and plastics and chemicals and things like that, but there are a number of things that will help us.

There is work happening around conveyancing, building standards, as well as occupational health and safety. A lot of that is coming under the purview of the Business Regulation and Competition Working Group. Really, the drive is for consistency, but consistency only where there are benefits to jurisdictions in doing so. The benefits obviously will be economic benefits, so they will be about freeing up capacity in the economy—things around our builders and our tradesmen having to go through a lot of red tape to register in the ACT and the same red tape to register in New South Wales for the recognition of trade skills that are essentially the same. Hopefully, we will address those issues and ensure that there is a national mobility of labour across states. There are things to be gained for us. We are not talking about huge economic gains for the territory, though.

I should add that part of the problem for the territory, obviously, is that if everyone else does it we really do need to fall in line. So there will be some interesting questions for the territory, regardless of the costs and benefits for us—how long it is that we can stand to be separate—and I think we will need to make some decisions on those areas as well.

THE CHAIR: Treasurer, again on page 65 I am quite interested in the reforms to the third party scheme in the ACT and other classes of insurance that may need to be reviewed. Also it mentions the implementation of a group insurance initiative for not-for-profit organisations. I am wondering if someone could give me some more information about those two things.

Mr McDonald: In relation to the question about the volunteer scheme, this is a unique insurance product that has been developed in house. It is still in the finalisation phase. Basically it is this. It is a composite policy involving public liability insurance, accident insurance for volunteers and what we would know as director and officer insurance for officers of volunteer organisations. It is a single policy. It has a single, heavily discounted premium irrespective of the risk of public liability activity that the organisation presents to the insurance equation. This flows from work that was started in the insurance crisis. We have been able to do this because of the uptake of risk management principles and those comprehensions by non-profit organisations in the ACT, and the way that they embrace the government’s policy with respect to dealing with that particular crisis.

We ran an experiment with a group policy for organisations that presented the same public liability risk. That resulted in 46 or 50 organisations all being able to insure at significant discount on public liability insurance rates. In one particular instance, their premiums were $100 each instead of thousands of dollars, which they were at the height of the insurance crisis. We have taken that particular policy and applied it to what we call differentiated risk—public liability risk—in relation to accidents and differentiated risk in relation to director and officer type things, although, as you would know, that kind of risk is pretty much similar in relation to libel, slander, defamation or whatever it may be.

Getting to the more technical side of it, it has enabled us to develop this unique product. At the moment it is halfway through finalisation. We have 10 organisations signed up for it; we need another 10 before we can actually announce it. The government will be announcing it formally at that time.

I can also say that I have been approached by the Western Australian government, which is interested in its state volunteering peak body taking up that product once it is formally put together.

THE CHAIR: And third party?

Mr McDonald: In relation to the third-party scheme, as members would be aware, the legislation passed the Assembly on 12 February this year. Developments since then have been interesting and quite positive. While subject to the Chief Minister's views, I can say that there is a strong interest in competition which has emerged as a result of the legislation passing the Assembly, to the extent that we can predict with some degree of confidence that we can look forward in the future at least to competition in the ACT compulsory third-party space.

In addition, the efficiency dividend that we were hoping for—simply on the passage of the legislation, not in relation to downstream performance—is understood by insurers, and we are hopeful that it will be reflected in downstream pricing decisions that the government will be asked to make.

The information technology portion of the scheme reform is one of the most important things—how organisations would be able to interface with the ACT government IT system with respect to premiums and things like. Competition means that you have to change that. The specification was delivered by InTACT to us three days ago; it was finalised ahead of time. We are very pleased with how it is progressing on the mechanical internal front.

THE CHAIR: Mr Gentleman has a quick supplementary; I will take that whilst you are still at the table and then we will go to Dr Foskey.

MR GENTLEMAN: Thank you, chair. It is a supplementary to your question on volunteer insurance. Would this policy be available to volunteer groups that operate under a business model? If you have a sporting group, for example, that operates under a business model, but there is a group of volunteers that work on that organisation or at particular events, would they be able to take up that volunteer insurance?

Mr McDonald: So far, we have looked only at volunteering organisations that are actual service providers, because we understand the risk profile more clearly with respect to those types of organisations. As far as sporting organisations are concerned, as you may have noticed, we have put a separate entry portal on the risk advisory website that Treasury offers for sporting organisations.

What we are doing is accumulating information about the types of risks that those organisations encounter in the day-to-day function of the volunteer experience for those people, for those institutions. Once we are happy that we have got an effective risk metric for that, we would probably be prepared to start thinking about the policy side. That is not in the book right now, but it is on the horizon and in the thought process. Frankly, we do not have enough staff to be able to do more than this particular project at once—the one that is underway now.

DR FOSKEY: I have a quick supplementary on that before you head off. Do the kinds of community groups you are envisaging include, say, resident associations?

Mr McDonald: In relation to that, there are specific exemptions that have been afforded to volunteer organisations that are incorporated under the Civil Law (Wrongs) Act 2002 with respect to public liability claims. Insofar as resident groups were incorporated, and in relation to this particular product—not a general public liability product, which is a different thing—they would need to be incorporated and also affiliated with Volunteering ACT in order for that to click for them. In relation to resident organisations that are simply incorporated and not part of Volunteering ACT, as you are aware, we have policies in place to assist them and mechanisms by which we can lead them towards a cheaper and more effective public liability premium experience than what they endured before.

The answer, loosely, is yes. Technically, it requires those two other steps before that would be achievable at this stage. We would be happy to entertain any conversation or correspondence with those entities to assist them in that regard.

THE CHAIR: What is your substantive question?

DR FOSKEY: My substantive question is this: Treasurer, could you tell me if and how the triple-bottom-line approach was applied in the budget?

Mr Stanhope: Thank you, Dr Foskey.

Mr Miners: The triple-bottom-line framework has been applied in this budget in the same way as in the previous couple of budgets. It is largely indicated through the performance measures—sorry, the financial measures are reported as in the standard financial reporting in the budget; the social and environmental measures are reported through the performance indicators that are laid out in the budget papers. For example, in budget paper No 4, if you turn to page 278, you will find a range of indicators—for example, reductions in waste going to landfill, road fatalities, management of parks and reserves et cetera—providing information on the environmental and social performance of the government.

DR FOSKEY: So you can point me to specific instances, but not to an underlying framework that is applied to all aspects of the budget—for instance, infrastructure?

Mr Miners: There are two aspects to that. I had sincerely hoped at this stage to have the triple-bottom-line assessment framework through, but that is still to be considered by government. At the time of the last hearing, the Treasurer indicated that we will continue to work on that and that it would be a public document. We are still continuing to work on it. I had hoped to have that completed. However, in finalising that, a number of issues have arisen that we need to resolve before we can do that. But work is progressing on that.

In terms of an overarching framework, the framework really feeds into the decision-making processes. From the time it published its information paper, the government has said that it would not be producing additional metrics. There will not be a single measure of social indicators or environmental indicators. The reason for that is that it is simply not possible to add those things up and come up with a meaningful single bottom line. What it is about is producing information in the budget papers, as we talked about; it is also feeding that through the decision-making processes. As they have been in the past, decisions continue to be made on the basis of balancing financial, social and environmental objectives.

DR FOSKEY: I want to follow up with another question. Given the lack of the guidelines—we are obviously anxiously awaiting them—has there been what is called a climate change test? For instance, somebody—I think it was Clive Hamilton—wrote in the *Financial Review* or somewhere the other day that we just cannot present budgets any more without considering the climate change implications. I am wondering if Treasury has begun to do this. Rather than just having a few climate change mitigation measures—of course, there are some in the budget—is it looking at expenditure on infrastructure, for instance, and calculating the climate change ramifications of those and whether they can be offset or whether other alternatives can be found?

Mr Miners: Those sorts of issues would feed into the normal decision-making processes. Where you have policies that have implications for the environment, they would normally be considered through that process. If you are asking whether or not we can produce a single bottom line that says exactly what the environmental impact of the entire budget package is, that is something that I personally believe is not achievable. If we came up with such a number, I would be fairly dubious about what that number would mean.

The reason for that is that you are trying to weigh up a large number of competing factors and you are also trying to weigh these things up into the future. I think it is far better to look at the environmental packages that the government is putting forward in terms of what it is actually doing to address climate change. They are the factors that are probably more pertinent to looking at performance.

DR FOSKEY: I am wondering how much Treasury is part of the solution to climate change. For instance, at a planning workshop in Sydney, the head of ACTPLA made the point that, when planning agencies take suggestions for a more proactive approach to climate adaptation and energy efficiency measures, it generally becomes an issue for Treasury at state and territory levels to address, and their reluctance to do so has been an impediment to change. I want to know what the Treasury position in the ACT is on this.

Ms Smithies: I think I can answer that. There are a number of packages that come forward through budget processes. Obviously, Treasury gets involved in all of the things that come up through budget processes. A number of the things that we ask—

we obviously look for a number of things in relation to projects, particularly projects that are put forward on environmental grounds. With projects that are put forward on environmental grounds, we ask the obvious questions. What impact will they have? Will they be effective? We use a measure of CO_2 emission reduction, and we cost it using the emission trading rate. We go through processes where we look at the reduction in CO_2 emissions based on a carbon trading rate to determine the relative costs and advantages of a number of proposals—$40 a tonne.

We go through those processes. And we work closely with planning agencies and all other agencies in relation to ensuring the effective and efficient expenditure of taxpayer dollars on particular packages that have been put up for climate change, CO_2-carbon reduction et cetera.

Mr Miners: I think the idea that treasuries are not interested in this issue is not right, though. In the ACT, certainly, a lot of the pushing on this issue has actually come from within Treasury, particularly in terms of making sure that the frameworks include financial, social and environmental factors. That is very important, and Treasury has certainly been at the forefront of pushing that.

DR FOSKEY: I am looking forward to those guidelines; they have been a long time coming.

Mr Miners: I do appreciate that. We are trying to get them out as quickly as possible, but we think it is important to get them right rather than just rush them through.

DR FOSKEY: It would be good to see them even as a draft document and make comment on them.

Ms Smithies: The other thing I might mention is that, when we looked at a number of the road projects, we looked at the reduction in emissions through reduced congestion, et cetera. We do pull those targets out and work with agencies to do that.

THE CHAIR: We are supposed to go to morning tea at 11 o'clock. Is your question quick?

MR SESELJA: I have a couple of questions, but yes; it will depend on the length of the answers. Chief Minister, page 69 of budget paper No 4 deals with the land grant scheme that you are introducing, about $83 million over four years. Can you tell us how many blocks that will purchase? I assume that is for the purchase of blocks. Secondly, given that we are talking about the banks being asked to finance a depreciating asset, will there be any sort of guarantee scheme from the government's perspective?

Mr Stanhope: Mr Khalid Ahmed is the policy driver of the land rent scheme; he will be able to respond to those issues.

Mr Ahmed: I missed the second part of your question, but I will answer the first part. The estimate that we have at this time incorporated into the budget is about 120 blocks per annum. But the appropriation that we see here is purely technical in nature. Essentially, the asset has been transferred from LDA to Treasury. If the demand is higher—

MR SESELJA: But these will be developed blocks that you then purchase back from the LDA. Is that how it works?

Mr Ahmed: That is right. These will be developed blocks, yes.

MR SESELJA: The second part of the question was in relation to the financing of these schemes. Given that people eligible for the scheme would be borrowing for the house rather than for the land and that banks would be giving money for a depreciating asset, are there any plans for any sort of guarantee scheme on behalf of the government?

Mr Ahmed: No. The simple answer is no. Throughout the development of the policy, we consulted extensively with the financial institutions, with the valuers, with the Law Society, virtually everyone who has got anything to do—I say "virtually everyone"—with the housing sector. Those issues were thrashed out through this process. Any issues raised on the ability to pay were addressed through that process as well. The level of rent that has been set for the discounted rate, which is people on moderate incomes at or below $75,000, should ensure a level affordability, and we do not anticipate any problems going forward.

MR SESELJA: The security for the financial institution, if it is lending against the house and not the land and the house, would presumably be getting less valuable over time?

Mr Ahmed: Our discussion with them indicated that they would be expecting, rather than financing 90 or 95 per cent, a higher level of deposit but that deposit would still be lower than the household would have had to make if they were purchasing land. So there is a reduction in upfront deposit cost; so the barrier to entry actually reduces under the scheme, even though the financial institutions would expect a slightly higher level of deposit.

MR SESELJA: If a family purchased the house and was renting the land and then found that they could not afford it or, for whatever reason, were going to move on, how do they dispose of the house? How would that work? Are they negotiating separately? Does a buyer have to be eligible for the land rent scheme or are they able to sell it to the market? I am a little bit curious as to how those kinds of transactions would take place.

Mr Ahmed: The process will be pretty much simple and seamless in that respect. It is a simple transaction. The next buyer could opt to buy the land as part of that package or the next buyer could opt to continue to rent the land. If the next buyer was eligible for a discount rate, they would pay two per cent. If they were not eligible for a discounted rate because their income was higher, they will pay the standard rate.

MR SESELJA: But they would be negotiating separately, in that case. The seller of the house would be the individual and the seller of the land would be the government. So they would be negotiating separately with the two different parties in order to get a purchase price, is that right?

Mr Ahmed: No. The land price will be pretty much well known. The value would be known. The transaction would obviously occur, as is the case with all such buying and selling, through solicitors. They would be handling that part of the process. The process is pretty much simple for the back end. Obviously there is an involvement of a couple of government agencies. That involvement is not very different from the involvement that government agencies would have in any such transaction involving stamp duty and so on. They come to the Revenue Office anyway.

MR SESELJA: But there would be significant potential under this scheme, where they have not purchased the land, for them to have a negative equity in not too long a period as the value of their asset depreciates?

Mr Ahmed: Our modelling certainly did not seem to indicate that. I think there was a very short period immediately after the purchase, really minuscule, and that would be addressed through the rent as well. I can quickly check. We have looked at the modelling and, no, it does not. We certainly asked two independent academics to review our modelling as well. We do not see a household going into negative equity on this one.

MR MULCAHY: In relation to this particular output and the provision of economic policy advice, Treasurer, the 2007-08 budget forecast GFS net operating balance to be a surplus of $13.5 million, whereas the actual performance was a surplus of $136.6 million. In light of the continuing failure of Treasury to accurately forecast the operating results of the Treasury, can you explain what action has been taken to either review or improve the forecasting methodology?

Mr Stanhope: I think I will ask for a more formal response but, as I have indicated previously and as Treasury has previously indicated—and, I think, indicated at last year's estimates—in fact, ACT Treasury's performance in relation to budget estimates is amongst the best in Australia.

MR MULCAHY: It has been inaccurate every year, has it not, for the last four years?

Mr Stanhope: Well—

MR MULCAHY: Significantly out.

THE CHAIR: We will listen to the answer.

Mr Stanhope: It has, certainly, but so has every Treasury in Australia. We have just seen three days ago an anticipated budget surplus of $7 billion translate into a budget surplus of $21 billion. I think Mr Costello anticipated a budget surplus of $7 billion. His predecessor has delivered a budget surplus of $21 billion. Yes, our surpluses have also increased, and quite significantly, I must say, in a direction that has pleased me enormously. But the ACT Treasury performance in relation to budget estimates is amongst the best in Australia.

Mr Ahmed would be more than happy to give some greater detail of the issues that Treasury faces and the basis of the predictions or the assessments that have led to the results that have been achieved. But I congratulate Treasury on continuing to be amongst the best treasuries in Australia. We are blessed.

Mr Ahmed: We did talk about it last time we appeared.

MR MULCAHY: We do, most years.

Mr Ahmed: We do have some further updates after that. At that time, we were talking about 2005-06 results. By the way, as I indicated to you last time, we take this issue very seriously and continue to try to have a look at our forecasting models, and I can talk you through those details as well.

We updated our assessment of forecast errors for 2006-07 results as well. I can quickly run through those. These are based on publicly available information from the Australian Bureau of Statistics. We are not looking at internal information, internal budget papers. This is transparent, publicly available information. I will quickly run through some of the stats and then I can talk about—

MR MULCAHY: Would tabling that be easiest?

THE CHAIR: Yes, you could table it, if you like.

Mr Ahmed: Actually, this paper is available on the web now. We have put it on the web, and what we hope to do is continue to update it. Briefly, for taxation revenue, the forecast error for all states is 7.8 per cent. This is a mean percentage error. Ours is 6.7 per cent. This goes over a period of six years. That includes the 2006-07 reserve, where we did take a bit of a pounding in our forecasting.

Mr Stanhope: It is an excellent result, Mr Ahmed; congratulations. It is well below the national average. It is an excellent result. Is Mr Ahmed on performance pay? He deserves an increase in pay. I am sorry to interrupt.

THE CHAIR: Treasurer, let him finish.

Mr Stanhope: I am in awe of the performance of Treasury. It is leading the nation in budget predictions.

Mr Ahmed: Grants and subsidies, 2.6 is the national average. This is a mean percentage error. ACT is 1.7 per cent.

Mr Stanhope: Excellent.

Mr Ahmed: Total own source revenue, 5.9 per cent is the national average; ours is three per cent.

Mr Stanhope: Goodness me!

Mr Ahmed: We are doing very well. There will always be errors.

MR MULCAHY: But they are significant, are they not, every year?

Mr Stanhope: But half the national average.

MR MULCAHY: That is not really an answer. That is just saying everybody else is getting it wrong, so we should be happy.

Mr Stanhope: I am. We are doing better than everybody else.

Mr Ahmed: Everybody else will get it wrong.

MR MULCAHY: So we are not really doing anything to change our method of forecasting? Is that the answer?

Mr Ahmed: No. We change them every time. We keep looking at them every time and we update them and improve them every year.

THE CHAIR: Thank you. I think on that point—

Mr Stanhope: That very positive point.

THE CHAIR: That positive point, we will break for morning tea. We are going on to the next output class after that.

Meeting adjourned from 11.11 to 11.29 am.

THE CHAIR: I have been looking at the schedule and it appears to me—and I am pretty sure members would agree—that we have asked a lot of questions on output 1.2 already, which is financial management. I will allow one more question on financial management and then we will go on to output 3, otherwise, we will never get to home loans. I believe members have got questions on home loans. I will allow one question on 1.2 and then we are going on to 1.3. Financial management is what we have been talking about for the last half hour.

MR SMYTH: They all overlap.

THE CHAIR: Okay. Where would you like to go now?

MR SMYTH: We have still got significant questions on the land rent scheme.

MR SESELJA: It comes under a couple of different outputs.

THE CHAIR: We will take two more questions on this area only and then we are going on to 1.3.

MR SMYTH: Where does the expected revenue from the land rent scheme show up in the statements, and how much do you expect the government to get from the rental scheme?

Mr Ahmed: As I indicated earlier, we have estimated around 120 blocks for the next year at two per cent per annum of the value of land. The revenue stream would be in the Treasury account, the Treasury financial statements. The ACT Revenue Office is the agency administering the rent and collecting it. So it will be two per cent of the land value.

MR SMYTH: So two per cent of $20 million is $400,000 a year?

Mr Ahmed: Yes. It will be roughly that.

MR SMYTH: Will it have a separate line in the statements or will it just be included in other revenue? For instance, there is the chart in 3.1.2 on page 28 of BP3. Will it occur just in other revenue?

Mr Ahmed: It will be a territorial record.

MR SMYTH: While you are finding out, how were the two per cent discounted and the four per cent normal rent levels determined?

Mr Ahmed: Basically, economic and financial modelling of the scheme to ensure that it does not distort the returns and pricing decisions in the market. Let me present the concept in a slightly different way. The two per cent, roughly, would be the infrastructure cost. I am not saying that that is how we approached the question, but that roughly represents the infrastructure cost amortised over three years.

MR SMYTH: Who will actually own the land? Who is going to purchase the land from the LDA?

Mr Ahmed: The lease with the householder is pretty much like any other lease. They simply do not pay the capital value upfront. The land would sit on the territory's books in Treasury.

MR SMYTH: Which part of Treasury?

Ms Smithies: The balance sheets of the department are not actually broken down by way of output, so it sits on the Treasury territorial financial statements, for transparency.

MR SESELJA: You said before that the modelling showed that there would not be the likelihood of people going into negative equity. What are your assumptions on the depreciation of the house assets that allow you to come to that conclusion?

Mr Ahmed: I do not have the papers in front of me, but I can certainly provide that advice. In fact, we can provide that modelling as well.

MR SESELJA: That would be great.

Mr Ahmed: I did not say that the households go into negative equity. I did say that, under some assumptions, for a very brief period within the first year, there seems to be some suggestion they might go into negative equity. But certainly we did not see a household going into negative equity on an ongoing basis. The moment people purchase a house, there is that quick, initial depreciation that happens in the first year.

Other than that, we did not see households going into negative equity.

MR SESELJA: You will table those assumptions in terms of depreciation versus appreciation in those circumstances?

Mr Ahmed: We could, yes. Actually, we did get them reviewed internally.

MR SESELJA: That would be great. The other question is on the answer before in terms of the disposal of the house. You said that there would not need to be a separate negotiation. Where the purchaser was not eligible for the land rent scheme, how would the price of the land component be determined in any sale?

Mr Ahmed: I must point out at this stage that, initially, the scheme would be open at the discount rate. My understanding is that government has agreed to open the scheme, subject to a review at a later time. Initially it is basically managing it in the right way. So the next purchaser could rent the land. That is not ruled out. I think what I am trying to clarify is that the next purchaser could opt to rent. That would be possible.

MR SESELJA: In the circumstances that they did not, that they wanted to purchase the land and the house, how would the price of that land be determined? If it is on normal market rates, there needs to be some negotiation between the government and the purchaser. If there is some other scheme that would fix the price, what would that be?

Mr Ahmed: Normal valuation. The Revenue Office takes care of valuations. It is normal valuation. ACTPLA would do the valuation of the lease.

MR SESELJA: ACTPLA would do a valuation and it would be on a take it or leave it basis on the land, and the house would be on negotiation between the private individual and the potential purchaser?

Mr Ahmed: The whole package will be negotiated between the seller and the purchaser. Treasury only takes part of that sale.

MR SESELJA: That would be based on a fixed valuation?

Mr Ahmed: Market valuation.

Ms Smithies: Sorry, could I just say that in the revenue line, page 80 of budget paper No 4, the rent comes in under “Other revenue”. In “Other revenue” there are a couple of other lines. So the revenue from rents, on computations, is around $360,000 in the first year, rising to $1.8 million by the last year. On page 81, if you take a look at the balance sheet under “non-current assets”, there is the value of the land coming in. That is page 81 under “Property, plant and equipment and non-current assets”. Sorry, I do beg your pardon.

MR GENTLEMAN: I have a supplementary to the questions on the land rent scheme. My question is: do you perceive that couples moving in and renting the land and purchasing the house will then move on to purchase the land as well at some point or is your perception that they will stay in that rental cycle?

Mr Ahmed: It is hard to predict what people will do. I think there will be two groups of people. That is our feeling, and certainly from our discussions that is what we have been gathering. There will be people who would want to purchase at a later point. They might be in the initial phase of life when they are settling in and making a family. As they progress through their phases of life and their careers, they are able to purchase the land outright. There will be that group of people.

The other group of people might want to continue to rent forever and ever after. I have to say, personally, I find myself in that category as well. There will be people who will not see it that way. Certainly, housing traditionally in Australia is seen as a means of retirement income. That certainly has changed. It is less of an investment. There will be people who will not see it as an investment.

MR MULCAHY: Because of land tax and all those sorts of things?

Mr Ahmed: No, not really. Superannuation has come in place, and our own generous social security arrangements as well. Those people would see housing as a cost that they need to cover on an annual basis. There would be different motivations for people, I would imagine.

Mr Stanhope: You can imagine, though, the attractiveness of this particular scheme and the extent to which this scheme has the potential to make a real difference in relation to the capacity to access housing or home ownership. The notion that is essentially at the heart of this scheme is that we will make available land for rent at two per cent of the unimproved value of that land to households with a gross household income of less than $75,000. That is a cohort of our fellow citizens that must today have come to or arrived at the position where they seriously doubt their capacity to ever own a home.

This opens up the possibility, a real possibility, for a whole cohort of Canberrans who perhaps had reached the position or at least were on the verge of the position of perhaps never imagining how they might access home ownership. It gives that opportunity. They can take a 99-year lease. They can essentially undertake that at the outset. Of course, the situation might change, subject to their later position, sooner rather than later, but at least it gives them the capacity to plan.

You do not have to think very long about it to understand that, at two per cent of the unimproved value, we still save $100,000. There is the capacity for them to save the upfront costs to home ownership and then to meet mortgage payments that, at the end of the day, are perhaps somewhere in the order of a half of what you might have otherwise anticipated. All of a sudden, there is a whole front open to a whole other group of Canberrans in relation to home ownership.

I think we all understand that the challenge always in relation to housing, particularly in a strong market, is to gain entry into the market. Of course, having gained entry, it is to consolidate and then perhaps to better meet one's hopes or dreams or aspirations as our personal circumstances change and our capacity changes. This is a great project and a great policy that will make a real difference. It will not impact negatively on prices. It will not force demand and house prices up. It will open up avenues to a group of Canberrans who otherwise would have no hope. This is great policy.

MR GENTLEMAN: I must say I have discussed this with my daughter, who sees this now as a real alternative to normal rental accommodation.

Mr Stanhope: That is the feedback that we are receiving from across a wide spectrum. All of a sudden, people are excited at a real opportunity to own their own home.

THE CHAIR: Did you want to say something else?

Mr Ahmed: I just wanted to clarify one aspect. Obviously, this is something different. It is not in the market at the moment. It is unique to the territory. For that reason, anyone who is accessing the scheme would be required to go through an educational information session so that they understand what their obligations are, what they are getting into, what their rights are. That would happen through CIT.

THE CHAIR: We will go on to output 1.3, revenue management.

MR SMYTH: I have a number of questions. In terms of the claims under revenue management that there are a number of funds that are put in as contingency or future provisions, Chief Minister, can you supply the committee with a full list of all the contingency funds under future provisions and what they are to be used for?

Mr Stanhope: Whereabouts are these details?

MR SMYTH: They are scattered throughout the budget document. If you go, for instance, to page 68 of budget paper No 4, there is a whole-of-government capital contingency fund. If you go to page 32 of BP5, there are a whole list of future provisions totalling $254 million. Scattered throughout the budget there are future provisions both for capital and recurrent. I note you set a standard that these should be listed and presented to the Assembly before the budget is voted on. I was wondering whether you could provide the list for all the contingencies in the budget.

Mr Stanhope: Yes, we are happy to do that.

MR GENTLEMAN: In budget paper No 3, Treasurer, page 29, in the “Duties” column, there is a note for shares and marketable securities that has reduced by 78 per cent. That is for the 2008-09 budget. Then it has the same figure for the 2009-10 budget. Then it is not existent in the estimates after that. Can you explain what has happened with that?

Mr Stanhope: Mr Dowell can respond to that.

Mr Dowell: The shares and marketable securities line reflects duty that is raised on shares and securities sold in private companies—that is, ones that are not listed on a recognised stock exchange. That line of duty under the intergovernmental agreement is to be phased out and abolished. It is being abolished in 2010; the legislation has already been passed by the Assembly.

The reason it is up so high this year is that we have had unexpected duty collected.

We were not anticipating some changes. The nexus for dutying of the change in a company’s marketable securities is the location of registration of that company. In the ACT there are quite a few large companies registered here that are not trading on the stock exchange, and that is why this year we have had such a large amount. The $4 million going into the forward years reflects what we expect going forward. It is usually a relatively small revenue line.

MR MULCAHY: In relation to revenue management, Treasurer, your rates and charges are going to go up again this year on the WPI indexation by 4.4 per cent. What sort of advice or consideration have you given or can you give to those significant numbers of commonwealth public servants whose income is only going up by CPI? Are they not being faced with the prospect of either having to use capital to meet your charges or basically lower their standard of living? Is there any other option you can suggest to those people?

Mr Stanhope: Certainly, this is a real issue for the commonwealth in relation to its responsibility to retirees. I think, Mr Mulcahy, that we have discussed this for each of the last three budgets. At the end of the day, the rationale is really quite simple and straightforward: our costs are increasing across the board; in terms of wages most particularly, at a level that at the moment is above CPI. They are a cost to the territory; they are a cost to the budget. It is quite reasonable and consistent, I would have thought, with practice in both the private sector and government to ensure that the cost of operations—

MR MULCAHY: How do you cope?

Mr Stanhope: These are difficult issues. They are difficult issues for government, just as they are for individuals. But the issue that we face in the provision of services is that we need to provide services that are consistent with our capacity to pay.

MR MULCAHY: No-one else in Australia is using WPI, in any state or commonwealth government area.

Mr Stanhope: That is the rationale, and it is a reasonable position to put. These are the costs which we bear in the provision of services. Of course, the majority of our costs, as you know, are labour costs. That is the cost to us to provide the services that we provide. It is part of the revenue mix across the board that leads to a situation in which our revenue effort is essentially consistent with the national average.

MR MULCAHY: So they just have to cop it?

Mr Stanhope: You could actually pick out any revenue line that you want and ask: “Why is this one at this particular rate? Why don’t you drop it?” If we did, in the context of the overall revenue mix, we would then perhaps look at—and of course this is at the heart of any discussion—

MR MULCAHY: But I am not talking about every tax burden. We have had that discussion many times.

Mr Stanhope: This is relevant to that.

MR MULCAHY: I am talking purely about retirees. I am thinking about those on fixed incomes.

Mr Stanhope: Sure. I understand your point and I understand the force of your argument. The response is that, in the context of the overall package of revenue measures, we are not a high taxing jurisdiction. We tax at the national average. We continue to provide services at well above the national average. In the taxation or the revenue mix which exists within the ACT, we provide a level of services at a rate that no other government in Australia provides, on an average revenue effort.

At the end of the day, that is the equation. Certainly, different representative or interest groups around the territory point to different areas. The property sector points to taxes that impact most specifically on its members or the people that it purports to represent. Superannuants point to those taxes that impact most particularly on them. The community sector has the same range of issues in relation to rates and charges that impact on the people that they represent, in relation to, say, utility charges.

Everywhere I go, in my meetings, consultations and discussions, different representative organisations or groups will raise a particular impost that they believe impacts adversely on those that they represent. But the government takes the decision across the board in relation to the mix and the spread. Yes, it is possible that some groups are adversely impacted, or impacted to a greater extent than others within the community, but this is the overall mix of rates and charges. We could go through every revenue line, line by line, and identify somebody somewhere in the community who could claim that that particular charge has a greater relative impact on them than some other charge. They are the judgements we make.

Ms Smithies: With respect to the federal government age pension, it is indexed at the higher of CPI and—

MR MULCAHY: I was talking about superannuation. Commonwealth superannuation is indexed on the basis of the consumer price index. So if you are on CPI indexed super and you are paying increased rates and charges and drivers licence fees based on the WPI, you will go backwards—or draw off capital, which is the same as going backwards.

Mr Ahmed: Some time ago we did look at the rate of growth in general rates across local councils in New South Wales. They vary, and you can group them.

MR MULCAHY: You can look at Wollongong as a good example.

Mr Ahmed: So we looked at them in aggregate terms and in various categories. Whilst they might not say that they were escalating them by WPI, over a long period, they were growing by larger than WPI, except that they never said that it was WPI.

MR MULCAHY: I do not think that will give much comfort to the people of Canberra, frankly, but I hear your point.

Mr Ahmed: I just wanted to clarify that rates have been increasing by larger than

WPI elsewhere.

THE CHAIR: Across other jurisdictions; is that what you are saying?

Mr Ahmed: That is right.

THE CHAIR: Mr Smyth, did you have a supplementary question?

MR SMYTH: Yes. Speaking of other jurisdictions, which WPI are we using? The ABS calculates four different types of WPI. Which WPI is the ACT using?

Ms Smithies: We will take that on notice.

Mr Ahmed: We can take that on notice.

Ms Smithies: It is the same one that we answered last year, I am told.

MR SMYTH: You did not answer the question last year. There are four. There is total hourly rates of pay, including and excluding bonuses; there is ordinary hours of pay, including and excluding bonuses; then it is broken down into private and public sector or total. I am surprised that nobody here knows which WPI we are using.

Mr Ahmed: We can provide an answer in writing.

MR GENTLEMAN: Apparently, that is going to go up shortly as well.

MR SMYTH: There goes the bonus!

MR GENTLEMAN: In relation to conveyances, in budget paper No 3, at page 29, under “Duties”, there has been a four per cent reduction in conveyances from 2007-08 to 2008-09. But in the forward years, you are predicting growth in income from conveyances. Can you tell us what has occurred there?

Mr Ahmed: There are two parts to this question. One is the decrease from 2007-08 to 2008-09 and the other is what is happening across the forward years. Essentially, the big change coming through from 2007-08 to 2008-09 relates to commercial transactions. 2007-08 appears to be quite an unusual year for us in terms of commercial transactions. These are not your normal, small commercial transactions. We have got a pretty good handle on them, in predicting them and forecasting them.

What was so unusual—and this started at the end of 2006-07, particularly in the last quarter of the 2006-07 financial year, at about the time we were doing the 2007-08 budget—was that there was a significant ramp-up in that activity. We are talking about large transactions that would be generating duty in excess of $1 million per transaction, or it could be even larger.

Traditionally, we used to get about five transactions in a year. On average, it would perhaps be one every two months. In 2007-08 we were getting perhaps two every month, so it was a significant jump. These are not new buildings that we are talking about, or new construction activity. This is a churn that has just started of existing properties and buildings. There would be some element of superannuation trusts getting into that. But it is still sporadic and it is difficult to predict. Nevertheless, we have recognised that ramp-up, but going forward we are not saying that that level of activity that we have seen in 2007-08 will continue. So we have taken a bit of a drop, going forward on the commercial side.

On the residential side, we are still predicting moderate growth, which is basically a regression to a long-run average. We have tested that against three other models as well. So the residential side is pretty much robustly modelled. As I said, with the commercial side, the drop is really in the large transactions.

MR SMYTH: In budget paper No 4, the last two dot points on page 66 show that this year you estimate that you will process 1,200 home buyer concessions and 2,700 first home owner grant applications. Chief Minister, given much of the work that you have outlined in regard to assisting people with housing affordability, why are you expecting to process 300 fewer home buyer concessions this year and 100 fewer first home owner grants?

Mr Stanhope: Mr Dowell will answer the question.

Mr Dowell: We have found that at the moment there has been a drop-off in first home buyer grant applications, as well as a small drop in home buyer concessions. Moving forward, changes to home buyers concessions introduced in the budget are likely to increase the number of those. The first home owner grant at this stage has only just started to drop off, so we have not done a large amount of analysis of that.

MR SMYTH: If, as a result of what is in the budget, you are expecting more, why are you predicting less in the current year?

Mr Dowell: In terms of number?

MR SMYTH: Yes.

Mr Dowell: The number that we have currently got, as I said, has dropped. We are expecting that to pick up next year, but we are expecting a flattening of the market, as Mr Ahmed said.

MR SMYTH: Why are you expecting a flattening in demand, Chief Minister, if you have put in place all of these initiatives to help first home buyers and other people to get back into the market?

Mr Stanhope: I would think eight interest rate rises over three years has probably got a little bit to do with it, Mr Smyth. The fact that Liberal Party mismanagement of the national economy has led to an average or standard mortgage in the ACT increasing by $367 a month or just over $4,000 a year—or, to put it another way, increased expenses on a standard mortgage over the life of the mortgage will be an additional $110,000—has caused a significant number of people, particularly young families and first home buyers, to reconsider their capacity to service a mortgage.

The number one issue facing residential home starts or financing commitments is the capacity to service a mortgage as a result of the eight interest rate rises that we have seen in a row now; the great parting gift of Howard and Costello to the nation—inflation. With eight interest rate rises, just ponder it: young families are now faced with finding an additional $4,000 a year. When they look at their capacity to service a standard mortgage, they go off to their financial institution, their bank, and say: "This is what I earn. I want to buy a house. I did my sums 18 months ago and I thought I would be okay, but I've just had to put up with eight interest rate rises because of Howard and Costello. Would you lend me money now?" The banks are starting to say, "No, you haven't got the capacity to service it." So there is your answer, Mr Smyth.

MR SMYTH: The Deputy Governor of the Reserve Bank of Australia has an entirely different view. In paragraph 2 of a submission to the Select Committee on Housing Affordability, he says:

> The overwhelming factor that has led to this is the rise in house prices; mortgage interest rates in Australia are no higher today than in the mid 1990s, when housing was at its most affordable.

He then goes on under "House Prices" to say:

> You can see that the rise in house prices has been much faster than that in construction costs, so the implication is that most of the increase in house prices has been due to increases in the price of land.

So the real factor that has led to housing affordability in the ACT is the price of land. When will you take responsibility—as Mr Quinlan so eloquently puts it, "Squeeze them till they bleed but not until they die"—and acknowledge that the real factor that has led to housing affordability being beyond the reach of many is that you have squeezed the price of land?

Mr Stanhope: Certainly the price of land has increased significantly, but the major issue facing a young family today in relation to entering the housing market is their capacity to service a mortgage, and that is as a result of eight interest rate rises over the last three years.

MR SMYTH: Is there any modelling on historical data that shows the cost of land in the ACT relative to the cost of homes in the ACT over the last seven years under your government—indeed over the last 20 years?

Mr Stanhope: I am sure that there has been detailed analysis of all of these issues, but I do not have any.

MR SMYTH: Could that data be made available?

Mr Stanhope: If there is, we would be happy to provide what we have.

THE CHAIR: Mr Gentleman.

Mr Stanhope: But I am not sure what is available.

MR SMYTH: Mr Ahmed was just about to add something.

Mr Ahmed: I am sorry; it is about interest rates. Our modelling certainly does indicate that the activity would be very sensitive. The initial interest rate rises did not affect much of the ACT market, but beyond a certain point the market becomes very sensitive to interest rates, and that is what is happening here. Going back to the prices, it is the demand that drove the prices up, I suggest, and that happened—

MR SMYTH: Is it demand or is it supply?

Mr Ahmed: They are linked, but it was the demand that drove the prices up in the early part of the decade. In particular—there is no doubt about it—you can pin it to the first home owner grant. That brought forward a load of activity.

The housing market is characterised by what technicians would call positive feedback. That means that the amount of subsidy that you put in may be small, but the effect that it would have on the market would be much larger; it would start feeding on itself. The demand that that generated was so strong that the prices rose much faster and much more than that $7,000 or $14,000 or whatever that demand-side subsidy was. So it was driven by demand-side measures that were put in place in the early part of the decade. Of course, the supply side takes some time to respond. That is the nature of the housing market: the supply side does take time; it takes time to catch up.

THE CHAIR: Mr Gentleman.

MR GENTLEMAN: Mr Ahmed has answered my question. I was working in real estate when the federal government increased that first home owner grant and saw the evidence myself. He has answered my question.

THE CHAIR: We will go to the home loan area. Mr Smyth, you indicated that you had a number of questions in this area.

MR SMYTH: I did. Budget paper No 4, page 87, speaks of an external review into the portfolio. Chief Minister, who conducted the review, what were the recommendations, and have these recommendations been accepted and implemented?

Mr Stanhope: Thanks very much. Mr Dowell.

Mr Dowell: The review has been conducted by KPMG. The report is still being considered, and is yet to be considered by government, but we have the draft of that external review report now.

MR SMYTH: When was that received?

Mr Dowell: It was received, I believe, in March.

MR SMYTH: Sorry?

Mr Dowell: In March or April—probably April.

MR SMYTH: Chief Minister, have you seen—

Ms Smithies: The review is around capital adequacy. I do not want you to walk away thinking that the review is around the whole home loan portfolio in terms of the policy around it or anything like that. Every second year, we review the capital adequacy. We take a look at the debtors and our investments and look at whether we have got enough cash rolling forward in relation to the repayments of those debts, the number of loans outstanding, et cetera. I did not want you to think that we were reviewing something else.

MR SMYTH: Why? What are you afraid of—that that might mean you were going to sell it?

Ms Smithies: Nothing—afraid of nothing; it is a closed scheme.

MR SMYTH: All right. How many loans are left in the scheme?

Mr Dowell: The rest—maybe about 275 at the end of 2007-08 and 215 at the end of 2009. As people are always leaving the scheme on a monthly basis, sometimes we get 13 loans leaving, sometimes we get five. But that is what we are estimating at the end of those years.

MR SMYTH: On page 90, it says that the portfolio retains a large amount of cash—$17 million in cash and cash equivalents. What is done with that? Is it invested? Is it sitting in a fund in Treasury?

Mr Dowell: Some of that is invested. It is invested through the central financing unit, as are all government loans. Some of it is in short term and some of it is in long term. There is a large payment made to the commonwealth annually, which covers the outstanding loan to the commonwealth. It also funds that payment as well as the ongoing costs.

MR SMYTH: Budget paper No 4, at page 91, shows $4.3 million distributed to government during 2007-08. Where were these funds from and what other funds are available for distribution to government?

Mr Dowell: The $4.3 million was a result of an earlier capital adequacy report. The government considered that. It went back into housing and it was done through the budget process last year.

MR SMYTH: How much further is available?

Mr Dowell: That is a matter for the government to consider through the budget processes.

MR SMYTH: Is there any restriction on how these funds are going to be utilised?

Mr Dowell: The government has traditionally—in the past it has taken 4.3 here; it has taken out $30 million a few years earlier. Those funds have all been invested back through public housing.

Ms Smithies: There is a strong argument—it is largely CSHA tied, so they need to go back into public housing, community housing. When I say “largely”, it is predominantly large there; there might be some tiny income flows in there that are not CHSA tied, but that is not even worth talking about.

Mr Dowell: It is reported under the CHSA.

THE CHAIR: For Hansard, could you say what the acronym is?

Mr Dowell: Commonwealth-State Housing Agreement.

THE CHAIR: Mr Mulcahy.

MR MULCAHY: Just a couple of questions, Treasurer. I have raised this before. The administration costs continue to rise, for reasons I understand. They were estimated at $1,162 per loan in 2006-07; they climbed to $1,400 per loan in 2007-08; and the administrative cost for this next fiscal budget is $1,700 per home loan. Has the Treasurer done any further analysis on options for winding up this portfolio? If so, what were the findings and the analysis?

Mr Dowell: Having a look at the portfolio, around 44 per cent of the loans currently in the portfolio either are in arrears or take advantage of the deferred assistance payments. Under the loan contracts, a deferred assistance payment allows people to pay a percentage of their income as a maximum payment, and any additional payment is then put into deferred assistance under the arrangements. With 44 per cent of loans either having deferred assistance or being in arrears—and the majority are deferred assistance, not in arrears—that is a fairly high rate—what would be called an impairment rate—on the portfolio. That clearly would limit the options.

MR MULCAHY: So you are saying basically that nobody would want to touch it?

Mr Dowell: The chances of it being commercially attractive with the conditions they are in—the loans that are there—is unlikely to be high.

MR MULCAHY: That would answer my next question, I guess, but I will ask you. I assume it is the intention of the government to continue to administer the portfolio until all loans are disposed of. If so, how long does the government estimate it will take to wind up the portfolio and what are the administrative costs per home loan expected to be in the final year of managing this portfolio?

Mr Dowell: Given the small number of loans in the portfolio—when you have a look at the operating statement under the expenses line, most of those are actually supplies and services; that is the highest portion of the recurrent expenses. That is done through a bureau service with the provision of the actual accounting mechanism. As the number of loans drops, it does not take many drops to bump up the price. We are expecting that the portfolio currently will have about 14 years to run until all loans are repaid. We have not actually done a calculation because we are not sure how many loans will be available at that time.

MR MULCAHY: It will be substantially climbing at the current rate, won’t it—the administrative cost? It is going up 30-odd per cent.

Mr Dowell: Yes. Per loan there will be an increase.

Ms Smithies: But the administrative costs themselves will not change. It is half a million dollars to administer; it is a person and a half and 200,000.

MR MULCAHY: In aggregate they will not, but the individual loans are costing more and more to service.

Ms Smithies: Yes.

Mr Stanhope: Unfortunately, they will, of course.

MR MULCAHY: I have just one last thing, I recall that I asked this before, but I have forgotten the answer. Are these loans secured against assets or not?

Mr Dowell: Yes they are. There are a very small number of loans that are not secured—for relatively small amounts. That is where people in the past have been evicted and properties sold and there is still an amount outstanding that they are paying off.

MR MULCAHY: Sure.

Mr Dowell: But the majority are well and truly secured.

MR SMYTH: On BP 4 at page 91, there is a line "Purchase of Investments". It looks as though this financial year you are going to spend $2.3 million on purchased investments. What will they be?

Mr McAuliffe: There are two: the investment transactions on the cash flow side and essentially the personal investments and proceeds from the maturity investments. That simply represents cash flow transactions that the home loan does between investment accounts. So they might have some surplus cash. You mentioned the cash and cash equivalent line before. They have got some surplus cash and they want to put it away in an investment for a little while. That is a purchase from investment. When they call that money back from the public expenditure, that is a repayment of investment.

THE CHAIR: Now that we have got a bit of time we will go back to some general Treasury questions.

MR SMYTH: Treasurer, we used to have a line in the budget 'unencumbered cash'. I was wondering whether you could outline to the committee what the unencumbered cash is in the outyears in this budget?

Ms Smithies: Page 117 of BP3.

MR SMYTH: The territory banking account one?

Ms Smithies: Yes. In the territory bank account, under the "comprising", there are a couple of lines. The first line is superannuation provision account; the next one is the territory banking account. That is pretty much what we call unencumbered cash. So it is $680 million rising to a billion dollars by the end of the forward estimates period.

MR SMYTH: So that is money that is not held against any future programs; it is unencumbered; there is no intended use for it at this stage?

Ms Smithies: Apart from investing and earning interest, that is exactly right, yes. There is no policy objective against the cash.

MR SMYTH: And none of that money is held against the future capital works program?

Ms Smithies: No. All of that has been allocated and taken out of that fund.

MR SMYTH: So the cash position is quite strong?

Ms Smithies: Yes.

MR SMYTH: Is there a reason that it was changed from the term "unencumbered cash" to "territory banking account"?

Ms Smithies: No, not really. I guess it was more about how to actually present this particular total in line with a way that lines up with individual financial statements sitting in budget paper 4, I guess.

MR SMYTH: I go back to some of the questions concerning the economic forecast. I note that the consumer price index that the Stanhope government uses is different in comparison to what the RBA or the Rudd government uses; all have different rates. Where do we draw our consumer price index number from? For instance, in the coming year, 2008-09, the government, in its budget, has declared CPI will be 3 per cent. The Reserve Bank is saying 4½ per cent, and the Rudd government said 3½ per cent. Where do we get our figures from and why do we vary from the other sources of this data?

Ms Smithies: We take our CPI figure from the commonwealth budget. The latest commonwealth estimates that we had available to us were the ones that were released at MYEF, mid-year economic forecast. Is that right?

Mr Broughton: That is exactly correct.

Ms Smithies: It is commonwealth numbers.

MR SMYTH: You got them from the commonwealth but the commonwealth may have consequently updated their own figures?

Ms Smithies: The commonwealth has recently, yes, as at Tuesday, updated their figures.

MR SMYTH: So will we update our figures before we pass the budget?

Ms Smithies: The next set of official updates that we need to do as part of the pre-election budget statement, the Treasurer will prepare.

MR SMYTH: What are the consequences, though, if our forecasters use different figures to the federal government?

Ms Smithies: Our forecasters used exactly the same figures as the federal government, until recently.

MR SMYTH: But is there a problem in this?

Ms Smithies: Mr Broughton has already explained it. I am not going to say there is a lack of sensitivity to their forecast, but in a budget sense there is not going to be a great deal of variation. I will let Roger go through it, though.

Mr Broughton: I guess the CPI affects some aspects of the budget. Firstly, when the budget is framed, the expenditure that the government is looking at is partially affected by its expectations of CPI. But of course the budget figures are fixed for the current year; so once the appropriation bill is passed they would not be expected to change during the year. In fact, the agencies will, to the extent necessary, have to absorb any changes in the CPI.

The CPI is also a bit of an indicator, although not necessarily an exact indicator, of possible movements in interest rates. To the extent that the interest rates change, we have done some sensitivity analysis in the budget documents which shows the effect on investments and debt and the like as a result of interest rate changes. I think that is probably it as far as the main effects of CPI are concerned.

MR SMYTH: The same applies to the GDP numbers. This year the Stanhope government had 4.25; the federal government had 3.5; yet in 2008-09 the Stanhope government is forecasting 3.5 per cent, whereas the Rudd government has now said 2.75 per cent. Is there a dilemma in that or is it the same story that these are the figures that they provided before their budget?

Mr Broughton: Yes. Once again we take the commonwealth estimates of GDP. They have horizons as part of their budget announcements. GDP is essentially reproduced in our tables for illustrative purposes. Really what happens nationally has only a very indirect effect on the ACT economy.

MR SMYTH: In terms of the budget that the Rudd government brought down on Tuesday, I note your risk assessment does not mention the federal government. Is there a reason for that? It mentions the ACT; it talks about commonwealth funding; but it does not talk about potential cuts.

Mr Broughton: I think what we have done is implicitly include any federal government decisions in the section that deals with possible impacts on the ACT economy because, after all, that is the link. It is not so much the decisions that are made by the commonwealth government; it is the extent to which they affect the ACT economy that is important.

MR SMYTH: There are further cuts, for instance, to the NCA and the potential transfer of other functions to something like ACTPLA. ACTPLA, if I remember the chart right, is losing staff this year. How have those potential risks been factored in?

Mr Broughton: I cannot speak about ACTPLA specifically, but I can say that, in the formulation of the economic forecasts that go into the ACT budget, we did take account of expected reductions in commonwealth outlays from what they previously published. So we had already built in some expectations of their announcements.

MR SMYTH: Perhaps this is a question for the Chief Minister then. Chief Minister, the ACT Planning and Land Authority, on page 575 of BP4, actually loses three staff.

THE CHAIR: I think that is a question for the minister.

Mr Stanhope: I am happy to answer the question. The broad thrust is that Mr Smyth alludes to the possibility, as a result of a federal parliamentary inquiry into the NCA, of a potential change in the level of responsibility of the ACT government through ACTPLA for planning decisions within the ACT.

We have not pre-empted a possible outcome of that inquiry. We have not sought to imagine when and if the commonwealth government were minded to accept recommendations that may be made, when they would accept those recommendations or when the legislative changes that would be necessary would be made. We cannot budget and do not budget on the basis of—to use that particular example—an inquiry that is not yet completed, has not yet made recommendations, has not yet been considered by the responsible government and has not set out a legislative program, even if we were inclined to accept recommendations which may be made and which may impact on ACTPLA. We will deal with those issues when they arise. And we have the capacity to do that.

I think the point that the Under Treasurer and Mr Broughton made is that, in the assumptions that underpin this budget, consideration has been given to the potential or possible impacts on us directly as a result, for instance, of a reduction in employment or continued slowing of the economy. There are assumptions that are built into the budget, in particular in relation to the estimates that are based on the risk of a slowing economy, the risk of decisions that the commonwealth may make that may impact on our economy. But we have not taken into account or imagined what the commonwealth's response might be by way of a particular policy issue or a position such as the role or future role of the NCA.

Ms Smithies: In budget paper No 3, page 209, there is probably a little bit more of an expansive comment on the risks. The budget was premised on the fact that the commonwealth government would deliver a surplus of 1.5 per cent of GDP. We also took into account the fact that they were increasing the efficiency dividend. We also took into account the effect of the known reductions in programs and the impact and the flow through of tax cuts in the budget.

In this particular part of the risks, we do flag the fact that any move away from the existing or public proclamations that the commonwealth government had made in their budget would have risk to this budget. So we have actually noted that and we talk about the risk to the tax base.

MR SMYTH: It is not listed on page 21 of the summary of the major risks.

Ms Smithies: No, but it is at page 209.

MR SMYTH: Chief Minister, you said you would deal with those problems when they arrive. One problem that has arrived due to the cutbacks of the Rudd government is the $46 million that we have lost for the Griffin legacy, particularly the upgrade of Constitution Avenue. Have you any update on where that money might come from or whether it might be restored to the people of the territory?

Mr Stanhope: No, I have no update on responses I have provided previously to the Assembly in relation to steps that the government has taken. I am awaiting a response from the minister for finance to correspondence that I have initiated in relation to Constitution Avenue.

I have not, over the last few weeks, raised the issue with the minister for territories, the Minister for Home Affairs, the minister for finance or the Prime Minister. I have, over the course of the last few months, raised this particular issue in each of those offices. I have met with the minister for finance and I await a response. My office has had discussions with staff within the minister for finance's office in recent weeks, but at this stage I have had no response from the commonwealth. But it is an issue that I will continue to actively pursue.

MR SESELJA: What is the latest traffic analysis, given the expansion of development on Constitution Avenue? If it is not duplicated, are we facing gridlock as a result?

Mr Stanhope: I do not know whether we are facing gridlock, but we are certainly facing a very serious situation. Constitution Avenue will undoubtedly need a significant upgrade to meet the anticipated developments within the next few years; there is no doubt. It is a very significant capacity issue that we face in relation to Constitution Avenue and it is a great pity the commonwealth, I think, in the decision that it made, did not understand that.

I cannot help but think that the decision that the commonwealth government has taken in relation to Constitution Avenue was based on a total lack of understanding by the department of finance of the situation that we face of increased development along Constitution Avenue, most particularly the development that will be pursued by the commonwealth itself, most particularly in relation to Anzac Park, east and west, when they are fully staffed and, indeed, the new ASIO headquarters which is a quite massive construction.

So it is a serious issue and it is quite clear that the commonwealth has not fully understood the implications of its decision. That is why I am urging the commonwealth to reverse its decision and commit to a timetable for funding the upgrading of Constitution Avenue.

MR SMYTH: You said in the Assembly on 9 April, in one of the answers that you alluded to:

> Constitution Avenue will in time, either by the Commonwealth or by the ACT government, be upgraded.

Is it your intention that, if the commonwealth will not pay for this, you will use the ACT budget to do so?

Mr Stanhope: That is anticipating and pre-empting, but at the end of the day we cannot just sit back and continue to seek to stare each other out as governments. Constitution Avenue must be upgraded and at the end of the day a resolution has to be found to the current impasse. I am hopeful of finding it. Yes, at the end of the day there is no avoiding the future need to upgrade Constitution Avenue. Constitution Avenue will not function, with the development that is anticipated, without a significant upgrade. That is work that must be done.

The previous government committed to it on the basis of an arrangement entered into with the ACT government. That arrangement and clear undertaking and partnership have now been breached or reneged on by the current government. I am working hard to seek a new position, a reversal of the position, and attitudes that the current government has adopted. I am sorry and regret to date that I have not been successful, but we will redouble our efforts.

MR SMYTH: You mentioned staring each other down. How long are you willing to wait or how long can the city wait?

Mr Stanhope: I must say I think the major issue is of course the anticipated construction of new ASIO headquarters. I am going on memory here, but I have a date of 2011-2012 in mind. But I do not accept that. So there is some capacity, but not much. It is a most urgent capital project for the territory.

THE CHAIR: Thank you, Treasurer. It now being 12.30, we will conclude. Thank you very much for appearing before us, and thank you to the officials.

Meeting adjourned from 12.30 to 3.00 pm.

Appearances:

Barr, Mr Andrew, Minister for Education and Training, Minister for Planning, Minister for Tourism, Sport and Recreation, Minister for Industrial Relations

Department of Education and Training
Bruniges, Dr Michele, Chief Executive
Curry, Mr Craig, Executive Director

Canberra Institute of Technology
Adrian, Dr Colin, Chief Executive
O'Hara, Ms Kaye, Deputy Chief Executive, Academic
Kowald, Mr Peter, Deputy Chief Executive, Operations
Kay, Mr Shane, Director, Central Support Centre

THE CHAIR: Good afternoon, minister and good afternoon, officials. Thanks very much for appearing before us this afternoon for the Select Committee on Estimates 2008-09. I am sure that you are familiar with the yellow privileges card in front of you and you have read that. Do you understand the privilege implications in the statement? Could you say yes, rather than nodding.

Mr Barr: Yes.

THE CHAIR: You have all answered yes, so for the record I move:

> That the statement be incorporated into *Hansard*.

The statement read as follows—

> Privilege statement
>
> *To be read at the commencement of a hearing and reiterated as necessary for new witnesses*
>
> 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.

THE CHAIR: Do you wish to make any opening remarks, minister?

Mr Barr: I have a brief opening statement, chair. I would like to thank the committee for the opportunity to appear before it, this being the first of many appearances over the next few weeks. I am delighted to be here in my capacity as Minister for Education and Training, particularly to discuss the 2008-09 budget as it relates to the Canberra Institute of Technology, which I think we all acknowledge is the major public provider of vocational training in the territory and a key contributor to the territory's overall economic wellbeing.

I think it is fair to say that the CIT is performing extremely well according to a range of criteria. It is operating on a sound financial basis, as well as achieving, and in many cases exceeding, the key targets, such as nominal hours of training, program enrolments and graduate and employer satisfaction rates. This year's budget contains almost $17 million in new direct funding for the CIT in a series of initiatives designed to help address skills shortages and meet the needs of ACT business and the community.

Committee members will be aware that the government is investing heavily in new infrastructure for the institute, the centrepiece of that being a $9 million provision for a new horticulture facility at the Bruce campus, which will certainly ensure a state-of-the-art environment for students. There is also $900,000 for the feasibility and design of a new trade skills centre at Fyshwick and redevelopment of the CIT's Reid campus as outlined in the Reid master plan.

Another initiative to highlight is a $1 million investment in technology and major equipment upgrades, which will certainly help the institute ensure that students have access to industry-relevant skills training using equipment that is at least of the standard that they will encounter in the workplace.

On the recurrent side, the CIT is being funded to increase its outputs by some 35,000 hours per annum, as part of the government's overall response to the report of the Skills Commission—a $51 million investment. Another element of that response is the additional funding for what I believe is a fantastic and very innovative project—the CIT Vocational College. This is to implement a customised student support program through that college, which caters particularly for those who need extra support to enter the workforce and, therefore, is playing a very important role in increasing workforce participation, an area identified by the Skills Commission as vital to addressing skills shortages.

I would like to draw the committee's attention, again, to the very strong performance of CIT Solutions, a company owned by CIT. In the context of the national discussions about the need for increased competition in the VET market, it certainly is noteworthy that CIT Solutions has yet again made a solid profit and is growing the CIT's international student base at a very rapid rate.

So, in summary, the government is pleased to be investing in a range of key initiatives at the CIT, all of which I believe will pay very important dividends to the ACT, both economically and socially. I thank the committee for the opportunity to appear, and I look forward to taking your questions.

THE CHAIR: Thank you, minister. I will just go back to the housework, which I neglected to attend to before. Could everyone make sure they have their mobile phones turned off or into silent mode, please. Witnesses need to speak directly into the microphones so that the Hansard will get it, and only one person to speak at a time. That is probably more for us than it is for you. We will have about 30 minutes of overview questions and then go to the output classes. We will see how we go, but that is generally how we thought we might start. Members of the committee will ask questions first and then, if we have time, non-committee members will be able to ask questions.

I might just start off. Minister, page 459 of budget paper 4—you did talk a little bit about this in your introductory remarks—indicates that one of the priorities is to improve responsiveness and develop joint strategies with industry that address the skill shortage areas and meet industry training requirements. As you know, I have a real interest in this. I have an interest in all of it, but I have a particular interest in the skills shortages area at the moment. I wonder if you could outline some of these strategies?

Mr Barr: Certainly, and thank you. Committee members may be aware that the CIT has recently gone through a restructure that has replaced the faculties and divisions with 16 centres. Each of these centres has an advisory committee that is chaired by an industry representative and also the appointment of an executive director to assess development and engagement. The revision, as you would be aware through the passage of the amended bill through the Assembly around the advisory council membership, as well, has brought much greater representation from industry.

I think it is a sign of the responsiveness of the CIT to the emerging needs in the ACT economy that we have been able to achieve a significant restructure in operations. In a minute, I will get Dr Adrian to outline in detail the thinking behind the move to these centres. It has been a significant change process but one that has occurred, I think, through a process of considerable consultation and consensus within the institute that this is a very constructive way forward and will meet the future needs of not only staff and students but the broader ACT economy. Dr Adrian, I might get you to outline a little of the thinking behind the changes.

Dr Adrian: Thank you. As the minister indicated, from 1 January this year we moved to a new structure. Firstly, there were some changes in the executive to give a greater focus to the strategic directions of the institute. So we have a head of the academic side of the organisation, which is obviously critical to our overall performance, Peter Kowald, who heads up the operational side. We have a director of students to make sure that we are very focused on our students, and we have a director of our organisational area, legislation and so on. Then, as the minister indicated, we have a new executive who is responsible for business development and interactions with other institutions and agencies—the AFP, for example.

Underneath that we have 16 centres. The bulk of those centres are focused on teaching and training and each of them is in a specific industry area. So, for example, the Fyshwick Trade Skills Centre is obviously focused on the trades and particular trade areas of metals, refrigeration, plumbing and so forth. The Centre for Creative Industries looks at bringing together all our activities, some of which are located at Bruce, some on the south side and some at Reid, in the music industries, creative arts, the design area and so on.

Each of those centres gives staff a focus on their industry area. Each centre has an industry advisory committee, and they meet regularly to provide advice and ensure that what we are delivering in each of those centres is meeting the specific needs of industry. We have found that gives us a greater focus on meeting industry needs, and it has been very well received by staff. It has taken some settling down. It was a big change organisationally, but we have certainly managed to continue our performance during this year under that new structure. I am very happy with how things are proceeding.

THE CHAIR: Thank you very much. Mr Gentleman.

MR GENTLEMAN: Minister, on page 464 of budget paper 4, changes to appropriation, there has been quite a large change to CIT funding there. Can you give us some comparison with the previous year’s expenditure for CIT?

Mr Barr: Certainly. Thank you, Mr Gentleman. It is interesting to note that total recurrent government funding for the CIT for 2008-09 is $64.195 million. When you do a snapshot of CIT funding going back over the last decade, it does present really two five-year periods of quite stark contrast in funding support. For the five-year period from 2003-04 to 2008-09, funding to the CIT has increased $13.2 million or 26 per cent. For the similar five-year period from 1998-99 to 2002-03, funding to the CIT, in fact, decreased by $4.2 million or eight per cent. This shows the commitment that this government has to vocational education and training and the commitment that this government has to the CIT. Those figures are very stark. We did discuss in estimates last year the comparisons, looking at funding in both absolute and in real terms over that period, but there is no doubt that the last five years have seen a significant investment in the CIT. When you compare them to the five years previously, most particularly the experience under the previous government, the two funding records stand in marked contrast.

MR GENTLEMAN: Indeed, in the same column, there’s a $400,000 expenditure for the Reid campus master plan. Can you tell us what is happening there?

Mr Barr: Certainly. This is an exciting project for the future of the CIT. The Reid campus really is the jewel in the crown for the institute and provides some exciting opportunities moving forward. A significant amount of work has been undertaken around this master planning exercise, and it really lays out the next 10, 15, 20 years of opportunities for the CIT—an interesting partnership with a new neighbour that I will get Dr Adrian to talk to in a moment. I see this as a major opportunity to trigger some significant investment in the institute, the opportunity to examine some public-private partnerships in the provision of new facilities and to further the growth of this part of the city. It is an exciting array of options before us. We have provided some additional funding in this year’s budget to continue that work and to better inform government of the different financing models. We are talking potentially in the order of $250 million worth of investment in the next 10 to 15 years as being quite possible. It is an exciting future for the CIT. I might just get Dr Adrian to briefly outline the process behind the master planning exercise and the way forward.

Dr Adrian: Thanks, minister. During last year we had a consortium, Lahz Nimmo Spackman Mossop, who did a lot of detailed work, including consultation with staff and with our neighbours regarding the potential redevelopment of the Reid campus. I think most people would be aware that that campus has a history going back over many years; most of the buildings go back 20 or 30 years.

MR GENTLEMAN: I remember it well.

Dr Adrian: Whilst there have been modifications to those buildings over time, with the exception, really, of the tourism and hotel management facility that was constructed in the very early days of self-government—and a lot of the planning work, in fact, on that building had taken place prior to self-government—there has not been a significant investment in the physical facilities there. There have certainly been some modifications over the years.

The architect consortia has come up with a proposal, which the minister launched earlier this year in February, which essentially looks at a number of options regarding redeveloping both the teaching and learning facilities on the site as well as opportunities for student accommodation, car parking on site and the options around some commercial development on site.

The money in this year's budget will enable us to look, as the minister indicated, at different sources of funding, different public-private partnership arrangements. Some other institutions in the country, such as Southbank have pursued similar options in their redevelopments, so that is exactly what we will be looking at for revamping what is our major focus at the Reid campus.

THE CHAIR: There are a few supplementaries—Ms MacDonald, Mr Smyth, Mr Seselja and Mr Mulcahy. Is your a question a supplementary to this or not, Ms MacDonald?

MS MacDONALD: No, it is a new one. Minister and Dr Adrian, my question follows on from that, with capital works planning. I confess that I have not actually been to the Reid campus for a while now—I used to be a regular visitor—but I cannot imagine that it has changed much since I was last there. I am interested to hear about the plans. Specifically, there has been a lot of criticism—commentary rather than criticism. The problem has been about the places for students to sit when they are not in class. I am curious to know if it is actually going to take any of that into account for sheer practicality—places for students to sit outside on a reasonably okay day, places to relax et cetera, moving away from the lovely 1970s-style canteens.

Dr Adrian: In any of the student surveys we do, that commentary comes up, and not only in relation to Reid. As part of the master planning exercise, that was part of the consideration. Obviously, one has to be conscious of the weather conditions. However, the plan does maintain the main quad. In fact, it gives a greater focus within the campus of the main quad. We have already undertaken some works this year, so I would encourage you to come over and look at the works we have undertaken in that quad, which do improve the ambience and facilities there for students.

In addition to that, part of the proposal is the idea of a learning centre or learning commons. Rather than seeing a traditional library approach, you open up that whole area where the current library is, and probably areas upstairs, where students can come in and have access to computer terminals and other IT equipment in a quite relaxed setting. Coffee would be available; tea would be available. It is not a traditional library setting. A number of universities and TAFEs have moved down that path, and students have responded incredibly well to that. It is a mixed social learning and teaching environment.

In addition to that, we would see around the main quad a redevelopment of student services. The cafe is certainly popular at the moment, but you would have to say that the food facilities are in a traditional style, if you like. We would envisage all of that area gradually being redeveloped. In addition to that, there will be other places on the campus that would be available for students—and the public, for that matter—to relax and enjoy. In fact, the whole theme around the master plan is to see the campus more as a community—as a community operating with public access for students and others to enjoy and hopefully stay in that environment. Yes, that would be a significant part of the redevelopment.

THE CHAIR: Mr Smyth, your supplementary.

MR SMYTH: The master planning exercise will finish when?

Dr Adrian: The master plan has been released.

MR SMYTH: So the $400,000 is for?

Dr Adrian: That master plan that the minister released in February was essentially saying, “Here are some options regarding the potential redevelopment of that campus over the next 15, 20, 30 years.” There were some suggestions about timing and the ordering of priorities of that redevelopment, although the sequence could be changed. The focus of the money will be on funding options. What are different ways in which that redevelopment could occur? For example, we would look at a building on the corner of Constitution Avenue and Coranderrk Street.

We have started some investigations around redeveloping that building as something in the order of a seven to eight-storey building where the base part of the building would accommodate the vocational college. It is already located there, but the facilities are, I would say, inadequate. We would redevelop that as the headquarters of the CIT Vocational College and then look at the floors above that. Some of the floors might cater to multipurpose activities for the institute as a whole, but other floors potentially could be let out as commercial space.

MR SMYTH: So we could have a uni pub there, if we wanted, on the corner?

Dr Adrian: If a uni pub could afford to pay appropriate rates—a possibility—

although it was not something that did feature—

MR SMYTH: It would be close to the Assembly—a bit of a walk. When will that work be done? When do you expect to get that report?

Dr Adrian: We will get the funding in the upcoming year, so we will undertake that work in the back part of this year and then talk to government and Treasury further about it.

MR SMYTH: With a view to having capital works funding in 2009-10?

Dr Adrian: It will depend—yes. It depends really on what the proposals are regarding funding.

Mr Barr: It depends on the different financing options. That is the issue. At one extreme, you could seek to budget funds or you would then look at a range of other options. In competing for funds in a capital works allocation process against a range of other projects, there are always choices that governments have to make.

MR SMYTH: Sure.

Mr Barr: Part of the opportunity for this site, as I indicated to Mr Gentleman, is the opportunity for some public-private partnerships around the delivery of some of these projects.

MR SMYTH: Is debt funding being considered in the study?

Dr Adrian: Certainly in terms of us having a look at it. We will look at all options.

MR SMYTH: All options?

Dr Adrian: That will be done in consultation with Treasury. There is also now the question of commonwealth money being available with the new fund that they have announced. It is our understanding that TAFEs and other RTOs might have access to that fund. There are all the rules about what sort of projects, how bids would take place and so on, but that does open up a new potential avenue for us—as well as different forms of private sector funding; accessing the money through Treasury; or, as the minister indicated, normal capital work appropriations.

MR SMYTH: Just to follow up before the others jump in, what implications arise from the Rudd government's decision not to proceed with the redevelopment of Constitution Avenue? Does that have an effect on the master plan? Is there money that has to be spent before you can go ahead?

Dr Adrian: Not as far as I am aware. There is nothing built into the master plan. The key thing in the master plan from a planning perspective was the amendments that took place along Constitution Avenue through the national capital plan. Those amendments were passed in the federal parliament last year and are in place. There is nothing specifically in there that the master plan is dependent on, no.

MR SMYTH: Just finally on this issue, what coordination is taking place with the Anglicans in regard to St John's schoolhouse and their entitlement?

Mr Barr: Considerable.

Dr Adrian: In putting the master plan together, we were aware that they were undertaking their own master plan proposals. The architects and the people they had working on their project and ours met frequently. In fact, if you have a look at the details of the master plan, there are a number of issues. One is road access between the two sites. The second is the way in which the alignment is done for both line-of-sight and pedestrian movement through the site from one to the other. It is continuous and fits in with their master planning exercise. They have also raised the possibility of joint access to parking if we put in car parking, which in all likelihood would be at that end. It is those sorts of things. There was quite a lot of discussion with them, yes.

MR SMYTH: If you go ahead with the pub, it would be the CIT hotel, but if you put a "y" on it, it becomes the city pub, which we have lacked for a long time.

Dr Adrian: I will note that.

THE CHAIR: Mr Seselja.

MR SESELJA: Thank you. This was just a quick question going back to the minister's earlier answer on the increases in funding. Minister, just drilling down on that, you talked about a 26 per cent increase. What is that in real terms and how has the funding gone in that period as a proportion of total government expenditure?

Mr Barr: I would have to take that second part on notice in terms of comparing where total budgets were, but 13.2 million is the increase.

MR SESELJA: Sorry, the real terms increase?

Mr Barr: I would then have to compare that with inflation rates.

MR SESELJA: You referred to real terms but you did not go into the detail of it.

Mr Barr: No.

MR SESELJA: I am just asking you what that "real terms" is.

Mr Barr: I said it had increased 13.2 million, or 26 per cent, and that that contrasted with the five-year period previously, where it deceased by eight per cent.

MR SESELJA: So you will get back to us then?

Mr Barr: Let me talk you through the numbers, Mr Seselja. The CIT budget in 1998-99 was just over $52½ million. About $5.12 million was cut from it in the 1999-2000 budget; in the 2000-01 budget another $3½ million was cut from the CIT. There was a small turnaround in the last budget—I think it would have been in the Humphries government then—with about a $1.8 million increase. And then, from the time Labor came into power, there has been an increase for the institute every year, including in the 2006-07 year.

What happens when you compare the two five-year periods, 1998-99 and 2002-03—predominantly, except for one budget, under the previous Liberal government? In 1998-99 there was an eight per cent cut to CIT funding; in the last five years there has been a 26 per cent increase under this government.

MR SESELJA: So you will get back to us then on that first part?

Mr Barr: I will give you the real decrease in funding from 1998-99 through to 2002-03 and then I will give you the figures on the real increase in funding from 2003-04 to 2008-09.

MR SESELJA: The first part of the question was about proportion of total expenditure, so that would be great too.

Mr Barr: Indeed, yes.

THE CHAIR: Mr Mulcahy.

MR MULCAHY: Thanks. Minister, you mentioned public-private partnerships several times. It conjures up in my mind the expression from *Yes, Minister* when Sir Humphrey says, "Very courageous of you, minister." There have been some successes in this area internationally, and some celebrated disasters, both within Australia and overseas. All of the experts I have listened to in this area say that it is fraught with danger for the inexperienced.

Mr Barr: Yes.

MR MULCAHY: Given that this government was not able to run a car leasing company, I am wondering what expertise or experience we are relying on to manage these public-private partnerships. If you have not got it within the ACT government, where are you going to go to get the advice?

Mr Barr: That is part of the reason for the additional funding. We obviously have some people within ACT Treasury and within the CIT who have some experience in this area, but we have provided funding through this budget for those specific studies and to undertake a further investigation of the different funding options.

MR MULCAHY: So you are not committed to PPPs.

Mr Barr: No, absolutely not.

MR MULCAHY: You are simply exploring them.

Mr Barr: I am very happy to explore them.

MR MULCAHY: Conscious of the hazards that—

Mr Barr: Recognising that, as you have indicated, they have a chequered history. Much of that can be around the size of projects. There is, I think, considerable evidence that, until you reach the size of at least 80 to 100 million, such projects are fraught. Yes, we have had some celebrated examples around the country where it has not worked. You would naturally be cautious and—dare I say it?—conservative, Mr Mulcahy, before entering into such an arrangement. But I believe these opportunities should be explored.

MR MULCAHY: I heard the suggestion that you are going to have half a building commercial or part of it commercial.

Mr Barr: Yes.

MR MULCAHY: So you will get into the commercial leasing business. What other areas—

Mr Barr: It may well be that you could get the private sector to have ownership of a building and we can lease back. There is a range of options. We may end up owning a building and leasing floors. There is a range of different options. You can see that you would want a pretty thorough analysis.

MR MULCAHY: Is it just the commercial office business that you are stepping into or is it other areas?

Dr Adrian: I might just talk about it. We have already had a look at a number of arrangements interstate. Swinburne, for example, had a quantum of buildings that included some office space but also included retail outlets, as part of a lease-back arrangement. Southbank in Queensland have entered into similar arrangements. Other universities and TAFEs have looked at it. In fact, that applies in the territory if you have a look at the arrangements that UC and ANU have made with student accommodation.

MR MULCAHY: Aged care too, I believe.

Mr Barr: We are not talking aged care in this instance, Mr Mulcahy.

Dr Adrian: We have a full range of ages for course students that we cater for, but student accommodation has been one area where a number of institutions have entered into arrangements through public—

MR MULCAHY: Quite seriously—as light as we make it—it is a serious level of risk getting into business that you are not experienced in.

Dr Adrian: Absolutely. I definitely do not underestimate that. It is not the purpose of the institute or the role of the institute to get into risky business ventures, be they associated with CIT Solutions or CIT as a whole. We definitely will proceed down a cautious path. We will not be entering into arrangements without a lot of consultation—with the minister, the government and, most importantly, Treasury. Whilst we are a statutory authority, we are not going to be in the business of making independent business decisions in risky areas like that. I am fully conscious of those sorts of risks and the need to get appropriate expertise from within government and outside government. That is exactly what we will be doing.

THE CHAIR: Dr Foskey.

DR FOSKEY: Thank you very much. On page 461 of budget paper No 4, there is a bar graph. The ACT does very well on all the indicators, except one. I want to explore that. It shows that in the ACT we have a smaller number of people that actually take up jobs after they have completed their training. While I know we have a high level of employment in the ACT, we still do have a number of people who are not employed, and I would have thought that the role of CIT in providing options for them was important.

I would just like to explore this with you—whether there are any programs that target the more long-term unemployed people who are difficult to move into the kinds of jobs we have in the ACT. If so, how we are doing that? And can you comment on the graph?

Dr Adrian: Yes, I can explain the graph. You are talking to the second grouping of columns there. It is lower than the national benchmark. That is due to two things. One is the very strong local labour market; hence there are already far more people in employment before people undertake training. So a greater proportion of our students than the national average are part time, and hence already in employment, but undertaking further training. There are also proportionately more students in CIT that go on to further study rather than directly into employment.

It is expressed in percentage terms. It does not reflect and should not be taken as commentary on the lack of services for people from disadvantaged backgrounds or people who are unemployed. In fact, on that front, I think it is one of the strengths of the institute. That is now being coordinated through the CIT Vocational College, which focuses on students—not in all cases, but, for example, refugees, people from non-English speaking backgrounds and unemployed people where they can come into CIT and do pre-vocational courses.

We have students who might be older students who are contemplating returning to study or students doing study for the first time who have never done any study and younger students who, for a variety of reasons, are not accommodated in other educational settings. They might do a pre-access 10 program and then enrol in access 10 programs, or sometimes in year 11 and 12 courses, and complete those at CIT. Many of them—I can go through the details in terms of the number of scholarships—are on scholarships and then go down a vocational path through traditional trades or other courses. It is one of the real strengths of the institute.

Mr Barr: It is probably worth noting that there are more than 3,000 students enrolled through the vocational college. We are probably the single largest provider of this sort of individual tailored package to meet the needs of students who are not well accommodated in the mainstream education providers. On my visits to the college, I have been very impressed with the level of engagement and the diversity of students who are being engaged. Some, I think it is fair to say, for the very first time have finally found a program that meets their needs. When you compare the size of this program—it is bigger than half of our senior secondary colleges combined. This is a major program and hence an area for additional funding in this year's budget.

THE CHAIR: I want to go back to the question that we were discussing about partnerships. In the statement of intent on page 3, it talks about collaborative projects. It talks about joint research projects that possibly will be undertaken and that will be agreed from time to time. Minister, I was wondering if you or Dr Adrian could give us some examples of such research projects and details of any projects that may be in the pipeline or may be contemplated—what kind of partnerships they might be, that kind of thing.

Dr Adrian: My apologies; can you just point out which paragraph?

THE CHAIR: It is under "Collaborative projects" on page 5 of the statement of intent.

Mr Barr: Sorry, we were looking at the wrong page.

THE CHAIR: Did I say page 3 again?

Mr Barr: Yes.

THE CHAIR: Sorry. I knew what I meant. For a politician, I am not very good with numbers. It is very bad.

Ms O'Hara: This paragraph has been in our agreement and statement of intent for quite a number of years to cover collaborative projects that we might do with the department of education, particularly with the training and tertiary education section, generally around teaching method or need and demand. Although it is not a separate research project, this year we are certainly closely involved with them in terms of assessing skills shortages, needs and demands and contributing to the ACT VET training priorities. We have got formal meetings coming up around that.

Juvenile justice has been the type of project that we looked at together a number of years ago. If something comes up that we both want to look at, each area will put in some funds and a project officer will take that up. There is nothing specific in the current year that we are working on together, but we have kept the paragraph in there so that if there are collaborative things that we want to do together, there is a commitment to do it.

THE CHAIR: Thank you very much. Ms MacDonald, do you have a question?

MS MacDONALD: I do. Going back to your opening statement, you talked about the relocation of the horticultural campus to Bruce and the money for that. I say at the outset that I agree with that. Have you already announced that you are going to close Weston? I can't remember.

Mr Barr: We funded in last year's budget—

MS MacDONALD: I do remember that now, because I remember there was—

Mr Barr: We had quite a detailed discussion, I remember, in relation to—

MS MacDONALD: I wasn't here last year.

Mr Barr: We funded in last year's budget $1 million towards the feasibility for design of such a project, and that obviously informed—

MS MacDONALD: Actually, I do recall that Cedric Bryant had written a negative comment about it.

Mr Barr: this year's decision, on the recommendation from the CIT following that process, to go ahead with the relocation to Bruce. There are a number of advantages, in terms of both quality of facilities and student amenity. There are a range of student services that can be met on the Bruce campus in a far superior way than is currently occurring at Weston.

MS MacDONALD: So what will occur with the Weston campus? It was mainly horticultural.

Mr Barr: This question is perhaps best asked in the planning portfolio, but as I happen to be the responsible minister there, I am happy to respond. I indicated at the beginning of last week that the existing arboretum or arboreta—I understand there are two, and this has been an issue, with perhaps some confusion around the exact area that people are talking about—would be retained as part of the redevelopment of that area.

Of course, it is a significant site. It is a very large site with a range of different activities. Some of the buildings, it would be fair to say, are past their use-by date, hence the need to reinvest in new horticultural facilities. But there are some other facilities there that I believe could be retained and made available for community use.

A range of ideas have been put to government. The Australian Education Union, for example, is pushing for the site to be an alternative education site, to deal with the needs of students who are not coping in the mainstream education environment. There are pros and cons to that approach. We have tried that in the ACT before, it would be fair to say not that successfully. Whilst I am happy to explore that as an option, I am not committing to that today, by any means. I think the Weston Creek Community Council have a range of alternative proposals as to how that might develop.

MS MacDONALD: It is okay; I get it.

Mr Barr: The interesting thing about this piece of land is that on one side you have the Orana school; it runs up Unwin Place. At the bottom part of that site is where the Australian Federal Police are currently located. It is our understanding that they will be moving from that site and selling it, and it will become available for housing in the near future. That precinct is going to change; there is no doubt about that. I think it is important to retain the arboreta that are there, but we need to ensure that we are meeting our future housing needs, and that we do so in a sensitive way.

DR FOSKEY: This is an area that I want to explore as well. On that topic, what happens to the xeroscopic gardens that are also there?

Mr Barr: I understand that is operated by ActewAGL, so they will give some consideration to what they want to do there. Again, I am aware that a number of community groups have approached with a desire to perhaps take over the management of said facilities. These questions are perhaps better directed to the planning area. I am happy to continue to answer then.

DR FOSKEY: Were students, staff and others involved in the decision to move? Have you had any feedback, and what was it?

Mr Barr: Certainly, they were extensively involved throughout the process. Dr Adrian, do you want to talk about that? We had a project officer who undertook the bulk of the work. There were a number of consultation sessions. I went out and visited the site and met with interested stakeholders there. A range of other work was undertaken.

Dr Adrian: Based on the money that we had from government, we undertook a number of things. There was extensive discussion with staff and students at Weston and also at Bruce. We held a number of public meetings. Some of them focused on relevant industry players. We met individually with industry players. The public were invited to those meetings. So we essentially did two things. We indicated to people that if they had views about the future of the Weston site—so if we were to move, a number of people obviously were expressing either concerns about or interest in the future of the Weston site—we would take on board those comments and pass those on to government, which we have done.

In addition, we wanted to engage people, particularly the industry and staff, in what the options were, the form of facilities and how they could be integrated into the Bruce campus. So staff went interstate and had a look at a number of facilities—horticultural operations at TAFEs and private providers interstate. Staff were then heavily involved with the design team in coming up with what is proposed at Bruce. We will go through a process now of further refining those plans.

We have had some discussions with other people in the industry—for example, Actew—and we will do further work on that during the back part of this year. We will look at construction contracts, and then we propose that that work would take place in the back part of this year and into 2009. We will remain on the Weston site until the end of 2009, with a view to starting our full operations from the Bruce campus, and hence all classes, from the beginning of 2010.

DR FOSKEY: What gardens and other facilities will students have available to them at Bruce, especially in comparison with what they have at Weston?

Mr Barr: It is actually a bigger site.

Dr Adrian: It is a bigger site. Our approach has been to not just see a separate area of Bruce as the defined horticultural area. We have in fact viewed it as the whole of the Bruce campus site. One of the advantages of that site is the nature of the existing plantings, which are in more of a dryland type context. So the students, staff and contractors will be involved in putting in new plantings and new facilities. For example, we will have golf course holes—not a full golf course—turf laying areas, as well as different plantings throughout the Bruce campus site. So you will see a significant change in the whole array of plantings right across the Bruce site. We will also be looking at putting in new water storage ponds there and, again, looking at different treatments across the whole site that staff and students would be involved in on an ongoing basis. We would see the Bruce campus becoming a working training horticultural facility.

DR FOSKEY: Will you look at things like water saving technologies, for instance, such as the scheme that the Steiner school has, with the underground swales? Will you be looking at trialling different kinds of ways of utilising water efficiently?

Dr Adrian: Yes, we will, although when you say "trialling", I would see that in the context of it being a training institution. It will not necessarily be—

DR FOSKEY: You can only install these things once. You can't do them over and over again.

Dr Adrian: Sure. I might ask Mr Kowald to talk a little bit about some of the detail of both the water capture and how we would envisage that being used on the site. But, yes, to an extent, and depending also on the interest from industry in being involved, we would see it as both a training site and as the opportunity to trial new technologies.

Mr Kowald: A number of water saving measures have been incorporated into the design. They include collection of stormwater run-off on the Bruce campus and its diversion to a large retention pond within the grounds of the new horticulture facility. Similarly, there is the collection of roof water and its diversion to a large storage tank that also feeds down to the retention pond that is on the new horticulture facility. We have applied for an increase in our usage of bore water on the site to replace reliance on town water. The design itself incorporates low water usage facilities in regard to toilet design.

MR SMYTH: Is it possible to see a plan of what is proposed?

Mr Barr: Absolutely.

Dr Adrian: We can provide the committee with a copy of the plan. We had it on display recently at Reid. We can certainly give the committee a copy. If the committee was interested in having a look at the site and what is proposed, I would be more than happy to arrange it.

MR SMYTH: Good. Is it possible to have a copy of the report that came out of the review?

DR FOSKEY: The feasibility study.

Dr Adrian: The material that we provided to the government was part of the budget process, and all of that was labelled "cabinet-in-confidence".

MR SMYTH: Minister, you have the ability to release that report. Can you release the review to the committee?

Mr Barr: I can consider the matter and get back to the committee, yes.

DR FOSKEY: Is that the same feasibility study that was mentioned in the annual report last year?

Dr Adrian: That is correct.

DR FOSKEY: That is the same document?

Dr Adrian: Essentially, the requirement on us was to go back to government with a detailed proposal as part of the budget process. That was very clear, and it is what we did earlier this year.

MR SMYTH: Are there any facilities that are currently at Weston that will not be replicated at Bruce?

Dr Adrian: At Bruce, it will be a new horticulture facility, so that is really dependent on detailed discussions with staff. They will not be in exactly the same form. We will transfer some equipment; some of the glasshouse activity, for example, and other things like that will be transferred. There might be some things that are different. But there is no change in that all of the existing courses will transfer, if that is what you are asking about.

MR SMYTH: Is there any physical feature on the Weston site that will not be replicated on the Bruce site?

Dr Adrian: As I say, only to the extent that it is a new facility and hence it will look different. To the extent that there have been changes in the nature of horticultural operations or what we actually want to deliver, it might be different in that sense. But apart from that, no.

MR SMYTH: I note your planning around Bruce, but will there be arboreta set up there, for instance, so that students over time can monitor the way plants grow?

Dr Adrian: There certainly will be opportunities to monitor how plants grow. There will not be an exact replication of an arboreta type concept, as was done at Weston. The other thing to note is that our students have access to all the plantings around Canberra, including the botanic gardens—

Mr Barr: There is another very significant arboretum—one that I note, Mr Smyth, you have been somewhat reluctant to support.

MR SMYTH: And a number that were destroyed in the bushfires of 2003.

Mr Barr: The Liberal Party is renowned as the anti-tree party

THE CHAIR: Minister, we will not stray from the subject that we are discussing.

Mr Barr: We are digressing. I apologise, Madam Chair. Mr Smyth did just bowl up a full toss outside leg stump, so it was a little difficult to resist the temptation.

THE CHAIR: Please desist.

MR SMYTH: Are there any financial savings from shifting the campus from Weston to Bruce?

Dr Adrian: Yes, there are, and they are shown in the budget papers. It is a saving in having one campus, so there are savings in all the facilities, maintenance and day-to-day operational costs, and they are shown in the budget papers.

MS MacDONALD: But that is not why you are moving, is it?

Dr Adrian: No.

DR FOSKEY: There are not many savings, though; they are almost negligible.

Dr Adrian: It was not the primary reason for moving, but there are some operational savings which we had to show.

MR SMYTH: What is happening with the savings?

Dr Adrian: Those savings go into the base of our budget, so they are offsets against the new money we have.

MR GENTLEMAN: Mr Kowald touched on ecological and environmental measures at Bruce. Can you outline other strategies that CIT is looking at regarding its impact on the environment?

Mr Barr: Certainly. I will ask Mr Kowald to give you some detail, but there is a range of opportunities. I think it is fair to say that the CIT has been very proactive in seeking to take a leadership role in improving its environmental efficiency. I think we discussed at length in previous committee hearings over the years the range of projects. Through the government's energy efficiency fund, money has been made available to the CIT, most particularly to improve the heating at the Bruce campus. Also, there has been the installation of solar hot water collection systems and storage tanks at Bruce. Through the minor new works funding, there are a range of projects. Mr Kowald will give you some detail on those.

Mr Kowald: Our general strategies are that all new building works undertaken include requirements for energy efficient resource usage, waste disposal and lessened environmental impact. Where possible, we have retrofitted existing buildings and plant with current technologies—I mentioned some of those in my earlier answer—to increase efficiencies and reduce energy usage. Waste minimisation and recycling have been undertaken for many years, including a new initiative throughout CIT to break up and categorise our garbage waste and recycle it. Reductions in usage of mains water have been targeted for several years, and there are further projects and programs to reduce this even further.

I refer to some of the initiatives over a fairly long history at CIT of energy and environmental savings. We have installed building management systems in many of our buildings. There are economy cycles for air conditioning systems. We have installed compact fluorescent tubes where possible. We have replaced 40-watt fluorescent tubes with 36-watt tubes. We have installed process timers and movement detectors for switching off lights in classrooms and offices. We have installed window reflective film. We have installed window louvres, most recently on the Bruce campus. We have installed power factor correction equipment. We have replaced inefficient hot water boilers. The most recent initiative is a gas-fired cogeneration plant on the Bruce campus.

We have installed eco light transformers on fluorescent light circuits. We have installed timers on all of our hot water units. We have installed solar power arrays connected to the internal power grid, of which the most significant is on the roof at Bruce campus. There are lesser cases at the student accommodation buildings on the Bruce campus and on the top of K block at Reid—again, to reduce our hot water costs. Our ongoing eco workplace schemes that we have in place are paper recycling from offices, cardboard recycling and recycling of all sorts of containers.

We were successful in getting funding for some initiatives under the ACT government’s energy efficiency fund. We allocated $80,000 for the heating of Bruce campus buildings by connecting the building heating reticulation pipe system to the gas co-generation plant. We were awarded $33,000 from the fund for the installation of a solar hot water collection system and storage tank on the Bruce campus to replace the existing mains electricity supplied hot water system.

All in all, we are very proud of our energy efficiency record. We intend to make substantial gains on that record, with a particular focus on reducing our carbon footprint. We have contributed data to the commonwealth’s system that records, converts and calculates carbon dioxide emissions. On the basis of the data going back to 1999, we feel confident that we will be able to contribute to the achievement of the national targets for reducing carbon dioxide emissions.

MR GENTLEMAN: Do you have an audit system in place so that each year you can go back and audit the savings?

Mr Kowald: Not formally, but we do an assessment when we make the investment and we are confident that we have achieved the savings. It is very difficult to separate them out individually within the total of our expenditure that we make under corporate items on our—

MR GENTLEMAN: I know. I was simply referring to energy. You were able to look at the amount of energy used each year?

Mr Kowald: Yes, we are and we have records.

MR SESELJA: Minister, I take you back to a more specific item. Page 87 of budget paper No 5 deals with the technology and major equipment upgrade. Are you able to talk us through the nature of the equipment being purchased and the condition of the existing equipment which is being replaced?

Mr Barr: I will get that information for you. The areas that this funding will be applied to include digital media, forensic sciences, spray painting, engineering and other sciences. It is about ensuring that the equipment that students are training on is contemporary to the relevant industries. This investment will certainly enable the CIT to be at the cutting edge in each of those areas identified.

MR SESELJA: Following on from that, it is a fairly round figure: a million dollars. How was that calculated? Secondly, it talks about opportunities being taken to further develop partnerships with industry. What progress has been made on that?

Mr Barr: In the determination of capital priorities, we obviously assess bids from agencies and identify particular areas where we can make strategic investments. My understanding is that CIT put forward a bid for a million dollars worth of new equipment and that we were able to fund that through this year's budget.

MR SESELJA: Given that it is a round number, though, was it—

Mr Barr: Would you have preferred it to be $999,000?

MR SESELJA: If you will let me finish. It is rare that you would calculate it—"we need to replace this, we need to replace this"—and you would come to a million dollars. Is this what the CIT felt was reasonable to ask for and now there will be a further determination of what that million dollars will be spent on, or has it already been determined exactly how the million dollars will be spent?

Dr Adrian: As the minister indicated, in relation to that amount of money, we will have more discussions internally about the priorities within those categories that the minister identified: digital media, forensic science, spray painting, engineering and the other sciences.

The other part of the process that I want to push fairly hard during the year is to look at opportunities in accessing equipment for partnering with industry. We already do that in some areas. Photography would be an example where we have particular arrangements where equipment is supplied by industry, with access by students. We have similar arrangements with regard to some IT equipment; MAC computers, for example. We have similar arrangements in our plumbing facility which would be probably the best.

I guess it is really going to be a process of, in each of those areas, assessing the demand in more detail and seeing whether there are opportunities, rather than it just being a million dollars, for us in fact to turn that million dollars into more. That is why it is hard to be specific in saying, for example, that of that million, $520,000 is going to be for digital media and so on. It will be a process of both negotiation within the institute and bids within the institute and discussions with industry.

MR SMYTH: Following up on that, you have a very successful fashion design school event, a wonderful event the first weekend every December. If you have never been, it is a great night out. I understand that a lot of the equipment in that part of the institute is quite dated and is way behind industry standards. What process is involved in picking a particular part of the institute to fund it for capital upgrades? Do you have an upgrade of equipment master plan, or is it done on an ad hoc basis?

Dr Adrian: We do not have an upgrade of equipment master plan per se. The process is one of annual bids within the institute. That can come about through either minor new works proposals—and, again, bids are put in each year for minor new works—or, where there is money available for purchasing new equipment, again bids are put in by areas. It depends a bit on assessments being made of the need from individual areas. I would have to say it is competitive between areas.

It depends on whether they can also access equipment. The area you refer to has been successful in getting money. The photography example is one—photographic equipment from the industry. They also, in some cases, look at sponsorship. The fashion events that you talk about have had sponsorship in recent years from a variety of sources of over $200,000.

MR SMYTH: I am not talking about the event, though; I am talking about sewing machines and the design equipment they use back at the institute.

Dr Adrian: Sure. I would have to say it is a competitive process within the institute. It is an annual one. We do try to look ahead as well. At the end of the day it also depends a little bit on demand. You obviously need to invest in equipment where they have the greatest demand. Mr Kowald has just pointed out to me that, if you have a look at the 2008 bids, for creative industries, which is the area you refer to, we have ergonomic chairs for the fashion studio, an industrial buttonholer—I am not an expert on industrial buttonholers, but we are providing money for that—and industrial sewing machines, with a total, if you add that up, of $70,000-odd.

MR SMYTH: Sorry, that document is what?

THE CHAIR: The document you are reading from?

Dr Adrian: That is an internal document but I do not see any difficulty in providing the details of that.

MR SMYTH: We would not know that. You are referring me to a document I have not seen and I have not got.

Dr Adrian: Sorry. They are internal bids that were put in as part of that process.

MR SMYTH: And they were successful?

Dr Adrian: And those ones that I outlined have been successful.

MR SMYTH: Could we have that document tabled therefore?

THE CHAIR: I think you had a discussion about them, Dr Adrian.

Dr Adrian: I am more than happy to table that page.

THE CHAIR: That page, okay.

MR SMYTH: Can we have the rest of the document then, Dr Adrian?

Dr Adrian: I would prefer to take that on notice because there might be some material in there that I see of a commercial-in-confidence nature. I have not looked at the material. I am more than happy, having looked at that page, to table it.

THE CHAIR: Thank you very much. Minister, I just let you know that we have let the Building and Construction Industry Training Fund Authority representatives go as we do not have any questions, it appears. We are carrying on in this area and then we are going to go to vocational education and training shortly.

I had a question again on the statement of intent. This time I will try to get the page number right. It is on page 6 and it is under "Recognition of prior learning", which is in the middle of the page.

Mr Barr: Yes, the right statement of intent. Yes, on page 6.

THE CHAIR: Page 6, definitely, in the middle of the page.

Mr Barr: RPL.

THE CHAIR: It talks about the introduction of nationally consistent approaches to reporting and recognition of prior learning. When is this expected to happen? Have we any idea?

MS MacDONALD: Is this another one of those things that goes in the statement of intent every year? I am sure that I have read about nationally recognised standards in RPL.

THE CHAIR: I thought, with all this movement towards national standards and things like this, this might be one of those. Is that true or is it just another one of these—

Dr Adrian: I am happy to take the question on. I have to say the recognition of prior learning is a vexed area and has been for quite a period of time. Certainly since I have been at the institute I have more and more come to understand how difficult an area it is. There have been moves over a period of time to have national recognition. Firstly, that applies to national recognition of accredited courses so that you can move from one jurisdiction to another and, as long as the course is an accredited course, get recognition from one jurisdiction to another.

That has been a particular issue in relation to the licensed trades areas where there was not recognition from one jurisdiction to another and, in fact, different training provided in different jurisdictions. That has changed. There are now nationally recognised training standards.

In other areas, though, it is a difficult area because it links directly into individual training packages, and those training packages change over time. You could have, for example—and we have had instances recently—somebody who works in a particular industry, might run a business, in some cases had training or has not got any training but is operating as whatever it might be. From their view, they believe they should get recognition for a particular set of skills.

We have been fairly cautious when looking at that because, in giving recognition, it is a question of our issuing a certificate or a qualification in that particular trade, for example, and making sure that, in issuing that qualification, they actually meet the current standards. What you often find is, in fact, the person who might have been in the industry for a while has part of the qualification or part of the competencies but in new areas—for example, health and safety or other things that might be licence conditions that are changing within the industry—they are not current.

It is a vexed issue for us, both in terms of achieving national standards and any RTO not wanting to compromise their RTO status being very cautious in the issuing of certificates. What we are doing—and we are currently doing a lot more work and there is money in the budget for additional work on RPL—is looking at our processes where somebody might come in and have an initial assessment. Part of that might be self-assessment. Then, depending on that first initial assessment, we might actually put them through an RPL process with industry. That is particularly important in the licensed trades areas, and we are currently doing that in a number of those areas where you have to be fairly cautious.

In other courses that are not necessarily licensed—business skills, for example—staff conduct PL processes with an applicant. They might get credits for particular components of a course. That is normal practice within the institute. Our general view is—and it was one of the reasons the government provided more money in our base funding—that there is a demand out there for greater recognition of prior learning, and it is something we actually want to focus on in the next year or two.

THE CHAIR: When you are talking about people who have not got their qualifications right up to date but they could be upheld in certain areas, are you able to offer them some upskilling?

Dr Adrian: Yes. The general idea is that if we put them through an RPL process, we identify those units or components of a course that we are prepared to give them credit for or recognition for. There might be other components—it might be a relatively small amount—where we believe they need to do some additional training. We then offer that training to them. It is only a small component of the course—hence, upskilling—and they then get the qualification from us. That is quite commonplace. It is just in licensed trades areas and areas like that where one has to be very cautious, but that is standard practice within the institute.

MS MacDONALD: With regard to the issue of RPL—I am not asking for specific numbers but just an idea; RPL has been, as you said, an issue for a number of years—can you say whether or not the numbers of assessments being done on RPL have increased over the last few years and in what areas they have increased? Also, can you address the issue—I know there is a cost factor for the institute and it was a disincentive at one point—of the cost of going through the RPL assessment?

Dr Adrian: The RPL hours last year increased. Of our total delivery last year of 3.8 million nominal hours, 122,000 of those were counted as RPL hours. So it is a relatively small proportion. As I indicated before, I think it is an opportunity and there is a demand from people for us to increase that.

In terms of issues of costs, there have been quite a number of discussions across institutes and across the country about the relativity of those costs. There seems to be a common understanding now that the average costs associated with delivering RPL are almost the equivalent of actually delivering the course. So if you cost up what it requires from the moment somebody walks in and asks for your RPL—the self-assessment processes, the time of staff involved in preparation of documentation, putting people through assessment processes—it is almost the exact equivalent of what it costs to deliver the course.

Institutions and jurisdictions are actually providing funding on that basis. That means the institute will distribute funding. An area of the institute would get paid the same to deliver RPL as it would if it were delivering the course.

MR SMYTH: Page 460 of budget paper No 4 shows the estimated employment level chart. Why has the number gone down this current year?

Dr Adrian: I knew somebody would ask that question.

MR SMYTH: Then you will be well prepared to answer.

Dr Adrian: Unfortunately, it does not show the true picture. I could ask Shane Kay to go into some more detail. In essence, it is associated with two things, one of which is mentioned there. That is the changed basis for counting CIT casual staff, which is a requirement of Treasury. Casuals were counted as having an annual load of 720 hours in 2007-08 but are now counted as 20 hours per week over 52 weeks, which works out at 1,040 hours per annum. That in part explains the difference; in other words, it is not a real difference. You are not comparing apples with apples.

Secondly, the figures for the estimated outcome were based on a census of staff in early April. Again, that was a Treasury requirement as to the date at which we undertook that census. Unfortunately for us, that coincided with a pay period in between terms. Most of our casual contracts are for very short, specific periods of time. So it does not really represent what you would call a representative pay, which means, in essence, there was an undercounting of what would be an average number of casual staff that we had across the year.

The other thing that is in there is that there were six shared services staff that were not identified in the 2006-07 budget that have since transferred. Unfortunately, the picture of staffing looks like a dramatic downturn when in fact there has not been a downturn in staffing. In fact, as you see, there is an increase from 2006-07 through into next year.

That increase is associated with the growth in CIT, particularly in user choice areas, our international student numbers and our tendered business activities, as well as the eight additional staff from the new initiatives in the budget. There are three additional new staff for the vocational college and five additional new staff associated with the increase in our overall output.

MR SMYTH: So the difference of 32 is not actually 32?

Dr Adrian: No.

MR SESELJA: It’s seven, is it not, based on the footnote? Is that right?

Dr Adrian: Yes.

THE CHAIR: Mr Kay.

MR SMYTH: You have done well, Mr Kay; you have been here an hour and 20 minutes and just got a question.

Mr Kay: I was hoping I could get away with that. As Dr Adrian pointed out, if you take the 16 out of it, it brings it back to 712, so the difference is a lot less than is on the face of the statements there. Dr Adrian has gone through the reasons for the reductions in terms of the shared services staff transferring and the non-representative pay.

MR SMYTH: What was the reason for changing the method of calculating casual staff?

Mr Kay: I do not know why Treasury did that, to be honest. I think they wanted to get some consistency across all agencies maybe.

MR SMYTH: So what is comparable here, department of education?

Mr Barr: Yes, the department of education does employ some casual staff; a number of agencies do. In fact, almost all agencies would have some casual staff from time to time. It might be a question best asked of Treasury around methodology.

MR SMYTH: I will take it up on Monday. Dr Adrian, you said that the new rate for casuals was 20 hours a week for 52 weeks a year, 1,040 hours. The CIT is open 52 weeks a year for teaching?

Dr Adrian: No, there is a close-down period that is agreed as part of our enterprise bargaining agreement; that is around the Christmas-new year period. But, apart from that, it is “open” all year, although obviously we operate on a semester and term basis. So traditional classes are taught in semester and term arrangements. There are, however, quite a number of courses. We have online courses, so in that sense that is open 24 hours a day, seven days a week, 52 weeks a year. People can enrol any time and complete those courses, in most cases self-paced.

Other contracts we have, for example, are delivered outside those traditional semester and term times. Training with clubs would be an example where we enter into an arrangement to do tailor-made training into a club. They are looking at training delivered outside those standard semester and term times.

MR SMYTH: If the calculation is that a casual teacher will teach 20 hours a week for 52 weeks and the semester, though, is, what, 10 weeks?—four of 10 weeks—

Mr Kay: I could probably explain just exactly how we worked that out. In the pay that we took, we ended up with casual hours in that pay, multiplied by 20 to get a weekly figure, multiplied by 52 to get a full-time FTE for a whole year. That was just the calculation we did, the methodology.

MR SMYTH: I guess what I am getting at is: how many casual teachers teach 1,040 hours?

Mr Kay: None, but it is trying to work out a full-time equivalent amount. The way we normally work it out internally is a 720-hour full-time load.

MR GENTLEMAN: I have just got one finance question, chair.

THE CHAIR: Fine. Mr Seselja had a supplementary and I have a supplementary just on this employment profile, very quickly. The age profile now: what is it? Can you point it out to me? I have looked at the statement of intent on page 9, and there are a lot of figures, but I do not find an age profile there at all. I wondered if it was anywhere else.

Mr Barr: It is reported on in the annual report.

THE CHAIR: Okay, I will go to that. That is all I wanted to know.

MR SESELJA: I was just wondering whether you might be able to explain these numbers to me. There is probably a straightforward explanation. Following on from the staffing numbers, which obviously have gone down from the budget and the estimated outcome and will go up again in 2008-09, the decreased superannuation contributions in that context?

Mr Barr: Yes, you would be aware that in the 2006-07 budget we moved from 15 to nine—

MR SESELJA: This is the move to nine per cent?

Mr Barr: Yes. That is starting to have an impact into—

MR SESELJA: Because you are getting more and more of a proportion of staff on that?

Mr Barr: Yes.

MR SESELJA: Okay.

MR GENTLEMAN: Minister, in budget paper 4, page 469, the statement of changes in equity: towards the bottom of that chart there is a line that discontinues after the end of this financial year. There is a note alongside that says, “Inc/Dec in Net Assets due to Admin Restructure” so it stops at the end of this financial year. Can you tell us what the admin restructure is and what assets—

Mr Barr: I will get Mr Kay to answer that.

Mr Kay: The actual entry itself is when staff transferred to Shared Services and the leave entitlements were transferred with them. It sort of does follow through, because the closing balance becomes the opening balance for the next year, so it just flows through. But that is just the year increase. There are no further changes after that. It is just a one-off transfer.

MR GENTLEMAN: Okay.

MR SMYTH: One last one: on page 463, the student contact hours, you delivered 3.808 million hours this year. You are only aiming for 3,770,000 hours in the coming year. We have got the report from the Skills Commission. We all know that more needs to be done. You have had substantial—

THE CHAIR: I think you will find a note to that, Mr Smyth.

MR SMYTH: No, no; I understand the note. Why is it less, even with the additional hours, than the existing year?

Dr Adrian: I can answer that. The 3,808,284 was what we achieved. The way we operate within the institute is that we are funded a certain amount as part of the statement of intent by government. That was the 3,735,000 and then the new funding of 3,770,000. So we always show the target, which, in a sense, we are required to as part of the statement of intent. That is what we have been funded to provide.

If, however, during the year, as we change the distribution of resources and courses, so, depending on demand—and different courses cost us different amounts—and if we can make efficiencies as part of that delivery, or additional resources within the institute that we can put towards increased delivery, we will.

So the target is always set as part of the agreement between me, the minister and Treasury. If, in the course of the year, there is demand and we can rise to the occasion, so to speak, of meeting that demand, we will. We will always try, if possible, to overachieve. So the target is a conservative one. I would be hopeful that over the year we can look to overachieve on that target.

The other comment to make is that that is only part of our total target. That is the government-funded component. We also win contracts with apprentices, so user choice funding. We win special purpose funding and so on. So our total delivery last year was 5.1 million contact hours. I think that explains how that target is set, but we will try and overachieve on that.

MR SMYTH: If what you achieved was 5.1 million hours, why is that not shown in this chart?

Dr Adrian: That represents the government-funded, part of the GPO. The best way of looking at it is on page 466 of the budget papers, at the operating statement. If you have a look at our revenue, you will see that the top line shows the GPO component, which relates to the statement of intent and that agreement to deliver the hours I just outlined, the 3.7. In addition to that, we have user charges, which include international student fees, student fees and so on. The "User charges—ACT government" would be user choice money or special purpose payments where we have won additional funding. So our total revenue, as you work your way down, adds up to close to $90 million. So there is additional activity.

Mr Barr: CIT wins a share of the contestable funding as well. That follows with the student—a significant share of that funding—

Dr Adrian: In our annual report, we do provide full details on the calendar year, because we do it on a calendar year basis, of all the training we deliver across those different sources of revenue.

MR SMYTH: Okay. Would it not be more reasonable then to either have a footnote to that effect here or have a different indicator that shows the initial hours? For example, 5.1 million hours delivered is considerably greater than 3.8. I understand—

Mr Barr: Mr Smyth, I did identify this in going through it. I thought, "I bet I'll get a question on this."

MR SMYTH: You are very astute.

Mr Barr: I think in future years it might be useful to include that extra line of information.

MR SMYTH: It does come back to the point, though, that even in the contestable market and other sources of income, we have actually, through our premier skills delivery facility in the territory at the time of enormous skills crisis, catered for 10 per cent less than what we delivered this existing year. I am concerned that we would have a lower target. There are 40,000 hours less—

Mr Barr: But the target is greater than last year's target, by 35,000 hours.

MR SMYTH: Yes it is, but it is still less than what you achieved last year. What did you achieve in 2006-07?

Dr Adrian: The target, as I indicated, is set, and needs to be set, based on what government is funding us to deliver. If we can overachieve on that target and put—

MR SMYTH: But you know that you will overachieve on that target. We did this year and we did last year, and we do most years.

Dr Adrian: No, not necessarily. If you go back over time, it would vary, depending on the level of demand.

MR SMYTH: How far do you want to go back?

Dr Adrian: We will always try and overachieve, as I indicated.

MR SMYTH: I am sure you will. But it is just the whole point, for the committee and the public who might happen to read this, that it seems illogical to me that, in what the business community calls one of the greatest crises that we have at the moment—the government has certainly made a great to-do about it—we set ourselves a target that is less than what we actually delivered this year. It seems illogical to me.

Dr Adrian: I take the point. On the target that we have shown there, which is the amount specifically that government funds us for, I have every expectation that we will attempt to overachieve. I do understand about showing the other hours that we deliver and report on in the annual report. We could put a footnote here accordingly.

THE CHAIR: Does anyone have any questions on CIT Solutions? I omitted to ask that.

MR SMYTH: I am sure the minister could tell us why CIT Solutions are doing so very well, and all credit to them. But he might like to tell us this. In the annual report, on page 30, you talk about the newly established Business Development Board. Could we be told what the board is up to and how this board and CIT Solutions actually relate to each other?

Dr Adrian: The Business Development Board is a board established within CIT. It is an internal board; it is one of our internal management committees. It looks at business proposals that operate through CIT Solutions where we can leverage off and look at opportunities with the expertise in the institute and look for that to develop commercial products that can be put in the commercial marketplace. So it is an internal board.

MR SMYTH: What have they achieved so far?

Dr Adrian: What have they achieved? Firstly, we have put in place—it is new this year—a whole series of business rules as to how we will operate with the company, the role of the company and a small business development unit that does all the business cost analysis and business case proposals within the company. All of those proposals go to the Business Development Board for assessment. They proceed on that basis. It is new. It is a new approach for strengthening the links between the teaching, learning and training expertise within CIT and the business acumen, if you like, that exists within CIT Solutions.

MR SMYTH: Has there been any link between CIT and/or CIT Solutions and the venture capital fund established by the government and the ANU to further these new products or these new businesses?

Dr Adrian: No.

MR SMYTH: Is there any likelihood of that or any need for that?

Dr Adrian: It is not something that I have given specific consideration to. We do not have any particular proposals at the moment to pursue that.

MR SMYTH: Has the ANU approached the CIT about any proposals?

Dr Adrian: No, it has not.

MR SMYTH: Has the CIT contacted or identified any other business development organisations or areas of opportunity that they might branch out into?

Dr Adrian: Are you talking about CIT Solutions?

MR SMYTH: CIT Solutions or the CIT itself.

Dr Adrian: We are continually investigating training and development opportunities. They could be international opportunities. They could be opportunities with federal government agencies or organisations—for example, the AFP, which is a federal government agency. Certainly we are looking at exploring a number of markets in those contexts. But they are done on a case-by-case basis within the company—in some cases, linked to activities within CIT as well. There is a variety of those sorts of business opportunities that we have looked at.

MR SMYTH: But nothing outstanding. There is no relationship with RMIT, the Australian Chamber of Commerce and Industry or some group that has a skills shortage that has come to you saying, "Can you help?"

Dr Adrian: No, not specifically. No.

MR SMYTH: The CIT Solutions staff is going up from 64 to 68, from page 474. What is expected from that?

Dr Adrian: The CIT Solutions staff employment levels vary depending on the level of business in the company, what contracts we win and when contracts end. It fluctuates. In general, CIT Solutions' employment levels have been increasing in line with the general increase in the levels of activity within the company, which has been growing. You can see there that the total revenue for the company is around $12 million, generating an operating result, a profit, of around $1 million. The staffing levels depend totally on the quantum of activity within the company.

MR SMYTH: The profits go where?

Dr Adrian: The decisions around the profits are made by the board of directors. Some profits are retained within the company for further development of product within the company. In addition to that, and in the last few years, there has been a return to CIT. That is part of CIT's income that is reinvested in the activities of CIT.

MR SMYTH: Thank you.

THE CHAIR: We might go to vocational education and training services.

MR SMYTH: The minister would like lessons on the buttonholer. He should have practical knowledge of what the students put up with.

Mr Barr: I should have some practical knowledge of buttonholing.

MR SMYTH: I thought buttonholing was an honourable profession in the Labor Party.

Mr Barr: As I happen to know a couple of students in the course, I will ask them. I have set the fashion department the challenge of finding a hat that matches a suit that is not an Akubra.

MR SMYTH: It is a good challenge.

Mr Barr: It is a very good challenge.

MR SMYTH: There would be a big market for it.

Mr Barr: I am thinking a fez is not quite the—

MR SMYTH: The real challenge, though, minister, is getting the business minister to understand that all the graduates from that course within 12 months are employed by companies in Sydney and Melbourne; the potential for them to stay in their home city and develop an industry here is very low.

Mr Barr: I had a very interesting lunch with an industry committee of the CIT, chaired by the soon to be former head of the NCA.

MR SMYTH: There you go.

THE CHAIR: I welcome the new witnesses. Do you want to give an introduction or shall we just carry on?

Mr Barr: No. Given the time, I am happy that we roll straight into questions.

THE CHAIR: Amongst the initiatives in this budget, I noticed the Vocational College customised student support program. Does that come under this area?

Mr Barr: That is CIT.

THE CHAIR: Sorry about that. I am getting confused between all the different sections. Mr Smyth, do you have a question?

MR SMYTH: I will defer to Mr Seselja, who, I know, has a lot.

THE CHAIR: Mr Gentleman, do you have a question?

MR GENTLEMAN: Yes, I do. Minister, on page 368, in output class 3.1, the total number of hours under programs available for competitive purchase have increased quite dramatically. The note says that it is funding provided through "the 'VET growth to meet skills shortages through user choice' budget initiative". Would you be able to expand on that initiative for us?

Mr Barr: Certainly, Mr Gentleman. We have made an additional $1 million available, and that is indexed into the outyears, so that is nearly a $4.2 million initiative and expansion in the user-choice funding in the next four years. It is clear that there is very strong demand in this area, so this additional funding comes on top of some further increases from previous budgets that reflect the strong growth. As discussed with CIT, they win a fair share of this funding.

It is important that we have a mix of funding opportunities available; the funding here is, of course, student centred, so it follows the student. It is important that we are able to provide the additional funds through this youth budget round to meet not only existing demand but also anticipated future demand in this area. This measure will go a long way to achieving that goal.

MR GENTLEMAN: Thank you.

THE CHAIR: Mr Seselja.

MR SESELJA: On page 101 of budget paper No 3, "Responding to skills shortages", it talks about facilitators. Are you able to talk us through what these facilitators will actually do, apart from the one line that is there, and tell us why there is only funding for three years. Are we anticipating that the skills crisis will be resolved by then?

Mr Barr: This is additional capacity within the department to support the ACT's skills future strategy. The specific duties for these staff will be finalised before the end of June, but will include improved coordination of advice to and from industry to ensure that training is best meeting the needs of employers; improved communication with employers about the benefits of vocational education and training; coordinating access to Australian government programs and funding sources for employers, existing workers and training organisations; and coordination of access to industry and career advice for job seekers and existing workers. And, as discussed in the previous hearings and previous discussions with CIT, there is the promotion of streamlined recognition of prior learning options. This is an additional boost in the department to focus on these particular areas over the next three years.

MR SESELJA: I apologise if I missed it before, but what kind of streamlined recognition of prior learning is being considered?

Dr Bruniges: One of the things with RPL assessment is to look at the way in which we can process that assessment a bit faster. Dr Adrian previously mentioned the fact that the cost of RPL and the recognition of RPL are similar to the unit cost of putting someone through. We are currently involved in a pilot at the national level, looking at streamlining that whole assessment process in the area of children's services in particular. The pilot rotates around that.

It is really about making sure that the red tape is reduced to a certain degree to allow that to happen at a faster rate and enable candidates and people choosing to do courses to come into those courses much faster. That will alleviate some of the frustration and red tape at the front end of the process and enable RPL at a faster rate and, therefore, entry into courses at a faster rate and completion at a faster rate, hopefully.

MR SESELJA: Given that it is a three-year program, will the facilitators be recruited as permanent employees or as contractors?

Dr Bruniges: We are working through that. We can second teachers from schools to work as facilitators. We have discussions about the nature of that role statement. In fact, one of the aspects I have been working on is working closely with industry, and in particular the chamber of commerce, to assess what we might do to encourage employers, and to get these facilitators to work with employers.

One of the issues that is of concern to me relates to looking at apprenticeships. One of the barriers or challenges that we have with apprentices and trainees is getting an employers uptake, to take those on in the workplace. One of the key roles of those facilitators will be to broker with industry and, indeed, small business, places for our school-based apprentices to go into, to work with the chamber—

MR SESELJA: So you are having trouble getting employers to take on apprentices?

Dr Bruniges: Absolutely.

Mr Barr: Yes, significantly.

MR SESELJA: Even in the midst of a skills shortage, where employers are crying out for staff?

Mr Barr: Yes.

Dr Bruniges: We are, indeed.

MR SESELJA: That is interesting.

Dr Bruniges: It is interesting. Employers are very busy people and want the full skill set on the job. There is the time that it takes in terms of apprentices and trainees and the commitment that it takes. We need to increase awareness of the responsibility of employers, as well as of the department and of the students who are willing to take on an apprenticeship.

MR GENTLEMAN: This has happened since project management came into vogue and jobs are contracted out. Harking back to the old days, a large business would be doing most of the construction work, if you look at that area. How do you think you can assist business to take on apprentices when they are just small contractors, for example, and are busy looking after themselves?

Dr Bruniges: That is a really key question for us. It has been a challenge. We have students wanting to take on apprenticeships and traineeships and not being able to find the places for them. We need to work closely with industry, and these facilitators can explain the benefits for a small business and the industry of taking on a trainee. It actually builds the whole ACT skills base that we have to work with. So there is an advantage to employers, and there is the responsibility they share for taking on apprentices and trainees and building capacity across the ACT.

Having those facilitators in that role means they can work closely with industry and look at particular avenues and areas of shortfall. They can give them support in terms of sharing apprentices. It may be that we do not place one apprentice with one industry but broker a partnership between two similar types, so that they share the role of the apprentice rather than taking on the full load. It will be a challenge for us. Working through that, as I said, the facilitators will be a welcome resource, so that we are able to support both industry and students in that matching process.

MR GENTLEMAN: Are there particular industries where you see this highlighted, where it is more difficult to get jobs or positions for apprentices?

Dr Bruniges: It is probably across the board. While we have a great deal of support in the building and construction industry, sometimes in the higher level, in the finance areas and so forth, there is a little more difficulty, probably because there are fewer of those at the moment. But it is just a matter of getting people to the table to understand the benefits they can gain from having an apprentice or trainee who can then pursue a career path in that particular industry or avenue. We are going to have to work very hard on that.

MR SMYTH: In the ACT Skills Commission *Final report April 2008*, recommendation 2.1 suggests that, given this problem with even getting businesses to take up apprentices and trainees, the ACT public service should offer additional Australian school-based apprenticeships across ACT government agencies. Is that being taken up? If so, how will it be delivered?

Mr Barr: Yes, it is. I will get some detail in a moment, but I am aware of a number of instances where the Department of Education and Training in particular is taking on a leading role. Two areas I have identified are based particularly around sport and recreation. Some of our colleges have particular courses that involve year 11 and 12 students delivering programs in a primary school setting and achieving a certificate qualification. A new initiative has been in the IT area. Recently, at Hawker College, I welcomed a couple of new students into that program within the Department of Education and Training.

MR SMYTH: I am aware of that and I am happy at some stage to get the information on what the department of education is doing. It is probably more of a question for you, minister. Will this be taken up at the cabinet level, and will it be insisted upon across the entire ACT public service?

Mr Barr: It is not just within education that this is occurring. I understand through Territory and Municipal Services that there are a number of apprenticeships.

MR SMYTH: Is this a discussion that cabinet has had?

Mr Barr: Yes, cabinet has had this discussion.

MR SMYTH: Will it occur in every—

Mr Barr: That certainly is the intent of government.

MR SMYTH: That being the intent, what will be the delivery of it? Have you been asked to prepare something that will ensure its delivery across the entire ACT public service or will it be ad hoc?

Mr Barr: I am taking responsibility in terms of the departments that I administer and already have positions in place—

MR SMYTH: I understand that. But will there be an ACT-wide—

Mr Barr: A whole-of-government response, yes.

MR SMYTH: When will that be available?

Mr Barr: That will be made available in due course, but some agencies are already very well advanced. They have people in positions, and have had for some time. I think it depends a little bit on the nature of each agency. Some have a much greater capacity than others in this area. Certainly, it is a responsibility across the entire ACT public service.

MR SMYTH: On page 52, the report talks about career education in schools. It says:

> This matter was the one that produced the most criticism of current performance.

What is the government going to do to increase careers advice in ACT government schools, particularly in the area of apprenticeships and traineeships?

Mr Barr: I refer you to the specific budget initiative in this area.

MR SMYTH: Think of it as a freebie!

Mr Barr: That is very good of you!

MR SMYTH: No, it is something that really worries me.

Mr Barr: It certainly is an important area. We are, of course, funding an additional position in each of our secondary colleges in this area. Also, through last year's second appropriation, there is an additional position in our high schools in terms of pastoral care. As part of a student services team, they can provide additional support at a high school level. That transition from high school to college was identified—I am thinking back a couple of years now—in the review of senior secondary colleges. So this is an additional role that this position that we are funding within each secondary college will be able to play. There are a range of areas in which, through this allocation, we will be able to improve performance.

It would be fair to say overall that the predominance of debate around our senior secondary colleges has been focused on university entry. Whilst we have maintained, I believe, a very good record, when comparing our jurisdiction against others around students achieving university entry, we recognise that the future needs not only of our economy but nationally will mean we need to see a greater number of students emerge from year 12 and go on to further vocational education and training. This initiative will assist in that area.

MR SMYTH: I appreciate the extra staff, but what is the extra qualification they will have that will make them better at giving students advice? It is easy enough to throw brochures at kids, but what training will each of these new positions, both at high schools and at the colleges, have that will actually qualify these people to be giving what is perhaps some of the most critical advice that that person will ever receive?

Mr Barr: Dr Bruniges can give you some information.

Dr Bruniges: One of the important aspects is that we are going to ask that each of those career advisers will hold a certificate IV in career development and employment by 2012, so that they are keeping track of the AQF and professional standards in career developments. That is incredibly important, so that they are getting qualifications in their field. Indeed, a great deal of work has been done around professional standards for careers advisers that will also come into place in 2012. So getting our people and our workforce ready to get further qualifications in subject specialty areas is of critical importance to career development. That will be a qualification that is recognised Australia wide. It will put our people at the forefront of seeking that certificate IV in career development.

It is an unusual position in terms of asking for a certificate IV of someone based in a schooling sector, but we recognise that the boundaries between the VET sector and the school sector are, indeed, blurring. More and more, there is a case for people who are responsible for the delivery of particular subjects—or, in retail hospitality, the whole industry type qualifications—to not just have teaching qualifications. That is a commitment that the ACT government has made to ensure that all of those new people coming on board are supported and that they gain a certificate IV in careers development over the next few years.

MR SMYTH: Where can you study that in the ACT? Is that a course that CIT offers?

Dr Bruniges: Yes, I understand that it is a course that CIT offers, and it is nationally recognised. The other avenues that we find that some of our teachers may be interested in are online—more and more online qualifications and access to do things in time. We will be supporting them in gaining that qualification.

THE CHAIR: I have a question around any particular assistance that may be given to Indigenous students in relation to support for vocational education.

Dr Bruniges: Sorry, I missed that.

Mr Barr: Additional support for Indigenous students?

THE CHAIR: Yes—any additional support that is allocated or given in relation to Indigenous students who are undertaking vocational education.

Dr Bruniges: In terms of equity funding, you will find some in the CIT pocket, so we have Indigenous students who are linking with CIT. There would be avenues of additional support going through CIT. In our schooling sector, we are focusing on the development of individual learning plans for each of our Indigenous students. So, irrespective of whether they are choosing a vocational education and training pathway, a schooling pathway or a combination of both, our individual learning plans for all Indigenous students, as a means of tracking and working with those, are the additional support that we are offering. It is very targeted support that is based on the individual student's needs. All of that comes to fruition in their individual learning plan.

Mr Barr: It is worth noting, Ms Porter, that this was the basis of a funding allocation in the second appropriation. There was some targeted money around assisting Indigenous students in that transition, particularly looking at high school onto college and onto university or onto some form of vocational education and training. Whilst we have targeted a lot of assistance in the early years, there was, through that second appropriation initiative, some additional support for Indigenous students throughout their education and training.

THE CHAIR: Thank you. Mr Smyth.

MR SMYTH: I want to go to budget paper No 4, page 368, "c" and "d" in this output class in "Accountability indicators". It refers to "Percentage of apprentices satisfied" and "Percentage of employers satisfied". It says that the target for 2008 is 80 per cent and the outcome is 80 per cent; the target for 2009 is 80 per cent. It has been like that since about 2004. Are we just not trying? Are we monitoring it in a bad way? Are we not setting ourselves a target to make it better? Why is the target not 100 per cent satisfaction?

Dr Bruniges: One of the issues is this. I think we acknowledge that we can always improve. It has indeed been a flat line at 80 per cent. If you look across other jurisdictions in terms of the percentage of satisfaction with apprenticeships, you will see that it will always depend on how many completions you have and how many commencements you have. There are actually different cohorts of people coming through; it is not as though it is the same one and you are tracking their satisfaction over the years. You have a new lot coming in and completions coming out. Eighty per cent is relatively high.

The most important part is for us to try and capture what they are dissatisfied with and what we can do to improve that. In terms of a diagnostic or a working through that, of more interest is trying to get from the instruments that are administered nationally more feedback on what they are dissatisfied with and what we are doing about it. At this stage, we are unable to do that. The instrument aggregates up to a certain level, but we are working with NCVER to talk about the way in which we measure satisfaction, how we can get better comparability over time and how we can drill down and find out where dissatisfaction lies with apprentices and trainees.

MR SMYTH: Sure. But also with the bosses. The employer satisfaction has not changed either. Is there no way we can track that?

Dr Bruniges: Only through the administration of the survey instrument. Part of the powerful information in working with employers is that our facilitators that have come through this budget will give us a really close insight as to why employers are not taking up apprentices at the rate we would like them to and what they find difficult to deal with in taking on an apprenticeship. That will give us further insight into how we can raise that overall satisfaction figure.

MR SMYTH: At the top of the outcomes, outcome “a”—at last, from the government’s report, there is somebody whose outcome for last year is the target for this year. Well done. I do appreciate that there is extra money to make that achievable, but we downplay these targets in a number of ways. Once we achieve a target, the target must always be to go higher. This is perhaps the only one I have seen in the entire document where it has gone up, so congratulations.

Dr Bruniges: Thank you.

MR SMYTH: It does not let you off the hook in your other portfolio.

MR SESELJA: Minister, on page 375 of budget paper 4, it talks about some of the commonwealth grants in relation to vocational education and training. The federal Labor Party made a number of election promises in relation to trade training. Presumably, these figures do not include any of those amounts—is that correct?

Mr Barr: No. The money that will be available—we are looking at a range of projects. Of course, the way that the commonwealth are running the program is that they want to deal directly with schools.

MR SESELJA: So you will not be administering—

Mr Barr: No. We have put forward a proposal to engage as a public education system. Our strong argument is that we will achieve more if schools work together in clusters and we have a regional approach. For example, the areas that we are identifying for trade training centres include the new college in Gungahlin and the new school in Tuggeranong as two key areas. We are also looking at linking with the CIT to establish a facility for Belconnen at the Bruce campus of CIT. In the last few days, I have had a number of other proposals that involve some partnerships with non-government schools that would see some of the other regions of the city have these centres accommodated.

My personal view is that we are far better off consolidating the resources. I understand that the commonwealth will make just short of $50 million or thereabouts available to the ACT. We would be better off concentrating that into a centre for each region—that, rather than having 25 $2 million centres, we group those resources and provide a high-quality facility on a regional basis.

Certainly, there is no issue with delivering that across the public education system, as we are able to work with schools and they are very willing to partner to get an outcome. The early indication from the non-government schools is that they would like to work on that basis as well. It is highly likely that we will see a public and private school in a particular region, or a group of them, partner to pool their funding to provide a consolidated resource.

MR SESELJA: So those non-government schools—that would be across the different parts of the non-government sector as well?

Mr Barr: Yes, both through the Catholic systemic schools and the independent ones—although recognising that, for the Catholic system, they can make a system-wide allocation with a degree of ease that does not necessarily apply for the independent schools, who would perhaps have to do some more intense negotiation. But I am very confident that the commonwealth will accept our proposals. They have shown some interest in them. I do think it would make sense in a city-state to adopt that approach rather than scattering the resources thinly across the schools.

MR SESELJA: Have you had recent discussions with the commonwealth education minister?

Mr Barr: Yes.

MR SESELJA: Obviously at the recent meetings, but I mean on this issue.

Mr Barr: I have had the opportunity to go up to Parliament House and have a wide-ranging discussion with the Deputy Prime Minister on this and a number of issues, yes.

MR SESELJA: So your expectation is that there will be no problem with the cluster approach and that that is the way the commonwealth will fund it in the ACT?

Mr Barr: That is certainly the proposal we are putting forward. We have had no indications that that would not be accepted.

MR SESELJA: Okay.

MR SMYTH: The SPICE program—how many students will that cater for?

THE CHAIR: Hundreds.

MR SMYTH: How will it be delivered?

THE CHAIR: It is being delivered.

MR SMYTH: I know it is being delivered, yes.

Mr Barr: It has been delivered for some time. I can advise you, Mr Smyth, that 353 students were referred to the program in 2007. The referrals come from both the government and non-government sector.

MR SMYTH: Yes.

Mr Barr: The program has been in operation for some time.

THE CHAIR: The year 2002 was the pilot.

Mr Barr: Ms Porter would be able to give a lot of the detail on this, as she was intensely involved in it.

MR SMYTH: I am surprised she did not ask the question.

THE CHAIR: I am very pleased.

Mr Barr: I would like to put on the public record that she did lobby very strongly for the continuation of the program. There is no doubt that it has been very successful and has been one that we are very pleased to renew in this year's budget.

MR SMYTH: Does the funding here cover all the need, or has the program in the past had to turn away students because of inadequate funding?

Dr Bruniges: Students come in and out; it is not as though they are taking a full position. The idea is that it will vary. It could be weeks; it could be months. Some could be longer. It is not as though we are at capacity. This is one of the programs that we have for students who are at risk of dropping out of schooling. There are some programs within the school. It is not as though we are at saturation point with all of those. At different times people will come into the SPICE program; then they might go back to school or they might go onto CIT. It seems to be working well. That level of funding seems to be meeting the needs of students and the placements in and out today.

THE CHAIR: That is the extent of our questions. We will now finish this hearing.

The committee adjourned at 5.05 pm.