



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**(Reference: Annual and financial reports 2003-2004)**

**Members:**

**MR R MULCAHY (The Chair)**  
**DR D FOSKEY (The Deputy Chair)**  
**MS K MACDONALD**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**WEDNESDAY, 30 MARCH 2005**

**Secretary to the committee:**  
**Ms S Mikac (Ph: 6205 0136)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

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

## **The committee met at 2.05 pm.**

### Appearances:

Mr Ted Quinlan, Treasurer, Minister for Economic Development and Business, Minister for Tourism, Minister for Sport and Recreation, and Minister for Racing and Gaming

### Department of Treasury—

Dr Paul Grimes, Chief Executive  
Ms Megan Smithies, Executive Director, Finance and Budget Division  
Mr Neil Bulless, Director, Budget Management and Analysis Branch  
Ms Kirsten Thompson, Director, Budget Strategy and Reporting Branch  
Mr Phil Hextell, Director, Accounting Branch  
Ms Marina Belmonte, Manager, Budget Management and Analysis Branch  
Mr David O'Brien, Manager, Budget Strategy and Reporting Branch  
Mr Stuart Friend, Manager, Budget Management and Analysis Branch  
Mr Floyd Kennedy, Manager, Budget Management and Analysis Branch  
Mr Michael Vanderheide, General Manager, InTACT  
Mr Ross Burton, Manager, Finance, InTACT  
Mr John Robertson, Director, ACT Procurement Solutions  
Mr John Maher, Financial Controller, ACT Procurement Solutions  
Mr Graeme Dowell, Commissioner for ACT Revenue  
Mr Phang Lim, Manager, Finance and Recovery  
Mr Khalid Ahmed, Acting Executive Director, Policy Coordination and Development Branch  
Mr Roger Broughton, Executive Director, Investment and Economics Division  
Mr Garry Cartwright, Manager, Superannuation Unit  
Mr Patrick McAuliffe, Manager, Central Financing Unit  
Mr Tom McDonald, Director, Legal and Insurance Policy  
Mr Peter Matthews, General Manager, ACT Insurance Authority  
Professor John Walsh, Director and Dean, Australian International Hotel School  
Mr Chris de Mamiel, Finance Manager, Australian International Hotel School

### Chief Minister's Department—

Mr Mike Harris, Chief Executive  
Mr Karl Phillips, Financial Controller  
Mr Glen Gaskill, Director, Corporate Management

**THE CHAIR:** Ladies and gentlemen, we will formally commence proceedings. I would like to welcome the minister, officials and advisers. I will just put some of the formalities onto the record, by way of advice. For those who give verbal evidence to the committee today, a copy of the transcript will be emailed to them as soon as it is available for correction and also so that they might identify questions that are taken on notice. Please return responses to questions on notice to the committee secretary within five working days of receiving the transcript.

Prior to the giving of evidence, I would like to inform each witness that you should understand that these hearings are legal proceedings of the Legislative Assembly, protected by parliamentary privilege. That gives you certain protections but also certain responsibilities. It means that you are protected from certain legal action, such as being

sued for defamation, for what you say at this public hearing. It also means that you have a responsibility to tell the committee the truth. Giving false or misleading evidence will be treated by the Assembly as a serious matter.

Minister, to avoid unnecessarily tying up so many officers from your agencies and departments, with the agreement of Ms MacDonald, we plan to proceed in the order of listing on our agenda, which would be Treasury questions first, followed by the procurement board, ACT insurance, the hotel school and then Totalcare Industries. Treasurer, do you wish to make a statement before we go through some of these matters?

**Mr Quinlan:** No. I would just ask the committee's indulgence a little. Dr Grimes has only been in the job a short while. We will be relying on the officers if you want a fair amount of numerical stuff. If it gets complicated, we will take them on notice—if you want lots of numbers.

**THE CHAIR:** Thank you for that. Welcome, Dr Grimes. I have not had the opportunity to meet you in person but appreciate having you along here today.

**Dr Grimes:** Thank you.

**MS MacDONALD:** I echo that welcome.

**THE CHAIR:** Treasurer, I think the occasion would be appropriate for us to look at the situation with the GST payments and matters there, related to the territory's finances. As I recall, there was an understanding from the intergovernmental agreement that there would be a review by this year on the need for the retention of stamp duty on non-residential conveyances; stamp duty on non-quotable marketable securities; stamp duty on leases; stamp duty on mortgages, bonds, debentures and other loan securities; stamp duty on credit arrangements, installment purchase arrangements and rental arrangements; and stamp duty on cheques, bills of exchange and promissory notes.

Could you, for the benefit of the committee, explain, in terms of the fact that we have additional GST revenues above those original forecasts—I think, for example, \$39 million in the 2003-04 year and about \$53 million in the 2004-05 year—what is the status of that review? Could you explain, maybe, the thinking behind the view in relation to the review of those taxes?

**Mr Quinlan:** First of all, it was a commitment to review, I think, concessions made by the states in setting up the intergovernmental agreement. The federal Treasurer has now decided unilaterally that that review implied—or that part of the agreement implied—that, if states or territories were GST-positive, they would automatically waive their rights to those taxes. That is not written in the agreement; that is Mr Costello's interpretation thereof.

There are several of those taxes that we don't apply at this point in time—some stamp duty on cheques, promissory notes and a couple of other things. They are pretty minor in nature. Mr Costello estimates a cost to us of something like \$5 million or \$5.5 million; we estimate the cost to be more like \$50 million-plus. There is some figuring made by Treasury—unless anyone behind me wants to leap up—that we have to examine in detail that, should we give up all those taxes, then there would be a net \$5 million deficit after

the grants commission rejig their figures. But we don't understand precisely how that comes about. We would certainly want to, before we embraced the idea of doing away with these taxes.

It has to be remembered that the effect of these taxes would be to make business more profitable and would probably result in an income tax, or company tax, flow to the federal budget. So there is a bit of shifting involved between the commonwealth and the states to the benefit of the commonwealth, who happen to be sitting on a very large projected surplus at this point in time. There is no indication that the Treasurer would assist the states in any way to waive those taxes, even though the federal government has removed productivity payments to the states; even though the federal Treasurer has—I think quite cynically—double-shuffled corporate regulation fees that should flow to the ACT to the point that we are about \$17 million out backwards there.

So if we waived all those taxes in the foreseeable future, we would be behind on GST pretty well straightaway. We would not be behind strictly in terms of GST, but we would be out of pocket. The states are aware—I think everybody is aware—that there is tremendous pressure on states' and territories' budgets, particularly in health, where the cost escalations exceed normal CPI. That has been confirmed by none other than Tony Abbott, the minister for health, who made that statement in justifying the increases to health insurance premiums some months ago.

Overall, the states have felt that they are not in a position to waive all of those taxes. We don't collect all the ones that are there, but the big ones we do. If we were reviewing them, then we would have a look at those. But I don't think there is any benefit to the ACT in waiving those taxes. What would happen would be at the cost of the ACT taxpayer. There would inevitably be a flow through to the federal budget.

**THE CHAIR:** There would be a benefit to the ACT taxpayer, surely, with tax reform.

**Mr Quinlan:** Only to businesses that are buying and selling, which wouldn't be many, I would suggest. It would be a very select few that would benefit at the cost of many.

**THE CHAIR:** But non-residential conveyancing is \$33.2 million, I think.

**Mr Quinlan:** Yes, \$33 million.

**THE CHAIR:** I would have thought the flow-through would be significant. If I may take a couple of those points: you talk about corporate regulatory function. As I understand it, that was compensation for losing that role at a state level. But isn't it true that the ACT never had the role in the first place, so the compensation was really for something we didn't do?

**Mr Quinlan:** That is pretty well regurgitating what Mr Costello has said. We are not really talking about technical entitlement; we are talking about moral entitlement here.

**THE CHAIR:** Surely you would argue for the money through another means, but hardly on the grounds that we should be compensated for something we never did. There might be an argument that we should be worse off.

**Mr Quinlan:** The commonwealth government and the grants commissioner seemed to think we were entitled up to last year. We received it regularly and consistently, as part of the Grants Commission, in a subsidiary assessment made by the Grants Commission for all the years of self-government until now. If it isn't, because we are technically in a different position from other states and the Northern Territory, then the commonwealth and the Grants Commission have been incorrect until a year ago.

**THE CHAIR:** That could well be the case; I don't doubt that—all I'm saying is that it is the basis on which we are receiving funding.

**Mr Quinlan:** If you choose to take the Costello position. The reason why the ACT received this as a separate grant is purely related to the fact that the process of the commonwealth collecting those charges and repatriating them to the states was put in place before ACT self-government. As a consequence it was unnecessary for the commonwealth to include that power in the ACT's power; but there was, instead, another mechanism in order that the ACT would be treated equally with other states and territories. Under the decision that has been effectively finagled by Mr Costello, the ACT is treated differently from other states and territories.

**THE CHAIR:** I understand the logic of that.

**Mr Quinlan:** That is at the cost of the ACT; it is unequal treatment of the ACT and its residents compared to the rest of Australia.

**THE CHAIR:** There is no argument about the quantum; I just think the rationale is thin.

**Mr Quinlan:** That is the way Costello would say it, in pretty well the same words. He would probably have a bit more of a sneer on his face than you have. Otherwise, it is pretty well the same.

**THE CHAIR:** You talk about productivity payments and the states being in dispute. But is it not true that we in the ACT have received all of our national competition payments, notwithstanding disputes in other jurisdictions?

**Mr Quinlan:** No. The point is that the process of productivity payment is being discontinued, and that money has been—

**THE CHAIR:**—earmarked.

**Mr Quinlan:** An election ago the federal government went to the electorate saying that part of the reforms they would institute related to water and salinity across Australia. There was a big commitment: we, the commonwealth, are going to fix it. Their way of fixing it has turned out to be to have a whole water policy that is funded by productivity payments that they have taken off the states and are now prepared to give back to the states, if they get approval for particular water programs, and if the states will match dollar for dollar what the commonwealth puts in. That is a bit of a have, really, isn't it?

**THE CHAIR:** I don't necessarily share that view.

**Mr Quinlan:** No. You are a Costello fan!

**THE CHAIR:** Well, that is an interesting way of characterising it, but I am really just interested in knowing how we are managing our state and territory finances. That is the issue.

**Mr Quinlan:** With difficulty—and difficulty that is compounded by the deliberate actions of the federal Treasurer. It is pretty cynical stuff.

**THE CHAIR:** I have thought so. We see here an overrun of \$39 million and then \$54 million. That is not so complicated; I think we have seen a lot of gains there. I guess the issue in debate is one which will return some of that to the people of Canberra.

**Mr Quinlan:** You can draw a line through it and say, “Right, those are the extra funds that the ACT has received over and above the guaranteed minimum amount.” That is not to say that, given the buoyancy of the economy over the past few years, taxes forgone with the introduction of the GST would not also have been buoyant—wholesale sales tax and things like that. If we are over the guaranteed minimum amount—and know that there is a guaranteed minimum amount—it is always that that’s where you’d be otherwise.

Remember that the economy has been good over the past few years. One would expect that the states would have shared in that buoyancy of the economy anyway. Nevertheless, we are that much in front.

If you then took the amount that we have to spend in our health system and multiplied it by the escalation margin, which is estimated at seven to eight per cent—so the difference between that seven to eight per cent and CPI—you would probably find that we are behind immediately: bang, hello.

**THE CHAIR:** That is an interesting way of looking at it. Taking you back, though, to the question of reviewing, did I get the impression from your analysis that there was some dispute about what the ultimate impact would be—that you are still keeping an open mind about reviewing the taxes that were in the IGA that were not timetabled?

**Mr Quinlan:** The states and territories are under bald threat from the federal government that the federal government will rat on the GST deal if the new interpretation of that provision in the intergovernmental agreement—the current Costello interpretation—is not abided by to the letter. It is pretty unsubtle stuff. Reason and logic are not Peter Costello’s long suit.

**MS MacDONALD:** As fascinating as the discussion is about the GST, can I bring things back to the annual report. I have some questions, but I think Dr Foskey has precedence over me as the deputy chair.

**DR FOSKEY:** I doubt if there is enough time for me to ask all my questions, or for people to answer them. I am hoping there is some way.

**Mr Quinlan:** I will try to keep the answers short.

**DR FOSKEY:** Thank you very much. I am interested in why this is only referring to the

acting Under Treasurer's review—7 to 9. I am interested in why 2003-04 was a spending year, even though it states in here that 2005-06 would be a difficult year. I am interested in the answer to that question, given the role of Treasury, I guess, to make sure that we spend evenly. I would have thought that would have meant evening out, sort of thing.

**THE CHAIR:** Are you clear on the question, Treasurer? I am not entirely sure.

**DR FOSKEY:** I do not think your explanation is helping.

**Mr Quinlan:** I think so. I think Dr Foskey is asking why didn't we hold back on expenditure.

**DR FOSKEY:** Yes, as all good citizens can.

**Mr Quinlan:** Since coming to office, the current government has had a number of significant influences that are a matter of public debate. Initially we had a Gallop report which said that disability services were inadequate; that something needed to be done, and had to be done. Following that, we had a bushfire and we had the McLeod report—and a significant ramping-up needed in the emergency services response capacity. Following that, we had the Vardon report, and public debate on child protection. If you add those influences up, you find that there is very considerable pressure to spend, pressure that has been brought as much by the Assembly as a whole as anybody.

The government has had to try to meet those expenditures and, more recently, just before the last Assembly rose, we had asbestos come up, with what was a rather inadequate bill put forward. The government was forced into the position where it could only modify the bill. We had to rewrite it because it was totally unworkable. The majority of the Assembly indicated that they were going to pass some form of asbestos legislation—good, bad or indifferent—and it was up to us, in the space of a couple of days, to make it as good as possible. Again more expenditure. Those things have happened and those things have had to be met. So we have just had to spend in that regard.

**DR FOSKEY:** But it was already clear that it was going to be a difficult year, even before we took into account those added expenditures.

**Mr Quinlan:** Each time we have done a budget, as you will observe from each of the budgets, with the best information available and the best estimates available, we have done forward estimates. To satisfy your concern that there ought be thought to the future, the estimates are there, as to what we expected the future to be. Predecessors to this committee have examined those forward estimates and reported to the Assembly on same. On matters of the structure of the budget and those sorts of things, we are happy to provide a briefing outside of this process.

**DR FOSKEY:** I would appreciate that. My questions are entirely related to this annual report. The Gambling and Racing Commission appears to have quite an amount of money. A few expenditures are described very briefly on page 15. Can this fund only be used in the kinds of ways described here?

**Mr Quinlan:** The racing development fund?

**DR FOSKEY:** Yes. Is it able to be used for other needs of the ACT community?

**Mr Quinlan:** I will have to ask someone. Is it embodied in legislation? All right. It is legislated that, out of the ACTTAB operation, funds generated would make sure that the industry survives, otherwise the funds dry up. We have made some arrangements that the racing clubs, in particular with the Thoroughbred Park horseracing centre, develop that centre with a synthetic track, increased stabling facilities and the new horse-swimming facility they have put in. That is bearing fruit. We are getting trainers coming from elsewhere to centre their operations in Canberra so that the racing industry has a future and will be an employer.

**DR FOSKEY:** On page 19, dealing with the annual report of the National Competition Council, you are talking about the agreements—of course, all of which precede my time here. Progressive implementation is required. Is there a timetable for that? Are we progressing to targets? Who set those targets?

**Mr Quinlan:** It is all over now. Are we talking about the national competition policy and the payments?

**DR FOSKEY:** Yes.

**Mr Quinlan:** The payments will cease after this year. We met pretty well all of our obligations. Some of them shifted, like rationalisation of pharmacies and that sort of thing. In the end, the Prime Minister pulled the rug out from under that. We never got to the point of open competition in the taxi industry, because it was quite daft for a town this size to do so. In a month we collected pretty well all of our competition payments, by having satisfied the terms of the national competition agreement.

**THE CHAIR:** On the pharmacies, where is that up that now? Is it correct that you are looking at that arrangement again at the territory level—or is that more Mr Corbell's part?

**Mr Quinlan:** You will probably have to ask the Minister for Health precisely where that is up to, but there is the open point as to where pharmacies might be located—and a very active campaign run by the pharmacy guild. In one way it is a highly protected industry, much more protected than pretty well any other industry in Australia. But then there are all sorts of debate as to the appropriateness of that protection, which I am not going to enter into.

**DR FOSKEY:** On the section on page 21 about regulatory impact statement requirements, reading between the lines here, I would say there is a little bit of concern about the way these statements are presented. I just wonder what Treasury's role is in relation to regulatory impact statements and what it is doing, if that is its role, to ensure—

**Mr Quinlan:** Wait until I see if I can read all that into it.

**DR FOSKEY:** The third sentence in particular.

**THE CHAIR:** Do you want to take that on notice? Is it something you feel able to



answer today?

**Mr Quinlan:** No. As far as we are concerned, Treasury reviews those as they go through and makes comments, and I am sure there is a cycle of feedback. At the end of the day, they are required public documents, which are available to all of you.

**THE CHAIR:** Isn't the message here, that I think Dr Foskey is alluding to, that there has been a lack of examination of regulatory impacts? It says here:

The lack of identification of regulatory impacts and inadequate depth of analysis continues to be evident.

**Mr Quinlan:** Yes, I think that's what it says.

**DR FOSKEY:** I am just wondering if Treasury sees as its role improving that state of affairs, and how it is going about it.

**Mr Broughton:** What happens is that all major proposals that involve, or potentially involve, changes to legislation need to be accompanied by a regulatory impact statement. The idea behind these statements is to determine that there is a solid case for additional regulation and that there aren't other ways of achieving the same outcome that are less regulatory in their approach. All of these RISs are reviewed by Treasury. To the extent that they don't meet the standards, they are sent back to the initiating agency for improvement.

The comment here is that, generally speaking, agencies are getting much better at thinking about them and doing them but, in some cases, they probably haven't been thought through enough. We work with the agencies on a case-by-case basis, where that is evident, to get an improvement in them. On other occasions we issue best practice guidelines to help the agencies do the statements in the first place. We also undertake training from time to time, as we see fit.

**THE CHAIR:** Am I reading this correctly in saying that you assess some of these, but not all of them, for regulatory impact?

**Mr Broughton:** No. We assess all of them.

**THE CHAIR:** Do you see improvement in compliance? You obviously flag your concern here.

**Mr Broughton:** We have seen a significant improvement, but I think we state here that it is more the exception than the rule. There are some areas—not necessarily the same ones every time—that could still improve further.

**THE CHAIR:** Which agencies?

**Mr Broughton:** I couldn't tell you that off the top of my head. I think it varies from time to time—possibly from different parts of different agencies.

**MS MacDONALD:** Dr Grimes, first of all, welcome to the position. I would also like to

put on the record my thanks to Andrew Weeks for the job he did as acting Under Treasurer in his time in the position. I think too many times our thanks are not put on the record. I do appreciate the work that Andrew Weeks did.

My question relates to energy policy, referred to on page 16 of the annual report—the key achievements. The first dot point refers to the promotion of green electricity in order to try to reduce the amount of greenhouse gases. I pay a little extra in order to go on to green electricity, to do my very small bit. I am curious to know what the uptake is and how it is progressing, et cetera.

**Mr Quinlan:** You should address that one to the Chief Minister, who has assumed that responsibility.

**THE CHAIR:** Can I just raise an issue for my clarification, Treasurer? In terms of your funding of major infrastructure projects, the budget for 2004-05 has provided for funding of \$110 million for the proposed prison which, I understand from the Chief Minister's comments, is likely to go up in value. In respect of your criteria for funding capital works from revenue as opposed to borrowings, is there a rule you observe, or a principle you run to in the Treasury on those sorts of matters?

**Mr Quinlan:** Hitherto it has been a relatively simple case that we have had sufficient funds to finance our own capital works and therefore have not had a need for borrowing. There has not been, I don't think, within the public structure, much of an argument—or there are very few wrinkles you can pull that would put borrowing ahead of using cash, if any.

**THE CHAIR:** Do you see that situation changing now?

**Mr Quinlan:** It depends on what happens in the future in respect of infrastructure investment. If a government launched into significant infrastructure development, then it may be necessary to borrow. We have seen, just in recent times, a proposal that looked at some very significant works in Civic. Depending on how a program like that worked out, you may have to borrow in the short term, put in infrastructure before you could actually realise upon the value of that project. That may be a significant project for the city.

Let's assume that there are other demands for capital that didn't return revenue or necessarily obviate recurrent expenditure. You might look at the jail at a future time, depending on how the situation was, and say, "There is a business case for borrowing there because the existence of a jail should off-set certain costs elsewhere." The business case might absorb it. But at this point in time there is no project that I can see that we would borrow for.

**THE CHAIR:** Such as with the New South Wales prison costs—you may see savings there.

**Mr Quinlan:** Yes. It depends on—

**THE CHAIR:** That would free the money up for hospitals or whatever.

**Mr Quinlan:**—how that case works out and whether it is a one-to-one case; whether in

fact corrective services and the facility we operate are of the same standard as, or a better standard than, the service that is being provided now.

**MRS DUNNE:** I would like to follow up on that, Treasurer, because it has tweaked my interest. Correct me if I am wrong. What you seem to be saying is that the preferred method of funding capital works is through cash, irrespective of the life of the asset you are acquiring. It seems to me that past practice was that you borrowed money by bonds, or whatever, to fund large-scale capital works that had a long life—the argument being that, if you fund them out of cash, this generation is paying for a good that a subsequent generation will benefit from and that perhaps you should spread the cost over the generations who are going to obtain a good from those works.

**Mr Quinlan:** Just off the top of my head—I haven't been to school for a while—I would think that, if you did all the streams of costs and opportunity costs, it is not going to make a lot of difference. The difference is going to be whether the cost of the capital is, in some way, better than what you could earn on that capital in some other way. That's about it. In terms of intergenerational cross-subsidy, no, I don't think the capitalisation decision would affect that.

**THE CHAIR:** It would also have to be balanced against your needs. If you could use that capital allocation for pressing services, then you might also see an argument for borrowing rather than allocating those funds.

**Mr Quinlan:** Yes. Traditionally, governments have borrowed because places have grown. To be able to provide the infrastructure for future use, it has been necessary to borrow and then necessary for that future generation to fund the cost of the investment—not exactly—made on their behalf.

**MRS DUNNE:** But when you are looking down, in the next few years, at \$100 million-odd for a correctional facility, up to \$150 million for a Belconnen busway, somewhere between \$80 million and \$200 million for water infrastructure, depending on where we go, do you see that all of that can be funded out of cash?

**Mr Quinlan:** Off the top of my head, I think the augmentation of our water capacity would be done on borrowed funds. We would treat Actew as a discrete entity. I don't think it is over-endowed with cash reserves. It is a very strong business and doesn't have a huge amount of debt. The great part of its debt is the capital money that was hooked out of it five or six years ago. That makes up the great bulk of the debt that Actew has, anyway. There was a bit of bookkeeping, shall we say, at that point. But it is still in a very strong position compared to other utilities across Australia in terms of its debt-equity ratio.

**DR FOSKEY:** Talking about water, on page 22 there are three dot points around the middle of the page starting with “Progress the development of a water cap for the ACT and implementation of water trading.”

**MRS DUNNE:** This has all gone to CMD.

**MS MacDONALD:** It has gone to the Chief Minister's Department.

**DR FOSKEY:** I can't talk about that anymore, but I am talking about at the time. It has gone to sustainability.

**Mr Quinlan:** The water cap was a national thing. That was always a deal that was more environment.

**DR FOSKEY:** Yes, let's leave that; but I would like some more advice on the third dot point there which is "Maintain oversight of the existing water restrictions scheme provided by us on a proposed permanent water restrictions scheme." I am wondering why Treasury had a role in water restrictions at all.

**Mr Quinlan:** In terms of setting up the previous administrative orders, the business—Actew—reported to me.

**THE CHAIR:** That is still the case, is it not?

**Mr Quinlan:** No.

**THE CHAIR:** It is all Chief Minister's now, is it?

**Mr Quinlan:** Yes.

**THE CHAIR:** You are one of the two shareholders?

**Mr Quinlan:** I am still a shareholder but, in terms of ministerial responsibility, Actew reported to me and the legislation that governs some of these things—not necessarily the cap, but water restrictions—then fell within my purview. That's all.

**DR FOSKEY:** I see; so it was necessarily Treasury.

**Mr Quinlan:** Besides, I used to work there!

**DR FOSKEY:** I refer to page 26, the affordable housing interdepartmental committee, which was part of the government's response to the affordable housing taskforce. I am interested in how decisions were made as to which measures would be implemented and which would not, and if Treasury still has a role in deciding those priorities.

**Mr Quinlan:** Treasury didn't have a role; Treasury had representation on a committee, which reported to the housing minister. We will duck that one, too!

**DR FOSKEY:** But Treasury had carriage of stamp duty and land tax reforms.

**Mr Quinlan:** Yes.

**DR FOSKEY:** So it took action in the areas where it had responsibility or made recommendations?

**Mr Quinlan:** Yes, we did. We changed the first home owners system.

**DR FOSKEY:** I am interested in the first dot point on page 34, on circulars and toolkits

that you have issued or were, at the time, being circulated for comment. Is “moral rights” a particular economic term?

**Mr Quinlan:** Yes.

**MS MacDONALD:** “Moral rights” doesn’t appear in an economic dictionary at all, does it?

**DR FOSKEY:** It could be defined in a particular way. I am just looking for that definition.

**THE CHAIR:** Can you enlighten me on where you are reading from?

**DR FOSKEY:** Page 34—the first dot point.

**Mr Robertson:** “Moral rights” is a concept that is well known to architects and comes out of the commonwealth copyright law. Essentially there are requirements there that, if an architect has previously been involved in the design of a building—and it is related to authorship rights as well—

**DR FOSKEY:** It is intellectual property stuff.

**Mr Robertson:** It is very much intellectual property, yes; it is a subset. Because of that—for example, if we were working on a building doing renovations or extensions to a building that had been previously built by an architect—there are a range of constraints on what we can do. There is a requirement to consult with the relevant architect. You don’t actually have to comply with what the architect wants, but you must attribute their work to them. There are quite detailed provisions there. The moral rights circular, which is available on the BASIS website with the rest of the procurement guidelines and circulars, provides guidance to all the territory agencies on how to deal with the issue.

**DR FOSKEY:** Excellent!

**Mr Robertson:** We have also had public forums where we had lawyers and specialists providing advice to industry and ACT government agencies, so that we all had a good understanding of it and didn’t fall foul of where it was.

**DR FOSKEY:** Now I understand why it is there; it was well explained.

**THE CHAIR:** Treasurer, perhaps I could ask you something on cross-border revenues, which I touched on before. There was a report in the *Canberra Times* on 15 March 2005 that the ACT would begin to receive compensation from New South Wales for people who were treated in emergency departments of ACT hospitals. Do you have any idea of the revenue that might be coming from this measure? Are there any issues outstanding on the resolution of this?

**Mr Quinlan:** I will have to take that on notice—either that or leave it to the Minister for Health. I know that some assessments have been made.

**MS MacDONALD:** You touched on the issue of the homebuyer concession scheme, on

page 32. We didn't talk too much about it. Did you want to elaborate on how it is going?

**Mr Dowell:** The home buyers concession scheme, in the budget from 1 July, had an increase in the income threshold from \$50,000 to \$100,000 and the increase also carried through to people with five dependent children or more. The eligible property was increased to \$273,000 to \$375,000. That was updated on 1 January this year to an eligible property between \$282,500 and \$386,000. The number of concessions that have been given to date this year is 1,061, both full and partial. It depends on where you sit in the property value.

**MS MacDONALD:** A significant number of concessions. How does that number compare with the position when it started? When did it start? Was it 18 months ago that it started?

**Mr Quinlan:** A couple of years ago it was nearly nothing.

**Mr Dowell:** Last year it was 39, the financial year before, 2003-04.

**MS MacDONALD:** That answers the question which was in my head and which I did not actually get out. Thank you.

**DR FOSKEY:** On page 35 there is a sentence beneath the group of dot points that says that the branch participated in commonwealth-state-territory negotiations on the US free trade agreement, advising specifically on government procurement aspects relevant to the ACT. What was that advice?

**Mr Robertson:** In the US free trade agreement, as you will appreciate, there were lots of discussions between Australia and the US, but there were also lots of discussions within Australia. There was a working group under the Australian Procurement and Construction Council that had representatives from all the states and territories and the commonwealth. A person from that group who was actually from Western Australia represented the states and territories in the commonwealth's negotiating group that had some meetings in the US and in Australia.

Chapter 15 of the Australia-United States Free Trade Agreement covers government procurement and there was a very wide range of issues there. The topics discussed included the thresholds that would apply to the different jurisdictions. The Australia-United States Free Trade Agreement has two different threshold levels: one that is faced by commonwealth entities, which is effectively \$US50,000; and the states and territories face much higher thresholds, meaning that for transactions which fall above that threshold the tender processes have to be compliant with the US free trade agreement.

There were also lots of discussions on whether small and medium enterprise development arrangements would be covered or excluded from the scheme. Ultimately they were excluded, recognising that lots of Australian businesses are probably only small businesses in the US view of the world anyway, but there were over probably six or eight months quite a few meetings of the group and a wide range of issues were canvassed.

**THE CHAIR:** Have you had any major concerns raised with you to date about the workings of the agreement?

**Mr Robertson:** Not in the ACT. Certainly, it presents much greater challenges for the commonwealth. The territory, as most people in the room would be well aware, has a fairly robust regime which we face. We have the Government Procurement Act, with a whole lot of guidelines and thresholds below that. With a lot of the requirements under the US free trade agreement, we effectively complied from day one because of our regime. A lot of the other states and territories did not have that. The commonwealth agencies effectively had different arrangements in different departments. That has presented them with a range of problems.

Being in Canberra, most people would be aware that the commonwealth Department of Finance and Administration has put out their guidelines. Most of our requirements are well set out. We run prequalification schemes. We have tenders open for quite a reasonable period of time. A lot of those things that have presented difficulties for other agencies we are already doing very well. In terms of our approach to risk management and procurement, about two years ago the ACT's approach was identified as best practice internationally by a leading North American organisation. So, because we were very clean in the way we did things, that stood us in good stead.

**THE CHAIR:** That will benefit a lot of Canberra's businesses, particularly on the defence supply side, that would like to take advantage of this agreement, I would have thought.

**Mr Robertson:** Going back into the US is a bit different. The issues I was talking about were effectively procurement by the ACT government and what that means we need to do. The ACT, along with the other Australian states and territories, and New Zealand, of course, were parties to the Australia-New Zealand government procurement agreement and that really meant at that stage that we had to treat everyone as locals anyway, so we had that degree of openness within Australia and transparency with all of our notification of tenders and things on the BASIS web site and we have not had to do a lot to adjust to the advent of the agreement.

**DR FOSKEY:** In relation to the fifth dot point on page 36, I am interest in ascertaining how you go about promoting environmental sustainability. This was one of your future directions. I want to know, first of all, whether it remained one of your future directions and, secondly, how you promote environmental sustainability through funding elements of innovative ACT government construction projects.

**Mr Robertson:** In the last ACT budget, the government provided \$4 million for a sustainable infrastructure fund. A range of criteria goes with that. To date, some of the moneys in the fund have been applied to support a range of ACT government projects to increase their sustainability. For example—it is still in the relatively early stages—with the rebuilding of Birrigai, there were moneys which the education department had, insurance moneys and other things, that were effectively to replace like with like. So education combined with some of my staff to put up a proposal and there has been agreement that some of the moneys out of that sustainable infrastructure fund will go towards increasing environment elements at Birrigai.

It has not been supported by the fund, but you are probably aware that the school at Amaroo recently won a major national environmental award for energy efficiency in a commercial building. There are lots of architects and engineers on my team and they are helping to put best practice into capital works projects to increase their environmental sustainability. We are also working in the rebuilding of the North Building, for example, on applying some technologies there. With the base funding for those projects, the intent there was to have the functionality of the building to meet the business needs of the organisation. What we are effectively doing here is increasing the sustainability through building management systems, better insulation and greater use of double glazing.

**DR FOSKEY:** The term “sustainability” is used on page 16 and again on pages 84 and 85. Before asking a few questions specifically about pages 84 and 85, what is Treasury’s definition of “sustainability”?

**Mr Quinlan:** I will take that on notice if you want a literal answer.

**MRS DUNNE:** Surely, Treasurer, you can do it off the top of your head.

**THE CHAIR:** I thought that it was a fundamental plank of the government.

**Mr Quinlan:** It is. That is why I do not want to get a word wrong. I would not like it to be a headline of the report.

**DR FOSKEY:** We will probably be able to tease out the answer. On pages 84 and 85 there is reference to triple bottom line sustainability reporting. That probably refers to the supplementary paper that was presented last year with the budget. I am just wondering whether there has been any progress on triple bottom line sustainability reporting.

**Mr Quinlan:** We await feedback.

**DR FOSKEY:** That is a convenient one.

**Mr Quinlan:** No. That paper was included in last year’s budget with the clear message that this is how we were looking at it. Because triple bottom line reporting is so ill-defined in the general public forum, we were looking for and asked for feedback.

**DR FOSKEY:** Is that process still open?

**Mr Quinlan:** Yes, it is.

**DR FOSKEY:** Okay, you shall have some feedback.

**Mr Quinlan:** We have had some discussions of our own and, if we can manage it, we will see if we can take it further. But we certainly did quite clearly and consciously with that whole document. It is not a comprehensive document; it is a sample document.

**DR FOSKEY:** It is a discussion paper.

**Mr Quinlan:** Yes.



**MRS DUNNE:** There was a subsequent discussion paper in the Assembly.

**DR FOSKEY:** I am interested in that.

**MS MacDONALD:** On that point, Treasurer, I agree with your statement that the issue is ill-defined. Would you agree with the assessment that many of the people out there who use the terms “triple bottom line reporting” and “sustainability” may have different views on what they mean?

**Mr Quinlan:** Certainly. I think that is the case. To report under the umbrella of sustainability, social cost and environmental cost, these start to be imprecise terms.

**MS MacDONALD:** That bothers economists, doesn't it?

**DR FOSKEY:** I asked for a definition of “sustainability” because I am aware that different parts of this government have different ideas of what sustainability is. I will wait for that response; it is now a question on notice.

**Mr Quinlan:** Certainly, it is of concern, to take your point, Ms MacDonald, that the term can so readily roll off the tongue and people do not really have a perception. We are all waiting for some crystallisation or some regime to fall into place. We do not know of one that has been universally acclaimed as being the solution to that form of reporting and I am sure that the debate will continue for many years because we are heading from objectivity into subjectivity.

**MS MacDONALD:** References to triple bottom line reporting and sustainability have become a catchcry in the last five to 10 years.

**DR FOSKEY:** Yes, a big one.

**Mr Quinlan:** I will take advice from the back if anybody is more up to date than I am, but I still do not think that there is any particular tome, process, set of measures or whatever that has been embraced as at least the best thing so far.

**DR FOSKEY:** I think that someone was about to say something more about that. Does anyone have any knowledge about the subsequent discussion paper that Mrs Dunne mentioned?

**MRS DUNNE:** I may have been dreaming, but I am pretty sure that I have read one.

**Mr Quinlan:** No, there was another paper. Do we have a copy of it here?

**Ms Smithies:** No, we haven't got a copy. We put out a further paper—from memory, at the beginning of February—that addressed specifically the issue of performance reporting in the budget papers as one of the first steps towards a triple bottom line framework. We were not going to approach the project in terms of trying to quantify triple bottom line in an accounting exercise of having a profit and loss with an accounting profit, an economic profit, a social profit and an environmental profit, but we were actually going to take an approach in relation to indicators and identify a suite of indicators that were relevant or are relevant in terms of the outputs and outcomes that

a government might produce that covered both input and output sorts of concepts but actually covered the range of social indicators, environmental indicators and indicators something more broader than we have in budget papers right now.

I guess it comes back to trying to develop a suite of sensible performance indicators which provide information to the Assembly and to the community about how the government is performing on a number of key fronts. But for us to do that, the first stage is to change the performance reporting that we have in the current budget papers, to try to remove a lot of the pure counting indicators that we have in the current budget papers and move to a suite of more meaningful and, hopefully, fewer indicators so that we can actually concentrate on what is important. That exposure draft or discussion paper was about trying to tease through those ideas of performance reporting in budget papers prior to any move we might make to change the reporting framework for the 2005-06 budget.

**Mr Quinlan:** In the end, we have to at least keep it manageable. There is a whole structure and process that goes into putting the budget together and you cannot just say, "That is a thing we do every year. We will saddle it with everything". There is so much that can attach to the budget itself that may be more meaningful in a qualitative sense as opposed to just the straight quantitative sense. Every estimates committee since I have been in this place has reported that the performance indicators are a load of rubbish. I do not think that we have had many constructive suggestions as to what might replace them, but it is said that they are not good and someone should go away and fix them. That is usually the tone of the recommendation, whether it be from our side or the other side.

**DR FOSKEY:** I would like a copy of that further document. It sounds as though some interesting work is going on, and it is a difficult jurisdiction.

**Mr Quinlan:** We have had budget paper 4, which was yea thick and which had a page for every subsection of an agency, with a whole lot of numerical data. It is only that—data; it is not information.

**THE CHAIR:** I put on the record my agreement with you, Treasurer, about these performance indicators. I have delivered a paper in my capacity as chair of this committee questioning a lot of the stuff that we produce as to whether it is really delivering better outcomes. That is one issue on which I think we might be in agreement.

**Mr Quinlan:** We understand that there is a desire to have some more meaningful indicators and assessments that are more qualitative than necessarily quantitative, but it is a difficult job. Really, it is still a trench-by-trench process.

**THE CHAIR:** I am conscious that I have scheduled a break in about 20 minutes and there are four or five other areas that we would like to cover, so we will try to get through one or two other points before the break. I want to ask you something about the bushfire, Treasurer. In budget paper 3 for 2004-05 your government has estimated the five-year cost of recovering from the January 2003 bushfire disaster to be about \$137 million. From what we can analyse, the national disaster relief arrangement payments are probably only in the order of \$15.2 million. Have there been representations to secure more funding to deal with this situation? If so, what has been the outcome of those representations?

**MS MacDONALD:** The question is about the budget rather than about the annual report.

**THE CHAIR:** No, it is referred to in the annual report on page 27.

**Mr Quinlan:** The process has been ongoing. Ms Smithies has been involved in it.

**Ms Smithies:** In relation to our approach to the commonwealth, we have, I think I can confidently say, taken every approach through the NDRA to recover all that we can. In fact, in relation to some of the things that we have brought up with the commonwealth, they have been surprised at our degree of detail and our tenacity in trying to get recovery for a number of items and they have been surprised at some of the things that we have been claiming, but I think that we have done a good job in terms of claiming all that we can. There will not be any further money coming out from the national disaster recovery trust. There were two or three approaches to the commonwealth government around the time of the bushfire and, from memory, the commonwealth gave some money around ACT tourism and the forest industry, but that was a year and a half ago and there have been no further, and probably will not be any further, advances in relation to the bushfire from the commonwealth.

**THE CHAIR:** Of the \$137 million, \$15.2 million appears to have been recovered. I know that this is a detailed question and you may want to take it on notice, but can you give me a bit of a idea of what those areas would be that you cannot get funding for from the commonwealth?

**Ms Smithies:** From memory, the NDR arrangements do not cover the full cost of the disaster response. There is a sharing arrangement, which means that the state or territory actually has to tip a certain dollar threshold before it qualifies for funding and even then it is never 100 per cent. It moves from 50 per cent to 75 per cent, depending on the type of recovery we are actually asking for. The guidelines are quite constrained. They relate to the replacement of non-insured assets to the same standard and to personal distress, but directly related to the incident and time limited to within about a year or so.

There are lots of things coming out of the bushfire costs which you can see taken into account in those tables and which actually relate to the territory doing a lot of work in the rural environment or in the Namadgi National Park, for example, and none of that is actually recoverable under the NDRA simply because we are not actually repairing or replacing urban infrastructure; we are actually working in a national park to recover the natural environment. So all of that is taken out. From memory, those numbers also include a lot of the government's response to the McLeod report and, because they are not actually about the fighting of the initial fire or the initial response but are about an increase in preparedness or future mitigation, they are also not recoverable through the NDRA and essentially they fall on the territory to fund.

**THE CHAIR:** Dr Grimes, it looks like you are indicating that you wish to add to that.

**Dr Grimes:** I haven't a great deal to add because I am not very familiar with the situation in the ACT. I do know that the commonwealth government is in the process at the moment of reviewing the guidelines. The reason that I know that is that I know that there were discussions in South Australia shortly before I left around the form of

assistance that would be provided for the Eyre Peninsula bushfires. I think that there was recognition that the guidelines needed to be updated and made more contemporary, but I could not add more for the committee beyond that.

**DR FOSKEY:** I have a further question on page 85. Will the water abstraction charge change this year after the departments have put in their expected costs for managing water for this financial year?

**Mr Quinlan:** It is not scheduled to, I don't think.

**Ms Smithies:** It has a budgeted step up, I think.

**Mr Quinlan:** Is there still another one?

**Ms Smithies:** I think there is one more to go. There is another step up.

**DR FOSKEY:** So it will.

**MRS DUNNE:** It was foreshadowed by the regulator last year or the year before.

**DR FOSKEY:** By the ICRC?

**MRS DUNNE:** Yes.

**DR FOSKEY:** So it is a foreshadowed change.

**MS MacDONALD:** Does that need to be said louder? I don't know whether Hansard would have got that clearly.

**Mr Quinlan:** As best I recall, there is a multistep process of ramping up the abstraction charge and I am advised that there is another step to take place at the beginning of the next financial year.

**MRS DUNNE:** Yes, of 22c or something like that.

**DR FOSKEY:** My final question is on the large water users roundtable, which apparently identified ways to assist large water users to move to sustainable water use practices and reduce their dependence on Actew water mains. Is there some more detail around the ways that were identified and implemented?

**MRS DUNNE:** I think it is for CMD to answer.

**Mr Quinlan:** Yes, it is. This is something that I started with those large users and it was really about talking to them about how they manage it. It was as much about understanding what we were doing with water restrictions as it was about the measures that would be taken during restrictions, but I do not have details with me as to who did what and the guy that grows turf, the golf clubs or the various large users that we invited in and came in. There was some positive feedback on it but, sorry, I have not got it.

**DR FOSKEY:** Okay. Thank you very much for your responses to my questions. I look

forward to receiving the definition of “sustainability” and the latest discussion paper on sustainability reporting.

**THE CHAIR:** We will take a break now. Ms MacDonald, Mrs Dunne and Dr Foskey have finished their questions on Treasury. I think that anything further should be put on the notice paper. Thank you, Treasurer and Dr Grimes. After the break we will deal with the procurement board, the insurance authority, the AIHS and Totalcare.

**Meeting adjourned from 3.17 to 3.35 pm.**

**THE CHAIR:** We will resume proceedings by looking at the ACT Government Procurement Board. Is there anything you wish to raise on that, Treasurer, before taking questions from the committee?

**Mr Quinlan:** No.

**THE CHAIR:** I have a couple of questions. Following a performance audit in September 2004 it was recommended that the ACT Government Procurement Board should develop and issue guidelines on the use of panel contract arrangements and processes necessary to ensure compliance with the Government Procurement Act. Has that happened?

**Mr Gaskill:** Yes, the panel contracts circular was prepared and put out for consultation as part of our normal processes and is now listed on the BASIS web site; so it is available on the web site.

**THE CHAIR:** The other recommendation that followed it was that ACT Procurement Solutions should consider, in consultation with the ACT Government Procurement Board, redesigning the database supporting the government contracts register to ensure that the public text of contracts continues to be made available to the public for, say, three years after they have ceased to be current.

**Mr Gaskill:** That process is still under way. It is quite a difficult task and it is being done in conjunction with some major changes within that BASIS web site. Mr Robertson can provide more details.

**Mr Quinlan:** And some legislation.

**Mr Gaskill:** Yes, and some legislation around that.

**THE CHAIR:** What is the time line for this process?

**Mr Robertson:** We have work under way. As you may recall, the economic white paper had a commitment about e-tendering as part of the work that we are doing on a range of online procurement systems, including the BASIS web site, the prequalification database and the central contracts register. We are working on a lot of those at the same time. With some of the other arrangements for the US free trade agreement and things, the circulars and responding to some other government priorities, that has not been completed yet but I am expecting that within two or three months it will be up and running.

We are also looking at increasing the usefulness of the contracts register to agencies because at the moment individual agencies might actually run a number of different systems. We administer the central contracts register, which has all the contracts above \$50,000 on it. Some of the agencies are starting to use that with add-on modules to keep track of their own contracts internally. In conjunction with the board, we are also looking at changing the functionality of that register so that we can actually use it to meet the requirements for annual reports under the annual report directions and make it a lot easier for agencies to produce consistent and accurate reports about contracts.

**DR FOSKEY:** Page 7 of the report indicates that a future priority and a key theme will be sustainability in procurement decision making. I would appreciate it if you could outline your thinking and your directions in this regard.

**Mr Gaskill:** The board operates on a number of principles which are embedded in the principles guideline and one of those is sustainability. We have been working very closely with the sustainability division in the Chief Minister's Department in terms of developing that. We do have a circular in relation to sustainability, which is on the web site. We have been trying to develop with the sustainability division a range of help documents. I must say that it has taken a fair while because there is a tendency to want to put everything in, which makes the process much more difficult in terms of actually procuring things. We are dealing with sustainability on a means to make them principle-based rather than very detailed and we expect sustainability to put out the detailed information to people on how to deal with paper and those sorts of things.

**DR FOSKEY:** Page 6 of the report indicates that the board assisted in the strategic procurement planning of major projects, such as the ACT prison project and the convention centre. Could you please provide more detail on this process and, in particular, let me know how sustainability, despite its definition, was given attention, such as energy efficiency and water conservation measures?

**Mr Gaskill:** You need to recognise that the board looks at procurement at the front end. We look at plans that are prepared by agencies and then they go off and do the work. In a number of areas, we have been encouraging departments to produce what we call strategic procurement plans. A good example is roads. Rather than coming to us each time with a proposal for a particular road—it is the same documentation, the same provision, the same controls are there—we are encouraging them to provide an annual program with those controls put in.

In relation to the prison, when they first came to us they had a single proposal to set up a consultancy. We suggested that it would be useful for them to put to us a strategic plan of procurement, including the government's framework for how they will develop that program over time and the subcommittees that would input to it in terms of health, welfare, sustainability and those sorts of things. The board actually approved the framework against which that procurement continues over time. The protection we have is that if they differ significantly from that governance arrangement in that program they come back and sell the board again. With the prison we have had at this stage, I think, about three updates from the prison control group. We are encouraging strategic procurement rather than a lot of paper that is actually more risk and, in fact, just regurgitates stuff that people have approved before.

**MRS DUNNE:** Mr Gaskill, you said that the procurement board is mainly concerned with the front end.

**Mr Gaskill:** Yes.

**MRS DUNNE:** Do you at any stage come back and review a procurement process to see whether it actually meets the government's ends and your ends?

**Mr Gaskill:** Yes, we have that on our agenda, but we have been encouraging departments to include it in their internal audit reports so that we can get a list of internal audits that show some broader activities across government. We do monitor when the projects are put out for tender that they are consistent with what we have asked for or what they have prepared in the tender briefings and things like that. For significant ones, we do get reports or where there is a problem or where there are some issues going. We will provide advice to departments if they want it, but our key game is procurement planning.

**MRS DUNNE:** What is "significant" in your book?

**Mr Gaskill:** The board only looks at proposals over \$1 million or where there is an extreme risk. Something at \$1 million can be quite significant. It might have a whole range of political risks, human risks and management risks. Some major project of \$10 million might be quite an easy project or something like that. We take great pride in trying to ensure that we look at the ones that are likely to be the biggest risk.

**MS MacDONALD:** My question relates to the strategy that you have set up in relation to conflicts of interest on the board. It looks like a good strategy to deal with any potential conflicts of interest. I know that Canberra is a small place. You get the same people appearing on a regular basis. My question is: how often do conflicts of interest occur? Are they a regular occurrence?

**Mr Gaskill:** There are two areas. We have a full board meeting, which is all members. There is a process there. We also look at proposals separately to make sure we speed them through. The first thing, when we have got a proposal, is to go to all members and say, "Do you want to come to the subcommittee to assess this proposal? Do you have a conflict of interest?" If they say they do, they get no papers and they don't have to come. Canberra is a small place. Personally, I have had to step aside on a number of occasions because part of my other job has been proposing some particular thing. For example, the hotel school. Because of my experience there, I had to step aside with those sorts of contracts.

**MS MacDONALD:** How long has the strategy been in place?

**Mr Gaskill:** Basically from the start, although we refined it last year in terms of documenting it more clearly and putting it together.

**THE CHAIR:** On page 61 of the annual report, table 19, there are a number of single select tenders, rising from 91 in 2002-03 to 221 in 2003-04. That seems to be quite a dramatic increase. Is there a reason for that?

**Mr Gaskill:** I don't think so. We haven't seen any particular trends in the sorts of single select tenders.

**THE CHAIR:** There is certainly a dramatic increase, not a trend.

**Mr Gaskill:** I don't see it as that yet. To understand the process: a chief executive has to agree on a single select tender. That then comes to the board for approval or not.

**MRS DUNNE:** You have to approve all of those, do you?

**Mr Gaskill:** Yes. The board would endorse that proposal or not.

**MRS DUNNE:** There is a statement somewhere in the procurement guidelines along the line that there may be a statement why. Do you see that?

**Mr Gaskill:** I haven't noticed. The board has only been operating for four years. It is reasonably difficult to get a long-term trend. If the committee is interested, I will certainly have a look at that for next year's annual report.

**MRS DUNNE:** I would be interested to see that because it is a big increase. You think the criteria set out in the procurement guidelines have been met in all of the 221 single select tenders?

**Mr Gaskill:** Yes. I confirm that.

**MRS DUNNE:** What would be the general reason for someone—

**Mr Gaskill:** It is usually timing in terms of requiring something to be speeded up and difficulties. We also include select tenders as well as part of that process. Single select is one. Select tenders would reduce the field. We look at those. There could be a limited market that they have identified in terms of people doing it. It is a judgment the chief executive makes, and, we believe, rightly so.

**Mr Quinlan:** I think it is worthy of note that, if you look at the next line, you see the same order of magnitude drop in extensions of existing contracts or variations to existing contracts, which may show the paperwork has been a bit more formal this time around and extended on previous contracts.

**MRS DUNNE:** Could one of the reasons that you would get a single select tender be that you have already had a procurement relationship with a company?

**Mr Gaskill:** What has happened is that we have actually tightened up on a range of those. The board will approve extensions as part of the procurement plan. There was a tendency early in the piece for people to come back and say, "We're a bit late. We'll just extend it for another three years." We have started to reduce those. Rather than put in an extension, we suggest it is a single select for a short period of time and things like that.

**THE CHAIR:** You would have a copy of all the statements where there are exemptions



made?

**Mr Gaskill:** Yes, the board sights the documents signed by the chief executive.

**MRS DUNNE:** Are they on the BASIS website?

**Mr Gaskill:** No. They are on our files.

**THE CHAIR:** Would they be available for scrutiny or would they be provided under freedom of information legislation?

**Mr Gaskill:** We would have to look at that. I think they are administrative documents in terms of judgments. John just reminded me that, in some of the single select, there might have been more an awareness that that is a legitimate way to do things as well, particularly in some areas like human resource areas where there is sometimes a need to solve the problem very quickly.

**THE CHAIR:** Is there a threshold figure where you would typically not be comfortable with a single select tender?

**Mr Gaskill:** No. We would look at each on a basis of—

**THE CHAIR:** In a tender worth \$2 million or \$3 million, there could still be a single select tender?

**Mr Gaskill:** Yes.

**THE CHAIR:** Do you think that is good practice? Does the territory get the best deal when you operate on that basis?

**Mr Gaskill:** We are usually tested by that. It is value for money in terms of the certificate the chief executive has to sign. You have to go through quite a rigorous process in ensuring that it is value for money and meets the general criteria.

**THE CHAIR:** It is not a rubber stamp, by any stretch?

**Mr Gaskill:** It certainly is not. I should say that most chief executives are reasonably loath to use it. They would usually ring the board first and say, “We’re thinking of putting in a single select tender.” In many cases, a number of chief executives have agreed in principle, subject to the board endorsing, before they sign off. I think the system is reasonably well understood and fairly tight.

**MRS DUNNE:** Do all territory entities have an approved procurement unit?

**Mr Gaskill:** No, they don’t.

**MRS DUNNE:** I notice on page 59 a list of APU workloads. That doesn’t cover all the entities. I was wondering, as a result, whether that is an exhaustive list of all the APUs.

**Mr Gaskill:** These are all the APUs. We will approve the use by other agencies of

a particular APU. Some of the departments, for instance, Justice and Community Safety, have found that they don't have enough work to warrant doing that—it usually takes four or five people out of the system to look at proposals—or enough expertise. We approve each of the procurement units based on people's expertise. Many of them will use John's APU, Procurement Solutions. That is the sort of default one that we tend to encourage.

**MRS DUNNE:** Smaller agencies would use Procurement Solutions?

**Mr Gaskill:** Yes, they would use Procurement Solutions as their APU.

**MRS DUNNE:** Mr Robertson, could you provide us with a list of the agencies that use Procurement Solutions rather than have their own APU?

**Mr Robertson:** We do have some cases where agencies do have their own APUs and also use ours. For example, the expertise in relation to construction is much greater in my organisation than in some of the others. The hospital, for example, refers its construction projects to our APU. Health has its own APU that operates on the general goods and services side. We could provide that.

**MRS DUNNE:** If you could provide that distinction fairly easily.

**Mr Gaskill:** The other issue is that some of the APUs aren't accredited up to the million dollars. We have three levels of APUs. Some of the smaller groups might only have up to \$250,000 to approve; then they have to go to a higher level APU.

**MRS DUNNE:** Could I ask: as a general rule of thumb, if there is not an agency here, they go to Procurement Solutions for their advice?

**Mr Gaskill:** Generally, I think. I can't recall any others. There might be some offshoots of particular departments that use the department. We would encourage Procurement Solutions as the most balanced APU.

**MRS DUNNE:** If we have a procurement by a single select tender, does the tender contract go on the BASIS website?

**Mr Robertson:** If the contract is above \$50,000, it should be on the central contracts register.

**MRS DUNNE:** I was looking for one the other day and I couldn't find it. It was a \$3 million project for the Emergency Services Authority. How would I find it?

**Mr Robertson:** Assuming that you had the right name or the right parties, you should be able to find it on the BASIS website.

**MRS DUNNE:** If I can't find it again, can I give you a ring, minister?

**Mr Quinlan:** Yes.

**THE CHAIR:** Dr Foskey, do you have any more questions on the procurement board?

**DR FOSKEY:** Yes. On page 5:

The board identified the need to move to a planned, longer-term relationship with NGOs for the provision of community services in 2002 ...

I am just wondering whether you could indicate to me how you believe this process is going, because I do believe it is an ongoing one.

**Mr Gaskill:** Dealing with NGOs: the history of NGOs shows a whole range of activities through various companies and community organisations. It was quite a difficult arrangement for the community organisations in that it tended to be very short term—it would be one-year contracts, with a review—and was quite onerous often in regard to the reporting regimes that the NGOs were asked to provide.

We worked with Chief Minister's and the departments concerned to develop a broader arrangement to that. We didn't call them procurement plans; we called them funding plans. We have an agreed regime on how they're developed. In the majority of cases, we would expect those arrangements are for three years, unless they felt there was a performance issue and they would be shorter but with a performance review of those agencies.

We were also very keen, over time, to look at how you provide many of those agencies with not a plethora of contracts in different parts of the government, all with reporting requirements, but to try to consolidate them so that, if one particular agency had four or five contracts with the government, they didn't have to have different scales of reporting and things like that. That's going to be an ongoing role to try to pull those together.

**DR FOSKEY:** Do you still have meetings with NGO representatives?

**Mr Gaskill:** We don't but, when the three years are up, we will probably make arrangements with the departments in terms of where they actually want to go and how they might want to change it or what the expense is.

**DR FOSKEY:** Is anybody actually overseeing this process or has it been devolved?

**Mr Gaskill:** It has been devolved basically to the various departments that do it. Again, they would wrap them up in terms of their department. There is a whole-of-government working group through CMD that keeps an eye on it.

**MRS DUNNE:** On page 56 of the annual report, it talks about the policy of noting proposals that are not fully compliant with procurement guidelines. It says that there were three, amounting to \$6½ million. What do you do, apart from note them?

**Mr Gaskill:** It depends on what the issue was. I can't recall the exact three, but over the four years or so there have been a number where people just fail to—it is a new area of the department—abide by getting approval from the procurement board. They probably advertised before we had approved it. If that happens, we will just note the proposal. If it is a very serious breach, we will advise the chief executive. Part of our long-term process is that we would name them eventually in the report, if that happens.'

We have taken a pretty easy approach to this over time because the new procurement stuff is reasonably complicated, particularly for areas that don't have a range of expertise in purchasing and do one-off major projects and things like that. I encourage all chief executives, if something like that happens, to tell us quickly and the board will still review the proposal; it won't endorse it because it has already started, but it will provide advice in terms of: had it come at the right time it would have met the requirements.

**MRS DUNNE:** Could you provide the committee with some information about the circumstances of those three that were noted? I take your point that you don't particularly want to name them at this stage—and I am relaxed about that at this stage—but could you provide the committee with some information about those breaches?

**Mr Gaskill:** Yes, we will.

**THE CHAIR:** We will conclude this aspect of the procurement board and move on to the ACT Insurance Authority. You have nothing to say as an opening remark, Treasurer?

**Mr Quinlan:** No.

**THE CHAIR:** I have a couple of questions. In terms of page 14, additional claims notified by the department of health, there is a substantial increase. Can you give us some information as to the reason for these additional claims and why they appear to have been overlooked? Are there any other sleepers, any other claims of that magnitude, looming?

**Mr Matthews:** Before we go any further, I have problems hearing. If you could speak up or speak into the microphone, it would assist me greatly.

**THE CHAIR:** I am referring to page 14 of your report, the health department claims. Could you give some explanation for the additional claims? Are there others that might be looming and the reason why they were missed?

**Mr Matthews:** If we take that in two parts. Firstly, the health claims: on about 25 June last year, we were advised of another 165 claims. Our claims to date for that year had been 103. You can see it was a significant increase. The 103 ought to be in line, tracking with our gradual development over a number of years. We suddenly got something like another 18 months of claim notifications in the last couple of days of the year. Those claims didn't actually relate just to that one year; they went back over two or three years, which posed some more problems.

As far as anything else looming is concerned: from the health side, their reporting procedures have improved greatly. We spent a fair bit of time with them. They have worked on it pretty hard themselves. That is pretty much under control.

What we have at the moment is something like 70 claims that have come out of disability. We have had a running argument, if I could put it that way, with disability over many months as regards notifying us of sufficient detail to record these claims. They said that they were unable to provide the details because of the provisions of the privacy act and the medical records act. We sought legal opinion as to whether that was correct or not. The opinion came down in our favour, both from GSO and externally.

Disability still wouldn't accept that. We got senior counsel's opinion on it, which supported us.

At this point of time, we have those 70 notifications and we are just sitting down trying to put numbers beside them. It appears not as big an issue as the 165 medical claims we had last year, but we do have another 70 that we have to try to put some numbers against.

**THE CHAIR:** Could you help us understand why there was this big backlog suddenly dumped on you five days before the end of the financial year?

**Mr Matthews:** There seems to be some misunderstanding, some reluctance, to advise us not so much on the claims themselves but on incidents which are likely to develop into claims. That is the critical thing to us. As an example, we had one bad birth claim that we weren't advised about. When we asked the question we were told, "We considered that we had done everything right in that circumstance." That may well be the case. The critical issue was to advise us of it so that we could record the claim and advise our re-insurers and then, if this becomes a full-blown claim, if it goes to court, the judge is the person who will decide who did what right and wrong. It is to get that thinking through, the necessity to report an incident which is a significant one and which is likely to lead to a claim.

**THE CHAIR:** That was the claim that was some millions of dollars, wasn't it?

**Mr Matthews:** It is a claim that, if it comes to fruition, it could be up to \$10 million.

**THE CHAIR:** Is there another one, or any others that you are aware of, of that magnitude or likely to be of that magnitude?

**Mr Matthews:** There have been a number. We think we have got them all flushed out now, the significant ones.

**THE CHAIR:** You have had the notification?

**Mr Matthews:** Yes. Some of them we have had to decline. Medical malpractice is the main policy. You have to notify within the year the incident first comes to your attention. If you pass into the next policy period you cannot declare it at that point in time. That is why this reporting is very, very critical.

**THE CHAIR:** By the failure of the agency to give you adequate notification, they have actually put the territory at risk in terms of insurance claims in relation to those health claims. That is what I think I am hearing from what you are saying.

**Mr Matthews:** Yes.

**THE CHAIR:** What remedial action, Treasurer, is being taken in relation to the administration if they are making those sorts of errors? Is anyone moving to ensure that the exposure to the territory's finances is addressed?

**Mr Quinlan:** I think you can see by the numbers that that is what has happened. This is the result of smartening up.

**THE CHAIR:** Does the responsibility rest anywhere?

**Mr Quinlan:** For any incident, the responsibility rests with the person that is aware of the incident. There is probably an educative process that needs to be repeated from time to time to remind people that they ought register. We have been involved in that.

**Mr Matthews:** We would see it as part of our responsibility to educate the people as much as we can and make sure that that knowledge goes down to the operational units, which is where the problem often occurs.

**THE CHAIR:** Apart from educating, when you have got these claims for millions and if you are not notified in the first year you are potentially denied, do you have an audit process that is now tracking to ensure compliance, or is it just a matter of hoping people will get the message?

**Mr Matthews:** It is not a matter of hoping. I think it is a much more serious issue than that. When we decline a claim, we decline that claim to the chief executive of the department. That is a formal declinature. That matter is discussed. We approach it from the other end as well. We go back to the unit where that non-notification took place and talk to those people as well. We attempt to work at both levels within the department.

**THE CHAIR:** I have other questions but I don't want to monopolise this. Dr Foskey, do you have questions of the insurance authority?

**DR FOSKEY:** On page vi, there is a note that the appointment of two external members of the board had expired and it was decided not to renew those appointments while the review was being conducted. Have you now appointed two external members?

**Mr Matthews:** I am sorry, I didn't pick up on all of that.

**THE CHAIR:** The question related to the expiration of appointment of two external members of the board. Dr Foskey asked whether, now that the review has been completed, the jobs are going to be filled.

**Mr Matthews:** The structure of the authority has been completely reviewed and the board structure will change considerably. At this point in time we have a governing board with, in theory, six members. That will change to an advisory board of two members.

**Mr Quinlan:** Effectively, we have had an insurance authority but it is effectively a single, captive insurer. The board themselves have expressed concern that they are advisers and not the operators of an insurance authority. If they were the absolute authority over the authority, then there is likely to be a degree of conservatism introduced that wouldn't parallel the normal risk profile that we would be prepared to carry and fund by reserves.

We are moving to change that from an authority to, effectively, a business unit with an advisory board. We still want the external advice and expertise. It doesn't seem to be productive to saddle that board with the responsibility when, at the end of the day, the

decisions still come back and still end up on my desk anyway.

**THE CHAIR:** What is the time line for that?

**Mr Quinlan:** It is happening now.

**Mr Matthews:** The legislation is into the Assembly. We are hoping to perhaps have the new structure in place in May.

**THE CHAIR:** While you are on page vi, following Dr Foskey's question, it says, at the second bullet point:

significant developments in large claims ...

Is that related to the same matter we were just discussing or is that some other aspect to do with these actuarial revisions?

**Mr Matthews:** We feel that most of this increase in the number of claims is better reporting practices rather than an increase in the number of actual occurrences that are out there. Whilst our claim numbers have grown drastically over the last couple of years, it is not that the underlying claims have changed; it is just that we have become aware of more claims. It is better reporting.

**THE CHAIR:** Is this related back to the problem with the medical claims that you spoke about or is this a separate issue?

**Mr Matthews:** It is a separate issue to some extent, but it is a reflection of the same basic issue as reporting.

**THE CHAIR:** It says:

significant developments in large claims, which resulted in the actuaries revising the claim estimation methodology ...

It doesn't sound like it is just a matter of all those claims that weren't put through.

**Mr Matthews:** Dealing with the larger claims: a good example of that would be that in the last year we had two bad-birth claims which have been about the \$10 million mark. Previously the largest payment on something like that was \$5 million. We have seen something double through the way the courts assess it now. Because those couple of claims have gone out by that amount, every other similar claim that we have on our records has to be reviewed and moved up to where we see the liability is likely to be.

**THE CHAIR:** A last question on that area: in relation to those birth claims, as part of the process of completing the claim, would the specialists involved in those procedures have been consulted before settlement was reached?

**Mr Matthews:** Yes. One of the processes that we have in place, although we are ultimately responsible for the financial payment, is that the department as well as the insurance authority has to sign off on the procedures we go through. That means the

department—whether it be staff, whether it be employed medical officers or whether it be VMOs—everybody, is involved in that process and everybody should, in theory, be consulted and agree to whatever action is eventually taken.

**THE CHAIR:** You can assure this committee that in each of those cases the specialists themselves had the opportunity to be involved in that process?

**Mr Matthews:** Up to a point. I have to say that the last large claim we had—it is in the public arena—was the Galea case. The process was agreed. It ended up in court. At the end of the day we had a chance to make an offer. I agreed to that offer, without further consultation back to the department.

**THE CHAIR:** You settled a \$10 million claim without reference to the department?

**Mr Matthews:** Yes. The department was aware of the progress on that claim, but on that final offer, which I think was an increment of something like half a million, in an attempt to get that out of the court and get agreed, I made that decision, yes.

**THE CHAIR:** On the advice of your lawyers?

**Mr Matthews:** On the advice of our senior counsel. I went with the Government Solicitor's Office people to the court, spoke with senior counsel, and we worked over a couple of days to try to come up with a settlement figure.

**THE CHAIR:** No input from the department or the specialist?

**Mr Matthews:** Not on that particular part of it, no.

**Mr Quinlan:** I think Mr Matthews said the last notification was \$9½ million. That was generally agreed. Then he settled on an extra half a million, to \$10 million.

**THE CHAIR:** Ms MacDonald, do you have any questions?

**MS MacDONALD:** No, I won't ask any questions of the insurance authority.

**DR FOSKEY:** I have a couple. You have talked a little bit already about the loss of \$20 million. I am just wondering whether the ACT government's capital injection of \$10 million in 2004-05 has rectified that situation or does the authority, or whatever it is about to become, still have a loss? Is there a plan to rectify that situation?

**Mr Quinlan:** That process—

**Mr Matthews:** If we could take that in a couple of steps: first, the \$10 million—

**THE CHAIR:** Treasurer, did you want to take that or did you want Mr Matthews to answer that?

**Mr Quinlan:** I was just going to say that that process does become part of our budget deliberations. We are not talking about, necessarily, profits and losses; we are talking about how much has been provided against future claims. There is expert actuarial



assistance in audit to assess the adequacy. It is all based on probabilities and all that dark art of the actuary.

At the end of the day we, then, have to accept that advice and make our judgment as to the level of risk. You can virtually zero the risk by having a huge reserve or you can have a balance between the size of the reserve and the degree of risk that the government will carry. We tend to be reasonably conservative. That will be a budgeted figure. The provision each year will be a budgeted figure.

**DR FOSKEY:** There has been a recent rise in premiums. Was this rise to compensate for the loss? By what percentage have premiums risen, on average?

**Mr Quinlan:** It is more the quantum of claims, which then has to be reflected in all the other pending notifications and claims. Some of them never materialise, of course.

**THE CHAIR:** Just a couple of questions on this area: the first is the return on investments, note f) on page 48. On page 42 there is reference to the weighted average fixed interest rate on long-term investments being 2.62 per cent. Do you have any comment on how the performance is against generally what is on offer in the market, the trends in the marketplace and the rate of return on investments?

**Mr Broughton:** Perhaps I could take that. All of the insurance authority's reserves are invested through the central financing unit of Treasury in their medium-term, fixed interest fund. In the year 2003-04 that we are talking about, because of rising interest rates at that point in time, the fixed interest fund performed below our expectations. As a result, the return on our investments wasn't as good as we would have liked.

**THE CHAIR:** Is it because the areas in which it would have been invested have not been as strong a performer relative to the market?

**Mr Broughton:** That is correct. Fixed interest is a relatively conservative asset class. We have deliberately steered away from shares and the like at the moment. Fixed interest, whilst being relatively conservative, can still be more volatile than cash. Had all the money been on cash during that period we probably would have got somewhere around 4½ to 5 per cent. Fixed interest, over the longer term, will deliver you a better result than cash. Looking at it from a short-term perspective, you can have some years below cash and some above cash.

**THE CHAIR:** There is no thought about balancing that as part of your investment strategies?

**Mr Broughton:** Yes, there is a thought about reviewing—and we would, on an ongoing basis, review our investment arrangements anyway—but, at the moment, we have taken a very conservative position.

**THE CHAIR:** Treasurer, on the action against Coroner Doogan, the Chief Minister said in February this year that all the legal costs that have been incurred by the GSO are covered by insurance. Are all the legal costs specifically associated with the appeal against the coroner covered by insurance policies through the insurance authority? Is this where it is all covered ultimately?

**Mr Broughton:** I can answer that. Under our public liability policy, all of our legal costs are covered, subject to consultation with the insurer. Obviously the insurer reserves the right to make a business decision at any point in time if it thinks that pursuing a claim in a legal sense is not going to pay off.

**THE CHAIR:** To this point, they are comfortable with all these legal costs ultimately being borne by the insurer?

**Mr Broughton:** That is correct.

**THE CHAIR:** The insurance authority is re-insuring and ultimately, I guess, making that decision.

**Mr Broughton:** That is right.

**Mr Matthews:** The re-insurer has appointed their own legal team to oversee the proceedings of the coronial inquiry. They are completely aware of where the proceedings are up to. Where they are not able to do that, GSO updates them on a weekly basis. They know exactly where things are travelling and they know exactly what the costs are to date. That has all been approved.

**THE CHAIR:** Is the cost of this additional legal advice, monitoring, effectively, your legal team, met by the insurance authority, the re-insurer, the client or whom?

**Mr Broughton:** Can I explain that? Under our policy with the re-insurer, the insurance authority will meet the first \$5 million in total of claim—a bit like your motor vehicle excess arrangements—and the re-insurer wears the cost of anything beyond that. The appointment by the re-insurer of its own legal team just to keep an eye on proceedings is at the re-insurer's costs.

**THE CHAIR:** I missed that. The first \$5 million is met by whom?

**Mr Broughton:** The insurance authority.

**THE CHAIR:** That is effectively an excess that you are wearing?

**Mr Broughton:** That is correct.

**Mr Quinlan:** You are self-insured against the whole incident, the fire, up to \$5 million.

**THE CHAIR:** Effectively, the Chief Minister's advice was that the legals were up to \$7.7 million at the end of January. Of that, in fact, only \$2.7 million is being met by the external insurer, and \$5 million is coming out of the authority. Is that right?

**Mr Broughton:** This will be \$5 million which will cover not just the legal costs but any future claims that might arise and findings against us.

**THE CHAIR:** That is the limit.

**Mr Broughton:** The limit that we will have to pay out on all of those claims, and the legal cost, is \$5 million.

**THE CHAIR:** If everything finished tomorrow, to make it simple, you would have a \$5 million cost you would have to wear; the insurance company would wear \$2.7 million.

**Mr Broughton:** If it stopped tomorrow, that is correct.

**Mr Quinlan:** It is not just the lawyers of course; it is all the public liability.

**THE CHAIR:** I know. It all becomes a bit academic in that, once you have hit the \$5 million figure, that is where your problems, in a sense, end.

**Mr Broughton:** That is correct.

**THE CHAIR:** If the legal bills are \$12 million, \$15 million, that will be worn by the re-insurer.

**Mr Quinlan:** Plus following claims and everything else.

**THE CHAIR:** I assume that would be taken into account in future premiums that you have to pay for your re-insurance.

**Mr Broughton:** Yes.

**THE CHAIR:** That is all I have on the insurance authority.

In relation to the Australian International Hotel School, there is a remote possibility that I am in a position of conflict because I am an adjunct professor at another university dealing with tourism. Whilst it is fairly tenuous, I would rather not take any chances in that regard. I am going to vacate the chair and hand over to Dr Foskey. I will rejoin the committee once you have cleared the AIHS. I will also not be part of the committee's deliberations on that area, just to be sure.

**THE ACTING CHAIR (Dr Foskey):** Ms MacDonald, do you have any questions?

**MS MacDONALD:** Not on the International Hotel School.

**THE ACTING CHAIR:** Thank you, gentlemen, for coming along today. Ms MacDonald has indicated that she has no questions. Consequently, I am going to ask you some questions. Some of my questions will reveal my own lack of knowledge of earlier processes. Forgive me if the answers seem obvious to you. I assure you I wouldn't be asking the questions if the answers seemed obvious to me.

**MS MacDONALD:** Can I point out the time and mention that we do have a private meeting scheduled to start at 5 o'clock. I don't want to limit your questions. I just put on the record that we do still have one more report after this. We also have tourism, the Stadiums Authority and ACTTAB.

**THE ACTING CHAIR:** As you are here, gentlemen, I do feel I should ask you a question or two. I will do so very quickly. The annual report notes that the ACT government decided to cease funding the school in 2006-07. I am interested in the processes taken in making this decision. What are the future prospects for the school?

**Mr Quinlan:** After coming to government, during the previous Assembly, I commissioned several commissions of audit into some of the business enterprises that the previous government had set up and that were, let us say, underperforming. The hotel school was one of them. After consideration, we determined that we would not continue to subsidise the hotel school beyond 2006-07. That is an arrangement that we discussed with the board. We worked closely with the hotel school board in that time.

There have been considerable changes, Professor Walsh being part of that change. I think Professor Walsh can happily report that the school will not need government funding by that point in time.

We are now in the process of determining the future of the school. The school exists and operates out of the Hotel Kurrajong. The government has acquired that premise—at a pretty good price, let me tell you. There has been, let me say, a fair amount of interest in the property. We have had plenty of carpetbaggers lining up, up the hill, because it is a very highly desirably property, although it is heritage listed.

**THE ACTING CHAIR:** When you say “interest in the property”, do you mean to manage the property?

**Mr Quinlan:** No, interested in exploiting the property. Here we have a property, which is a matter of yards from the Parliamentary Triangle, in Barton—a hotel with some considerable historical value. It covers quite a footprint back from the street. It operates as a hotel; it operates as an operating restaurant; it also operates as the hotel school. Professor Walsh has turned the operations of the school around, and the government is now going through the process of negotiating the future of the school. We are virtually down to negotiating with one party now, which will, in all probability, ensure the continuation of the hotel school in its current location without government subsidy.

**THE ACTING CHAIR:** It sounds like an excellent outcome.

**Mr Quinlan:** We do that sort of thing.

**THE ACTING CHAIR:** Professor Walsh, did you want to add anything to that?

**Prof. Walsh:** No. That is an accurate assessment of the situation.

**THE ACTING CHAIR:** Mr de Mamiel?

**Mr de Mamiel:** No.

**THE ACTING CHAIR:** I will have to ask the really controversial question. Could you please advise why the Hotel Kurrajong was selected to participate in the cleaner production demonstration project and then did not have a number of identified energy-related initiatives implemented due to lack of funds?

**Mr Quinlan:** The answer is lack of funds. It is a very old building. In fact, in the longer term, we would anticipate that there would have to be a considerable amount of refurbishment in that building. Whether that goes to the building itself and the facilities therein, and even the internal design, it is no longer adequate to its purpose. All of that is to be worked through in the future.

The government now has a tremendous asset and a property. It also looks like being able to maintain this extra additional diversity in the spectrum of education that we provide. We will be able to continue to attract fee-paying overseas students, which is the major component of the cohort of studies there.

**THE ACTING CHAIR:** And quite a profitable one, I take it.

**Mr Quinlan:** Not yet, but it will be.

**THE ACTING CHAIR:** I do congratulate the government on acquiring part of the Parliamentary Triangle.

**Mr Quinlan:** Nearly. It is across the road from the Parliamentary Triangle.

**THE ACTING CHAIR:** As there are no other questions, we will conclude. No doubt Mr Mulcahy is burning with the desire to ask further questions. I will hand over to him and we will proceed to the next report.

**THE CHAIR:** Treasurer, is there anything you wish to say before we ask questions on Totalcare?

**Mr Quinlan:** Let me just say that there has been a long, hard row to hoe in relation to addressing the many problems that beset Totalcare when we first assumed control and responsibility.

**THE CHAIR:** In relation to superannuation: I am taking this from the annual financial statements on page 39. I understand there are questions still remaining about the outstanding liability for the superannuation of a number of former employees of Totalcare. Some of the estimates put these as quite substantial amounts. Do you know what that is at the moment and how the liability will be managed?

**Mr Harris:** The issue of superannuation for Totalcare is a complicated one. The specific answer to your question is that the provision in the statements was, at the time the statements were prepared, the best estimate we could make of the liability that Totalcare has.

The reason we cannot be precisely specific is that we need to assess, on a case-by-case basis, every file of every employee of the organisation (a) to determine whether a liability exists and (b) to determine what that liability is. It is not a simple case of saying, "You started at point a, you finished at point b; your starting salary was x, your finish salary was y; therefore, the difference is z." It depends upon a range of factors, including whether or not the employee was entitled to be a member of PSS, what award they worked under, for what time period they worked for the company, at what salary

levels and so forth. It is a very complicated process which involves ComSuper and others, the individual employees, to the extent that we can identify them—some we can't—and a variety of legal advice.

Suffice it to say there is a very cooperative process with all the parties involved to determine the extent of individual entitlements and then to reflect, in subsequent sets of accounts, a more precise number. Our belief at the time we signed the statements was that this was a sufficient provision and that the final cost would not be in excess of this provision. Our firm expectation is that it will be lower. If you asked me to nominate a number, I cannot do so.

**THE CHAIR:** Do you feel you are on track in terms of your forecast?

**Mr Harris:** Yes. We were confident, on the basis of advice provided to us at the time we signed the accounts, that we were signing the accounts in accordance with Corporations Law and in fulfilling our duties as directors of the company.

**DR FOSKEY:** On page 20 of your report, it is stated that Totalcare has an ongoing energy audit program to improve the energy efficiency of client owned buildings. Could you please provide us with an overview of that program, including, for instance, how many buildings per year are covered by the program and any analysis that you can provide?

**Mr Harris:** We did at the time we were operating the company. We no longer are. All of those entities have been transferred to DUS. The programs that you refer to were transferred with them. We are a shell company. We have no operating businesses. We own no property. We consequently have none of those programs.

**THE CHAIR:** Thank you.

Appearances:

Mr Ted Quinlan, Treasurer, Minister for Economic Development and Business, Minister for Tourism, Minister for Sport and Recreation, and Minister for Racing and Gaming

Department of Economic Development—

Mr Shane Gilbert, Chief Executive, Department of Economic Development

Mr Geoff Keogh, Director, BusinessACT

Ms Henny Oldenhove, Acting Director, Sport and Recreation ACT

Mr Tony Curtis, Chief Executive, ACT Gambling and Racing Commission

Mr Phil Collins, Manager, Coordination and Revenue, ACT Gambling and Racing Commission

Mr Danny Harley, Chief Executive Officer, Canberra Stadium

Australian Capital Tourism Corporation—

Mr Ross MacDiarmid, Chief Executive

Mrs Sarah Hitchcock, Corporate and Community Programs Manager

Mr Chris Sanchez, Chief Finance Officer

ACTTAB

Mr Simon Wheeler, Chief Financial Officer

**THE CHAIR:** We will get under way. Conscious of the time, we are going to try to proceed as promptly as we can. I will ask my fellow committee members—and it will apply to me—to keep our questions concise. Hopefully, Treasurer, we can keep reasonably tight answers.

I might start off in relation to the commercialisation fund. Could you provide us with some indication of the progress in relation to this fund and what additional sources of funding have been received in relation to the fund?

**Mr Quinlan:** I think Mr Keogh could bring you up to date on that.

**Mr Keogh:** The commercialisation fund was launched a few weeks ago. The contributors to the fund are the \$10 million repayable grant from the ACT government and \$20 million from the MTAA superannuation fund.

**THE CHAIR:** Are there any other funds or investors looking like being attracted to this?

**Mr Keogh:** There are no other funds attracted at the moment. The deal that was done was there would be a \$30 million commercialisation fund. Of course we are always looking at opportunities to attract other sources of capital into the ACT, and that is one of the things we will be doing over the next 12 months. But this fund was set up as a \$30 million fund.

**THE CHAIR:** And you are confident it will achieve those investment targets?

**Mr Keogh:** I am sure it will. We are currently looking for a fund manager. David Gaul has been appointed as chair of the fund. He will be working with the partners to attract a highly competent CEO who will manage the fund and work with the ANU in the first instance to look for opportunities that can be commercialised.

**THE CHAIR:** In terms of the ANU, they are one of the partners in the fund?

**Mr Keogh:** That is right.

**THE CHAIR:** But it is also going to be developing opportunities to commercialise ANU's research?

**Mr Keogh:** That is right, yes.

**THE CHAIR:** Will they bring an objective approach to it all, do you think, or is there a bit of an issue there?

**Mr Keogh:** The fund will have the first right on intellectual property coming out of the ANU. If the fund does not take up that intellectual property, the owner of the intellectual property will be able to seek funding elsewhere. At the moment the relationship is between the MTAA and the ANU, but the fund is structured in such a way that other organisations can join the fund, for example, CSIRO, if it wanted to, and the University

of Canberra. But the way that would operate will be up to negotiation with each of those parties. At the moment it is just an ANU fund, but it is structured so that other partners can become members of the fund.

**THE CHAIR:** Further questions on economic development? Dr Foskey, will you go first?

**DR FOSKEY:** Not at this point. If someone would like to go before me, I might be able to come up with a question.

**THE CHAIR:** Do you have questions, Ms MacDonald?

**MS MacDONALD:** No.

**THE CHAIR:** None at all?

**DR FOSKEY:** It looks like we are going to let you off lightly.

**THE CHAIR:** We are.

**MS MacDONALD:** Thank you, Mr Keogh and Mr Gilbert.

**THE CHAIR:** Thank you, minister. We will now take Australian Capital Tourism Corporation. Welcome, Mr MacDiarmid. Minister, is there anything you want to say at the commencement of ACT tourism?

**Mr Quinlan:** No. I am conscious of your time.

**THE CHAIR:** That is considerate of you. Dr Foskey, would you like to commence with questions?

**DR FOSKEY:** Yes. On the whole, it seems that Australian Capital Tourism is doing very well. I am just wondering: your events assistance program—and this is at page 20 of the report—assists eligible events with development, marketing and promotions. Do you also assist organisations that are bidding for events to be hosted in Canberra, or do you just assist events to be staged once they have been secured?

**Mr MacDiarmid:** At this stage we only support those events that put an application in for funding for events to be staged in the ACT.

**DR FOSKEY:** I would appreciate your rephrasing that last bit.

**Mr MacDiarmid:** Yes. The events assistance program fund was established to support events that are likely to be staged in the ACT. We do not at this stage support events that might be bidding—

**DR FOSKEY:** You do not support bidding for events?

**Mr MacDiarmid:** No.



**DR FOSKEY:** That was the question.

**Mr MacDiarmid:** That might be something that we may want to consider doing under the new tourism events unit. It is obviously in our collective interests to see us trying to attract events here of a certain size that have the potential to be Kanga Cup equivalents.

**THE CHAIR:** Treasurer, the convention centre's success or development is obviously going to be a critical factor in driving tourism in the ACT. Can you inform the committee of its status? Is that going to happen, or are negotiations still under way?

**Mr Quinlan:** First of all, in a general context, can I say that I think the importance of the convention centre has been overstated. It is important, but it is not critical. I think it represents about 12 per cent of the floor space available for the convention meeting business in the ACT all up.

The status of it is that we have ongoing negotiations with the owner of the convention centre. It is very important in the context of the convention centre to remember that we do not own it. It is owned by the International Hotel Group, the biggest hotel group in the world, I think, and we have had some quite extended negotiations with them. They are big boys. They are no pushovers in terms of negotiations, but we are confident now that fairly soon we will be able to close a deal with them.

We have got past the in-principle stage and we are into the detail stage. But there is a lot to be finalised. We do not want to commit a very large slice of taxpayers' money to something that might be then sold in six months time or become somebody else's property and not even be used for conventions. So we do need some formal assurances in the deal that our investment, the taxpayers' investment, will be used for its intended purpose for a reasonable period of time, effectively until it is written off, which would probably be a fairly extended period.

So there are a number of conditions still to be hammered through. It has been line-by-line negotiations, but I think we are pretty close to a mutually acceptable deal.

**THE CHAIR:** One comment I would make, Treasurer, having had a lot to do with running successful conferences, is that 12 per cent of the floor area it may be, but the real issue with conventions in the ACT, I would respectfully suggest, is that floor space for exhibitions is quite limited in terms of quality conventions, particularly associated with a hotel. That is a major driver, I would suggest, to bringing groups into Canberra, if you have quality exhibition space. Most conferences make their money off exhibitions attached to those conventions.

**Mr Quinlan:** Yes, and we have had a few. I could not tell you off the top of my head how many, if any, have not come here because of inadequate floor space. We have had quite a few substantial exhibitions there. But I have no doubt that if we wanted to buy \$50 million worth of floor space contiguous to what we have got, we could have the occasional large exhibition. Whether it would be economically viable, whether there would be sufficient of them taking up the full space or not is a moot point. It depends on whom you talk to.

There have been some studies done that came up with astronomical figures as to the

value of convention business, and yet we had a study done that valued it with a future value of about \$40 million. That is pretty much where our upper limit of expenditure came from, an ACIL Tasman evaluation, an objective, non-rose coloured glasses evaluation of the prospects of the business, what it would mean, not to businesses within the ACT but to the community of the ACT, what would actually flow through to benefits to the community, and that is about \$40 million net present value.

**THE CHAIR:** One comment on that is that obviously Adelaide would have a lot of parallels with Canberra inasmuch as it is not necessarily overrun with the attractions of, say, a Sydney Harbour or a Gold Coast. It would be a different type of market, and they seem to do incredibly well with a convention centre there, arguably one of the most successful not only in Australia but also internationally.

**Mr Quinlan:** Yes.

**THE CHAIR:** They seem to manage that very well and keep it filled most of the time.

**Mr Quinlan:** They have extended it.

**THE CHAIR:** That is right. It is hard to get in there. Minister, in relation to Virgin Blue, have we done anything yet to initiate discussions with Mr Corrigan, given the critical importance of that airline to competition in the area?

**Mr MacDiarmid:** No, we have not spoken to Mr Corrigan at this stage, but we are having ongoing discussions with Virgin and also with Qantas and with Rex about services into and out of Canberra. You would be aware that recently, as a result of a combined effort between Canberra International Airport and ourselves, we announced discount airfares from Brisbane, the Gold Coast and Adelaide that go through to 16 June. Those discussions will hopefully extend to ongoing airfare structures.

It is an interesting question about Sydney to Canberra. It is clearly a commercial decision for the airline. Nevertheless, we will continue to encourage them to consider it.

**THE CHAIR:** Do you have reason to believe that the Canberra-Adelaide, Canberra-Melbourne or the Queensland service with Virgin Blue are at risk of being cancelled, based on your knowledge of their performance?

**Mr MacDiarmid:** No, I do not think that is likely. The load factors on those services prior to the arrangement we have just entered into have been tracking really well. We are talking 65, 70 per cent load factors. That is a clear indication that those services are performing very well.

**THE CHAIR:** Just a last question, minister. In relation to regional marketing in terms of ACT tourism, I see that Brindabella Airlines has acquired another aircraft. Obviously it is more cost effective if you can market closer to home; it is easier to get to. What are you actually doing as a corporation to try to bring more people from the region into Canberra?

**Mr MacDiarmid:** We advertise, as we will be doing in about two or three weeks time, right through New South Wales, with the region being a key part of that, and Sydney, of

course. The region includes Newcastle, Wollongong and, I guess, within a three or four-hour trip from Canberra. The Sydney and regional New South Wales market is always going to be a major focus of our attention because it now represents most of our overnight visitors. We would argue that not only do we need to be doing it, but also we need to make sure that all institutions and other attractions continue to market into those areas, which we are confident they will continue to do over the next two to three years.

**THE CHAIR:** What are you spending in that regional market?

**Mr MacDiarmid:** In the Sydney-New South Wales regional market, we will be spending close to a million dollars in the period starting from 1 March right through to the end of April. It is the largest investment in New South Wales, from my knowledge—certainly in the time I have been there, and, I suspect, even longer than that.

**THE CHAIR:** It is not a huge amount in marketing dollars, is it?

**Mr MacDiarmid:** It is a significant part of our budget, Mr Mulcahy.

**THE CHAIR:** Just one last question. Singapore, is that working for you, having that person placed up there?

**Mr MacDiarmid:** It is very early days. It is a long-term proposition. The person works three days a week for us. We are confident that the work she is doing in working with the trade, obviously not just in Singapore but also in Malaysia and progressively into south-east China, will start to pay dividends. But the reality is: we have to stimulate consumer demand or consumer awareness. We have just done some focus group research in Singapore. It has given us a really good insight into how we need to communicate and what we need to communicate. We are hopeful that this time next year we will see the results of the effort.

As you would well know, it is usually a one-year lag from the time you actually start doing any consumer activity. If we do not have the trade on board and we have not started working with the trade, if we are just relying on consumer advertising to get people to come here, we are going to struggle.

**THE CHAIR:** Very unforgiving, the tourism industry.

**MS MacDONALD:** I will not actually ask any questions, but I will just say that I always find your reports to be the most colourful papers that we get in the Assembly. I find it difficult to throw them out because they are so pretty.

**Mr MacDiarmid:** That is the intention, Ms MacDonald. We want them to sit on the shelves for as long as possible.

**THE CHAIR:** Thank you, Mr MacDiarmid. Minister, we might move on to the Stadiums Authority. Dr Foskey, do you have any questions?

**DR FOSKEY:** Could you give me a bit of background, briefly probably, on the ACT government not paying \$685,000 in guaranteed payments after the end of 2003?

**Mr Quinlan:** That is the deal.

**DR FOSKEY:** That is the deal?

**MS MacDONALD:** They knew that was coming.

**Mr Harley:** That figure was an adjustment based on the finalisation of the old revenue guarantee system to the major hirers. The full amount was not required at the end of the financial year and it was obviously returned to Treasury.

**DR FOSKEY:** Okay. Did the recent water restrictions greatly affect the stadium's ability to maintain turf or other infrastructure? Did you seek exemption from the restrictions, or do you have any plans to develop a grey-water recycling watering system?

**Mr Harley:** No, the restrictions did not affect us. However, we are operating, and have been operating, under the required business use of a 40 per cent reduction, irrigation against evaporation. We meet that requirement quite successfully. We are about 49 per cent under. We have had no issues with regard to restrictions.

**DR FOSKEY:** Does that indicate that, even when restrictions are off, you might follow this rather more efficient regime of water use?

**Mr Harley:** We do definitely follow more and more the more efficient use of water.

**THE CHAIR:** Mr Stefaniak?

**MS MacDONALD:** Mr Stefaniak has already indicated to me that he is prepared to put his questions on notice.

**MR STEFANIAK:** I will put some on notice, yes, concerning Canberra Stadium. I do have some I am happy to put on notice. I noticed, minister, that you trumpeted that the authority now has the stadium basically breaking even. The stadium made enough money to pay for its operating costs. Is that so?

**Mr Harley:** Yes, that is so.

**MR STEFANIAK:** I understand that the Brumbies and the Raiders, the two main users, pay you a certain amount of money each year. Is that right?

**Mr Harley:** They hire the facility. There are revenue sharing arrangements for the hiring of the facility in accordance with other stadia as far as the benchmark is concerned, yes.

**MR STEFANIAK:** Minister, does any of that money come from government money given to either the Raiders or the Brumbies, any of the money they use to hire the stadium?

**Mr Quinlan:** The Brumbies and the Raiders get about \$100,000 each. They get the elite teams allowance.

**Mr Gilbert:** National teams.

**Mr Quinlan:** National teams allowance. That is the sum total of it these days.

**MR STEFANIAK:** So there is no other money being paid to those teams? What is the sum total that flows to the Brumbies, to get it on the table?

**Mr Gilbert:** We will have the correct figure for you. It is about \$1.08 million. That comes from three sources, Mr Stefaniak. In relation to the Raiders, it is a little bit more. It is about \$1.3 million or thereabouts. In terms of the clubs, the reason why it is a little bit more for the Raiders is that, under the performance agreement, they play more home games here. That is roughly the amount of money that comes from the government under a combination of three programs to the Brumbies and also to the Raiders.

The Kangaroos, as you know, played four games here at Manuka Oval. There is a performance agreement in relation to their participation and they receive a lesser amount than the Brumbies and the Raiders.

That is money that has gone from the government for the purpose of these elite teams participating at these levels. They manage their financial affairs in accordance with the arrangements and they audit back to us in accordance with the performance agreements. To the extent that your question is based on whether there is any circularisation of money between them, I cannot answer that for you today. We will have to take that on notice.

**MR STEFANIAK:** I do not need you to take it on notice, but I would be interested if you can provide a figure of what the real cost to government is in terms of the money the government has by way of its agreements with those three sporting teams, which effectively would be replicated by what they pay you to hire the stadium. In other words, how much is it costing government? They are wonderful teams for Canberra. It is great. But I was just a bit concerned to hear you say the stadium has broken even and there is no cost to government when those teams are given a certain amount of money each year by government, some of which would seem to be used to hire the stadium.

**Mr Gilbert:** Yes. Mr Stefaniak, would you like us to give you the whole picture of the economic benefit of the teams and their participation and where this money flows?

**MR STEFANIAK:** I would be happy with that.

**Mr Quinlan:** Are you advocating that we wind it back, Bill?

**MR STEFANIAK:** No, I am not. I just want to see an actual figure—for example, \$600,000 of that is government money behind the stadium. I simply want to ascertain that. I would be the last one to advocate not supporting the teams in national competitions.

**Mr Gilbert:** We will get back to you.

**Mr Quinlan:** I am just advised that the contracts are on the website, if you want to look them up

**MR STEFANIAK:** Right.

**Mr Quinlan:** I suggest that we are going to be talking bookkeeping from this point on. There is an amount of money that flows to them. How they earmark it, we don't give a bugger.

**MR STEFANIAK:** You just do the best you can.

**Mr Quinlan:** We do not. It devolves to a nonsense to say they pay so much stadium hire and the government provides them with so much funding. That is it.

**MR STEFANIAK:** Okay.

**Mr Quinlan:** Going beyond that is just bookkeeping.

**THE CHAIR:** You will come back to Mr Stefaniak and the committee with that? I have just a quick question. I have had it raised with me that the disabled access parks near the entrance to the stadium—Brumbies games at least; maybe all—have been either deleted or moved.

**MR STEFANIAK:** Yes, I have questions on that, too.

**THE CHAIR:** I have not inspected them independently when I have been out there, but I am just wondering: are you aware of changes in relation to spots for disabled folks trying to access games?

**Mr Harley:** There has not been movement of disabled car parking whatsoever. You have to bear in mind that that car park is based on a full-time requirement. The AIS own the car park. There are enough disabled spaces for the day-to-day use of that car park, given the number of patrons that visit the AIS and the track and field and the like. When we have an event, obviously it is a non-standard use of the car park. So we complement the existing number of handicapped spaces, which are not collocated where the current ones are, but we actually do lift it to a requirement that would be standard for the attendance that the game attracts.

**MR STEFANIAK:** Where do you put them?

**Mr Harley:** We put them basically within 100 metres of the stadium itself on the western side, and less on the eastern side, but the first row of car parking behind the indoor stadium on the west and the first bay on the east. You do not get any closer than the first bay on the east.

**MR STEFANIAK:** Can people drop off passengers, particularly people who are frail or disabled, at the stadium?

**Mr Harley:** Yes. There is a drop-off point; the same for taxis and for disabled.

**MR STEFANIAK:** Have you received any complaints about disabled parking access at Canberra Stadium? We have. People say, "There's nowhere we can actually park on game days." Have you, as an authority, received any complaints?

**Mr Harley:** We receive complaints on a number of related issues each game with regard to parking. At the end of the day, once that car park is full, we have serviced it. We will get complaints about the level of the handicapped person leaving a car, walking away from a car, but as long as they have got the sticker, that is realistically all we can manage. We do not have a lot of issues with regard to complaints, no.

**MR STEFANIAK:** You have mentioned that parking is available—

**THE CHAIR:** Could I interrupt you, Mr Stefaniak? Treasurer, my colleagues here are happy to run this till 10 past five and hopefully conclude these two other reports, rather than trying to negotiate another time. Are you happy to stay through, so we can conclude?

**Mr Quinlan:** Yes. I thought we were on at five.

**THE CHAIR:** We have a private Public Accounts Committee meeting. We will start that at 10 past 5 and deal with those other two issues.

**MR STEFANIAK:** How many disabled parks are there, both on the western side and the eastern side?

**Mr Harley:** In respect of fixed car parking on bitumen, which is the standard, seven-day a week use, there are 20 car spaces there, which is normal for the use during the week. When there is an event on, there can be anything up to an additional 50 or 60 car spaces.

**THE CHAIR:** Make this the last one, Mr Stefaniak, because we have two more reports here.

**MR STEFANIAK:** That is fair enough. Thank you, Chair. What is the current cost to park at Canberra Stadium for matches such as the Brumbies and the Raiders? Are there any plans to increase that fee? If there is, can you tell us when? If it is raised, can you ensure that any such decision is actually announced prior to the season? There were concerns at the start of the Brumbies season this year that it was going to go up from \$5 to \$7. Now, that did not eventuate, but obviously that is something that people should have a lot of warning of. So, do you have any plans to increase the current cost of parking?

**Mr Harley:** The cost of parking is \$5. There are no plans to increase.

**MR STEFANIAK:** Any plans for next year?

**Mr Harley:** No.

**THE CHAIR:** We will put further questions in relation to the Stadiums Authority on notice. We will move on to ACTTAB. If those officials move to the table, we will try to get through this promptly.

I might open with a question, minister. In relation to ACTTAB and the changed ownership situation with New South Wales TAB and the Victorians and the changed pooling arrangements, are there issues that are emerging in relation to internet betting

here in the ACT as potential precursors to the ACT being part of ongoing pooling?

**Mr Quinlan:** Yes. They have been in existence for several years, back to beyond my time. Various guises of these representations have been made from New South Wales and various threats have been made in relation to our access to Sky Channel and possible exclusion from pool, from superTAB

**THE CHAIR:** Where are those talks at?

**Mr Quinlan:** A lot of the heat has gone out of that discussion. It is still there, but states like New South Wales now realise that, if they do exclude us from that, there would be nothing to stop us setting up effectively a Cayman Islands-style process here in the ACT because of the capacity of the internet. There has been something of a standoff. We have generally agreed with the reasonable requests of a consensus of other state ministers at ministerial councils. There has been less agreement from the Northern Territory, which has really been a major concern with the Mark Reads of this world.

There are now concerns about Betfair and betting exchange. I am advised that there is a letter on the way to my office from the New South Wales minister saying, "We're pretty happy with it all," and any impediments that might exist.

**THE CHAIR:** So we are not likely to be flicked out of the pool?

**Mr Quinlan:** Even if we are, it is not the only pool in the country. In fact, we would be most welcome elsewhere. We have already had enough wit to check whether or not there would be some alternatives for us, and at this stage there certainly would be. So there is no cause to panic at this point in time. But it is a situation that we will have to continue to negotiate because the world of betting is changing. It is going faster than I can keep up with.

**THE CHAIR:** Dr Foskey, do you have questions in relation to ACTTAB?

**DR FOSKEY:** In relation to the changing world of gambling, the opportunistic world of gambling, the annual report at page 1 states that one of the strategic ACTTAB outcomes is to expand home access to products and services via the internet. What is the program's progress to date? Has it been subjected to the human rights act requirements and the ACT gambling code of practice?

**Mr Wheeler:** Internet basically is expanding quite positively on a yearly basis. We are doing everything we should be doing under the regulations and under the code of conduct. We are providing the service that every TAB in Australia allows, trying to provide a competitive service.

**DR FOSKEY:** Is that up and running at the moment?

**Mr Wheeler:** The internet site is up and running, yes.

**DR FOSKEY:** So that means people can place a bet on horses?

**Mr Wheeler:** Absolutely.



**DR FOSKEY:** Does it provide other gambling services?

**Mr Wheeler:** You can place a bet on horses, sports, betting or keno on-line.

**DR FOSKEY:** They are all sporting events that are occurring? It is not virtual?

**Mr Wheeler:** No, actual events.

**Mr Quinlan:** No. We have a virtual casino.

**Mr Wheeler:** Actual sanctioned events.

**DR FOSKEY:** Has that made any distinct contributions to revenue?

**Mr Wheeler:** It has definitely attracted a new market. There are a lot of new players out there, people who do not want to sit in TABs because they are crusty old men.

**THE CHAIR:** Ms MacDonald has a question on ACTTAB. I am mindful of the time. I hate rushing these things, but we do not have much choice.

**MS MacDONALD:** Where is the chief executive?

**Mr Wheeler:** She is unable to attend at this stage.

**MS MacDONALD:** She was not here last year either.

**Mr Quinlan:** I am not sure about that.

**MS MacDONALD:** She was not here either for estimates or for annual reports last year.

**Mr Quinlan:** Okay.

**MS MacDONALD:** Or both.

**THE CHAIR:** Any other questions of ACTTAB?

**DR FOSKEY:** Sports betting is a growth market, is it?

**Mr Wheeler:** We have found so.

**Mr Quinlan:** A small base.

**Mr Wheeler:** It is off a small base, but it has grown quite well.

**DR FOSKEY:** How can you illustrate that you have embraced the gambling code of practice?

**Mr Wheeler:** Everything we do is governed by the code of practice.

**MS MacDONALD:** We are waiting.

**Mr Wheeler:** We do not let agents bet in our outlets. Everything we set up we set up legislatively through the gambling and racing commission.

**MS MacDONALD:** Maybe the minister should answer that question, rather than the chief financial officer.

**Mr Quinlan:** How do I demonstrate that I obey the traffic laws?

**THE CHAIR:** For the benefit of Dr Foskey, maybe Mr Wheeler could send some illustrations of how this applies in practice. I think that is what she is trying to get at is to get some comfort that the code is being applied, which I have no reason to doubt. But maybe examples of the things that are not permitted in premises would be helpful. Would that be right?

**DR FOSKEY:** I think that is a very good way of putting it, thank you.

**MR STEFANIAK:** I have two questions.

**THE CHAIR:** Ms MacDonald is next, I think.

**MR STEFANIAK:** I am happy for mine to go on notice.

**THE CHAIR:** We are really into time.

**MR STEFANIAK:** I know that. They can take them on notice.

**MS MacDONALD:** On page 9 of the annual report, I note that both the total turnover and the before income tax profit is up. Can you tell me exactly why that is so? Annual turnover is up quite substantially. Can you explain why that is the case and what you think has led to it? I know that obviously means more people are betting. Unlike Dr Foskey, I think that ACTTAB has, over a number of years, demonstrated a responsible attitude to gambling. I am aware of the fact that you do do that. There are people out there in society who do wish to gamble.

**Mr Wheeler:** We have a strong retail base that is growing by about 2 or 3 per cent per annum. Then we have a core business punter base, which has seen significant growth in the last 12 months. That is where a lot of the turnover growth has come from.

**THE CHAIR:** Your question was how, was it not, why?

**Mr Wheeler:** Why are they betting more? That is a very good question.

**MS MacDONALD:** So you have not changed the advertising strategy? I know there was some discussion—I think it was in last year's budget discussions—about you looking at a virtual racing program, but that is yet to come about. Is that correct?

**Mr Wheeler:** These guys are basically betting and we are offering services to ensure that they can bet faster, quicker, easier.

**MS MacDONALD:** Get their bets on before the race jumps.

**Mr Wheeler:** They can put their bets on quicker, put more and more bets on.

**MS MacDONALD:** I will ask one more question. The dividend return to the voting shareholders has been reduced from 100 per cent to 50 per cent in anticipation of the move to Gungahlin and the establishment costs.

**Mr Wheeler:** That is right.

**MS MacDONALD:** This might be a question for the minister, rather than for you. What is the anticipation of how long that will go on for? I note as well that ACTTAB has recently sponsored some events that have taken place. There has been a question in my mind in the past as to whether or not the 100 per cent return is always the best way of dealing with the issue. I am going into too much of a conversation about this. I should just ask a question. How long do you think that will actually continue for?

**Mr Quinlan:** It is a year-to-year proposition. In the move to Gungahlin there will be very significant re-equipment. That will cost money. ACTTAB has both an ability to retain some of its earnings and it has reserves at this stage. Look at the balance sheet. In order for it to continue to survive—it is the only government-owned TAB left—it is going to have to stay modern. It is going to be a matter of us balancing our need to draw a dividend with the need of ACTTAB to stay modern and relevant in today's market.

**THE CHAIR:** Treasurer and Mr Wheeler, I will have to conclude. Thank you for accommodating the extra time. I ask members of the committee to put further questions of notice. We do have an appropriations bill, which I assume you will want us to look at. I formally conclude the proceedings and thank you, minister, and your officials for your attendance today.

**The committee adjourned at 5.15 pm.**