LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2010-2011

(Reference: Appropriation Bill 2010-2011)

Members:

MS M HUNTER (The Chair)
MR Z SESELJA (The Deputy Chair)
MR J HARGREAVES
MS A BRESNAN
MR B SMYTH

TRANSCRIPT OF EVIDENCE

CANBERRA

MONDAY, 17 MAY 2010

Secretary to the committee:
Dr S Lilburn (Ph: 6205 0199)

By authority of the Legislative Assembly for the Australian Capital Territory

APPEARANCES

Privilege statement

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Amended 21 January 2009

The committee met at 9.01 am.

Appearances:

Gallagher, Ms Katy, Deputy Chief Minister, Treasurer, Minister for Health and Minister for Industrial Relations

Department of Treasury
Smithies, Ms Megan, Under Treasurer
Ahmed, Mr Khalid, Executive Director, Policy Coordination and Development
Bulless, Mr Neil, Executive Director, Finance and Budget Division
McAuliffe, Mr Patrick, Director, Investment Branch
Holmes, Ms Lisa, Director, Accounting
McDonald, Mr Tom, Director, Legal and Insurance Policy
Dowell, Mr Graeme, Commissioner for Revenue

Actew Corporation Ltd
Sullivan, Mr Mark, Managing Director
Knee, Mr Ross, Executive Manager Water
Wallace, Mr Simon, Chief Accounting Officer
Carmody, Mr Ian, Director Water Security Operations

Rhodium Asset Solutions Ltd
Moore, Mr Ken, Chief Executive

ACT Insurance Authority
Fletcher, Mr John, General Manager

ACTTAB Ltd
Quinlan, Mr Ted, Deputy Chairman
Snowden, Ms Kayelene, Executive Manager, Finance and Business Services
Stewart, Mr David, Executive Manager, Information and Communications Technology
Fitzgerald, Ms Louise, Executive Manager, People and Business Support

THE CHAIR: Welcome to this public hearing of the Select Committee on Estimates. The Legislative Assembly has referred to the committee for examination the expenditure proposals in the 2010-11 appropriation bill and the revenue estimates in the 2010-11 budget. The committee is due to report to the Assembly on 22 June 2010 and has fixed a time frame of five working days for the return of answers to questions taken on notice.

The proceedings today will commence with an additional question on output 1.3, revenue management, from Mr Smyth. After that, the proceedings will continue with Actew Corporation Ltd, followed by the superannuation provision account, the territory banking account, the ACT Insurance Authority, the home loan portfolio, and will then conclude with ACTTAB Ltd.

Can I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the yellow coloured privilege statement before

you on the table. Could you confirm for the record that you understand the privilege implications of the statement?

Ms Gallagher: Yes.

THE CHAIR: I also remind witnesses to keep their responses to questions concise and directly relevant to the subject matter of the question. We have a great deal of ground to cover during the hearing and I would like to maximise the opportunities for members in attendance to put their questions directly today rather than on notice.

We might start with that question this morning and, after that, when we get to Actew, I will ask whether you would like to make a brief statement. Otherwise, we will proceed to the question. Mr Smyth.

MR SMYTH: I was not aware that we were limiting this to a single question. I thought we were following on from Friday, which is why we requested so many officers to come back.

MR SESELJA: We had that specific discussion with the Treasurer at the end of the hearing on Friday.

THE CHAIR: That is not my understanding. Mr Smyth, could we get to your question?

MR SMYTH: I have a number of questions. As you said, it is better that they are asked today rather than put on notice. I thought you had taken this on notice on Friday: why does the revenue expected from the interstate lotteries dip?

Ms Gallagher: I can give you that answer. In 2009-10, there were a series of exceptionally high jackpots over a period of several weeks where the jackpot amount reached over $100 million before it was won. These high jackpots resulted in an increase in player subscriptions, in this case over many weeks, and results in an increase in revenue for the ACT. It is considered a unique or an unusual event, which is not forecast to occur in 2010-11.

MR SMYTH: So it is based on what the pool is worth. In areas like conveyancing, I notice that you are forecasting a six per cent drop. What is the rationale behind that?

THE CHAIR: Mr Smyth, we need to move on to Actew. It is unfortunate that there was a bit of a misunderstanding.

MR SESELJA: There was not a misunderstanding. We agreed that we would have further questions.

THE CHAIR: We do have Actew officials sitting here in the room, ready to go this morning.

MR SESELJA: Why were Treasury officials asked to come back for the sake of a question that was taken on notice?

MS BRESNAN: I believe it was clarified at the end of Friday with Treasury. That is my understanding. Is that right, Ms Hunter?

MR SMYTH: It was not clarified with me.

MR SESELJA: By whom was it clarified? We had a discussion in this committee about having further questions on revenue. I do not understand why we have shut down—

THE CHAIR: There are more questions on revenue; I agree with you. We will need to put on notice those questions around the revenue. We do have a full program this morning. We do have Actew officials here, ready to go. We then have a program to move on to a number of other areas this morning, as I have said in the statement I just made, which is superannuation—

MR SESELJA: Chair, it is not clear to me why you do not want questions on revenue when we agreed on Friday afternoon that we would have questions on revenue.

THE CHAIR: That is not my understanding. I am afraid we do have, obviously, a different view of what was decided on Friday. In the meantime—

MR SESELJA: Why were you so keen for the Treasurer to avoid questions on revenue? It is a fairly fundamental part of the budget.

THE CHAIR: Not at all, but we did run out of time, and we have—

MR SESELJA: I suppose we will be coming to a recall day.

THE CHAIR: Mr Seselja, we have a really tight schedule and we, unfortunately, ran out of time on Friday. We now have a full agenda this morning. We do have Mr Sullivan, who is ready to go.

MR SMYTH: I would like a private meeting of the committee, if we may.

Ms Gallagher: Perhaps I can help, Ms Hunter. Many of the Treasury officials will be here for the superannuation provision account and the home loan portfolio. Perhaps if there is time after Actew and ACTTAB, the officials will still be here.

THE CHAIR: I think it is reasonable that if, at the end of the hearing, we have picked up some time—

MR SMYTH: Excuse me, I would like a private meeting of the committee to sort this out. This is not what we agreed on Friday. You cannot rewrite history after the event.

THE CHAIR: This is the understanding I had. We do have people ready to go in the room.

MR SMYTH: That may be so but—

THE CHAIR: We can come back to this—

MR SMYTH: you cannot rewrite—

THE CHAIR: at the end of the hearing, Mr Smyth, if we have picked up time.

MR SMYTH: I move that the committee have a private meeting to discuss this matter.

MS BRESNAN: As Ms Hunter and Ms Gallagher have just said, the officials are here. If there is time at the end of the day, we have only got until 12.30 to go through a number of different authorities.

MR SMYTH: That is true.

MS BRESNAN: We had all of Friday to go through revenue. We could have gone on to other issues but we did not.

MR SMYTH: We did not have all of Friday.

MS BRESNAN: Well, we had a significant amount of time on Friday. If you had other questions to ask, you probably should have asked them on Friday.

MR SMYTH: Well, you told me on Friday you had infrastructure questions—

MS BRESNAN: I did, and we did not get to them, because you were talking about revenue.

MR SESELJA: We cannot just unilaterally change the arrangements.

THE CHAIR: We will go ahead with Actew at this point—

MR SMYTH: No, no, sorry—

THE CHAIR: We have Mr Sullivan here—

MR SMYTH: I would like a private meeting.

MR SESELJA: Mr Smyth has moved a motion.

THE CHAIR: and then we can go into a private meeting.

MR SMYTH: I would like a private meeting, please. I would like a private meeting now to discuss this. This is not the way it works. I would like a private meeting, please.

THE CHAIR: We need support for that.

MR SESELJA: Well, I will support it.

MS BRESNAN: I do not support it. I think we should just get ahead. We have got the officials here. If we have got time then we can get to it.

MR SESELJA: So we are in a situation where we are not even going to have a discussion as to whether we can continue the questioning which we agreed on Friday on the revenue line? Is that the view of the committee chair and the other Greens member?

THE CHAIR: If we have time later. What I am suggesting is a pretty clear way forward. Actew is here; Mr Sullivan is here. Maybe we could go ahead with Actew and then we could go into a private meeting. I will put that to the committee.

MR SMYTH: I am moving a motion that we have a private meeting.

MR SESELJA: And I support the motion.

MS BRESNAN: And I said I did not support it.

MR SMYTH: That is okay. We will have a vote and we will have it recorded.

MS BRESNAN: Actually it is two-two, because Mr Hargreaves is not here.

MR SMYTH: That is okay; that is fine, but I will have it on the record because it is not what was decided and this is not the way it works.

MS BRESNAN: That is my understanding of what it was on Friday.

MR SMYTH: No. That went out at 6.07—7.06, after we had all gone. I did not see that until I got here this morning. I am sorry; that is not what—

MR HARGREAVES: Good morning, Madam Chair. I heard a stoush was on; I could not resist it.

THE CHAIR: Good morning, Mr Hargreaves.

MR SMYTH: Good of you to turn up, John. You are just in time for the vote.

MR HARGREAVES: I might be sick, but I can count. Good morning, Mark and minister. Good morning, colleagues. Have we recovered from the drinking session?

MRS DUNNE: Have you been fishing again, Johnno?

MR HARGREAVES: No, mate; shagger's back. Okay, Madam Chair; bring it on.

THE CHAIR: Are you still moving this motion?

MR SMYTH: Yes. I want this on the record.

THE CHAIR: Mr Hargreaves, just to bring you up to speed—

MR HARGREAVES: I was listening upstairs to the juvenile diatribe, Madam Chair.

THE CHAIR: Mr Smyth has put forward a motion to adjourn to a private meeting. Do you have view on that?

MR HARGREAVES: May I address the motion?

THE CHAIR: Yes, Mr Hargreaves.

MR HARGREAVES: Thank you very much, Madam Chair. I think this is a total waste of time—an absolute, complete waste of the time of the committee. We have agreements. I am sure the recollections of you and Ms Bresnan are absolutely correct. I suggest that you move directly to the vote.

MR SMYTH: Good.

THE CHAIR: Those who support Mr Smyth's motion?

MR SESELJA: Aye.

MR SMYTH: Aye.

THE CHAIR: Those against?

MR HARGREAVES: Yes.

MS BRESNAN: Yes.

THE CHAIR: We will not be proceeding to a private meeting at this point. Mr Sullivan, good morning. Could I just confirm that you understand the privileges statement?

Mr Sullivan: I do.

THE CHAIR: Thank you. Mr Sullivan, I want to move to borrowing for capital works. It is on page 440 of budget paper 4. Obviously, Actew has quite a program of borrowing for capital works projects, primarily around the water security major projects. Can you give an update of where that is up to?

Mr Sullivan: Thank you, Madam Chair. As you point out, our borrowing estimates in the 2010-11 budget are $330 million in 2009-10, $300 million in 2010-11 and $160 million in 2011-12. We rely on the good officers of the Treasury to facilitate that borrowing. We have been working with them, and we expect that our next set of borrowings will be with the market in a short period of time.

THE CHAIR: My understanding is that the cost of these major projects will not be reviewed again by the ICRC for another few years in terms of determining the pass through to consumers. What impact will this have on the borrowing of these projects and, more particularly, the interest payable on the borrowings?

Mr Sullivan: You are right to say that the ICRC would normally reconsider these only in a full price determination. There would be a possibility, of course, if the

minister requested a price determination earlier, for that to occur. There is a variation in terms of the timetable for the ICRC mid-term to look at things such as actual water volumes. Assuming that there is no price determination until we get to the next price determination, it would then be up to the ICRC to consider whether we recoup the expenditure—which would be interest, largely—in the period between whenever we have gone beyond our current price determination for the major water security projects or whether we would have to sustain that cost within our own accounts, which would reduce our profit and therefore reduce our dividend to the ACT government.

THE CHAIR: I was just wondering, because these borrowing costs are starting to become quite significant, whether you have got any indication about what these costs might look like beyond the years of, say, 2013-14?

Mr Sullivan: I think that would be best answered in the next short while when we see a response to the Treasury going out for us into the marketplace in terms of what sort of a bond it may be, what sort of term it is. When we get this year's market sorted through is probably the best time to look outwards in terms of beyond the estimates years. So we could put that on a longer notice in respect of—I think the next time we appear in any respect could be a good time to understand exactly what that bond outcome looks like.

THE CHAIR: Thank you. Looking at the Tantangera transfer—this is in budget paper 4, on page 439—you listed the ongoing purchase of water security licensing for Snowy Hydro as a priority for this year. Can you give a status update on the conversion of our water security licences to higher security licences?

Mr Sullivan: Yes. I will give you a short preliminary answer, and then I will ask Ian Carmody, who is the director of water security projects, to answer. We now have a diversified water portfolio which is 12.523 gigalitres of general security water entitlement and 4.125 gigalitres of high-security entitlement. That produces a water account for us; currently in that water account, we have 8.9 gigalitres of water.

We have probably varied our strategy in that, from a view we held to convert it all to high-security licence, we now think, and our advisers believe, that to hold some general security water licences as well as some high-security water licences gives us a bit more flexibility. So we are probably comfortable at this time. At the same time, of course, New South Wales has not lifted the moratorium on the direct conversion of general water security licences into high-security licences, so we are very comfortable in respect of our water purchases.

We are well advanced in terms of the commercial negotiations with Snowy Hydro. They are advanced to the stage now where we rely on the finalisation of an intergovernment agreement between the ACT and New South Wales on water and trading to be able to progress those negotiations into commercial reality through a contract. At the moment, we want the intergovernment agreement produced. Minister Corbell's department is pursuing that on our behalf with New South Wales. That will then allow the commercial arrangement to conclude.

THE CHAIR: You said that you were now looking at a mix of general and high-

security licences. I was wondering about the cost of each or the percentage of each that you are looking at—some idea of the mix?

Mr Carmody: I do not have the actual cost between the two available here. However, the general security water is the bulk of that cost. The high security is about $9 million. But, as I said to you, I will get back to you. The point I am trying to get to—I am bumbling my words, feeling the pressure of the committee, perhaps—

MR HARGREAVES: We can soon fix that for you, Mr Carmody.

Mr Carmody: Listening before, I was a bit concerned. The point I am getting to is that we had a budget of $30 million to purchase the water—approximately; I can get that number back to you—and we have hit that target, so the water we have purchased is within the budget for the project. As Mark was saying, the important thing now is to manage the water on a yearly basis with carryovers in the general security to top up our account each year so that we get to that 11 gigalitre target. That is what the strategy is now—not just a straight high security but some general security and to manage the water trading throughout the year to get to that point.

THE CHAIR: With getting these licences, particularly the high-security licences, what happens if that water is not required by the ACT in any one year? Do we trade it back into the system?

Mr Carmody: We will be looking, under the terms of the intergovernment agreement, to be able to move it back down the regulated part of the Murrumbidgee and to be able to trade it on a yearly basis. We will be looking to do that in terms of temporary trading. Indeed, as we speak, we are already operating to temporary trade some of the general security water we have at the moment so we can reduce costs and maximise our return in the circumstances.

THE CHAIR: Thank you.

MRS DUNNE: Madam Chair, could I follow up on that?

THE CHAIR: Yes, Mrs Dunne.

MRS DUNNE: Mr Carmody, could you outline for the committee the ongoing cost? You have adverted to the $30 million budget for 11 gigalitres of water. That is an up-front cost. If we used all of our water entitlement, what would be the annual cost each year? For instance, if we used all our water entitlement this year, what would it cost in addition to the $30 million to secure those rights in the first place? You can take it on notice.

Mr Carmody: Can I please take that on notice? I think I get the point of the question, but there are layers to it, and if I answer one part of that—

MRS DUNNE: So there is an up-front cost and then there is a sort of annual servicing cost?

Mr Carmody: At the moment we do not have a signed agreement with Snowy Hydro.

That comes at a cost, and that part will be a significant part of our ongoing, so if I can take that on notice and just layer those—

Mr Sullivan: But Mrs Dunne has got it right there. The capital cost of the project is around the $32 million mark. I think we are probably going to run at about $32.3 million. The bulk of that will be in water purchases, water licence purchases. The largest recurrent cost required for the Tantangara transfer will be Snowy Hydro, so that is basically around storing water and releasing it, because what Snowy Hydro, to a degree, reasonably expect in that negotiation is that we will compensate them for their lost cost of generation in terms of if they put the water down on the Snowy side they would generate electricity, generally, and if they put the water down our side they will not generate electricity. So that will be the significant cost to us.

Outside of that cost there are some water account handling costs, which are not significant but are there. Then you really run into the way it works in with the Murrumbidgee to Googong transfer, if that proceeds as a project, but that is more incorporated in that project in respect of pumping costs.

MRS DUNNE: I just want to clarify: we are spending about $30 million-odd for the licences.

Mr Sullivan: As capital, yes.

MRS DUNNE: As capital. But, if you extract any of that water at any time, do you pay an abstraction fee on top of the licence?

Mr Sullivan: No. As I say, the significant amount of money we will pay is a commercial fee to Snowy Hydro to—

MRS DUNNE: But that is for their electricity forgone.

Mr Sullivan: That is to manage the release of the water. We do not pay an actual abstraction fee for our water. We have taken it on notice and we will get back with some better information, but the biggest cost is Snowy Hydro.

MRS DUNNE: Thanks.

MR SMYTH: I notice in last year's priorities there is a dot point called "continue to investigate and commence implementation of a 'smart metering' pilot program" that does not appear in this year's priorities. Have we commenced, have we investigated, are we implementing, a smart measuring pilot program?

Mr Sullivan: We have had a pilot program in place around smart metering. I will correct it if I am wrong, Mr Smyth, but I think about 200 households were involved. It revealed to us a fair number of issues, ranging from the fact that with our meters being so far below ground in terms of the communication between the meter back to the house and the smart meter we encountered a fairly significant number of issues, which we are now working on.

We have also taken note, with interest, of the Victorian experience and the Auditor-

General's report of the smart metering program in Victoria, which has seen that the Victorian government, which did not pilot smart meters but basically went into a very large implementation of smart meters, have now ceased the program until they can sort through some issues.

We are analysing what the pilot did. We are looking at the Victorian situation. We are looking very keenly at what comes out of the investigations of the Victorian situation. So I think it has probably slipped from being a fairly high and exciting priority to a wait and see.

MR SMYTH: And, again, in last year's budget papers the dot point above the smart meters said:

> working with the ACT Government to achieve a reduction in per capita mains water consumption of 12 per cent by 2013 and 25 per cent by 2023 in keeping with the targets included in *Think water, act water*.

But I notice on page 439 of this year's budget paper that the priority has been changed to:

> working with the ACT Government to review *Think water, act water* and developing suitable targets.

Does that mean the 12 per cent and 25 per cent targets are no longer applicable?

Mr Sullivan: No, it does not. This is really a question for DECCEW. In terms of our involvement, the targets are set. The targets are actually being exceeded at the moment. Demand management is an important agenda of the government. We work with government in respect of demand management. The revision of think water, act water I think is the policy document being prepared by government, which will enunciate how we are going to move from the current over-achievement against that target to whatever new targets or revised targets are put.

The other important thing we are working with them on around demand management is that when we are able to move from water restrictions we are working with the ACT government in respect of a new set of permanent water conservation measures and looking at what impact they would have on demand management.

MR SMYTH: Just to get back to where you finished off—

THE CHAIR: One more, Mr Smyth, and then on to Ms Bresnan.

MR SMYTH: When we commenced the process to purchase the water licences and take the water from Tantangara, did we not know that there would be a cost of the lost generation for Snowy Hydro?

Mr Sullivan: Of course we did.

MR SMYTH: Where is that factored into the whole cost of the project?

Mr Sullivan: It is factored in, in our factoring, in terms of recurrent expenditure on

the project, which I have taken on notice and I will get back. Of course we knew. We did not know the level. This is a fairly intense negotiation. If you look at the opportunity cost of electricity generation, it can go from zero to $300 a megawatt, and somewhere in between the answer is going to be negotiated.

MS BRESNAN: Just following on from think water, act water, you have just mentioned that one of the ways of looking at it is reducing water use and potable water use, and that is listed as a priority. What are some of the key opportunities you see to be able to reduce that water demand? Are there certain activities which you are undertaking to actually reduce that demand?

Mr Sullivan: I think there are two areas. If you look at the experiences that water restrictions have given us in respect of water behaviour, and wanting to make sure that we take over the good parts of that into permanent water conservation measures while, I guess, relieving what is a fairly hard-fisted way of doing things in respect of water restrictions, that is really time of watering. It is very, very important in terms of demand management that people do not waste water by watering as much as they can; that they use their watering overnight rather than during the day and we do not lose it directly into evaporation—the management of our sports fields.

But the second big opportunity is basically amongst our large customers. What we are seeing amongst our large customers is a willingness to move towards water management plans and to be able to put their water management plans to us and for us to be able to examine them and consult with large customers about what they can do better. I think a feature of any new permanent water conservation measures will be a requirement on our large customers to submit a water plan. I think it is well received, because what we are making clear is that this is good business for the customer. It is not just about trying to restrict their water; it is a business case for the customer which is sensible.

So, in terms of taking our lessons from water restrictions, do not wash cars on hard surfaces; do not wash down hard surfaces unless there is a real need to do so—sometimes there is a need to wash down hard surfaces, but not always; water overnight; and certainly learn more about what your garden and other parts of your land need in respect of watering. I think we have moved Canberrans away fairly successfully from thinking that you have to water the garden every second night for as long as you are possibly allowed to, to understanding that moisture content is pretty easy to work through and if you have a drought tolerant garden, in particular, you do not need a lot.

So it is going to be a lot of education but a big focus then on large customers. One of our largest customers is the ACT government, and the ACT government, I think, has led the way in respect of attempting to give a good example in respect of high level water planning.

MS BRESNAN: In relation to the use of potable water, grey water management has also come up as an issue. I am just wondering if Actew has a particular view on it in relation to the household level—if there are any impacts on sewer management that come with the use of grey water and if there is a particular sort of management plan that would be suitable in Actew's view.

Mr Sullivan: At the moment we have a combination of drought and climate change and I think a minor impact in respect of things such as grey and black water systems—more so the black water systems, which basically are reducing flow in our sewerage system, which can affect the transport engineering of a sewerage system which relies, very gratefully, on gravity; it does not rely a whole lot on mechanical intervention.

Certainly, that requires watching at the moment. It also has an impact at the end of the system in that the total dissolved solids in our effluent are, as a quantum of solids, staying relatively steady—in fact, possibly even slightly reducing—but as a concentrate of solids they are going up because of the reduction in the flow. That takes us close to our compliance limits in respect of environmental protection and ensuring that effluent is of good quality that flows into the Murrumbidgee River.

Again, we look at things such as demand management. The three areas of salt that enter our system are largely natural. First and foremost, it is naturally occurring salt in the system. Second, I think that the biggest issue in respect of consumers relates to salts in washing detergents. Salt is a base product in washing detergent. It is probably the one area of demand management that we would like to see some focus on, and we are seeing some focus on. Third, our processes at Lower Molonglo are salt intensive. On that side, there is not a lot of great hope that we can reduce our salt usage in respect of process, because it is a process where a salt-based product is about the only thing you can use at the end of it. But we are looking at how we can affect that.

It is around the transport economics. It is around, again, demand management. It is probably looking forward to how we are going to process our sewage and effluent in future. Canberra has for many years now basically relied on a single point of processing. Forgetting Fyshwick—I should not forget Fyshwick; it is minor but it is there—Lower Molonglo has been our major point of processing. As Canberra grows and we see new suburbs, one of the issues will be whether or not that primary single point of processing is the way to continue to do our sewage or whether we should consider things such as distributed processing of sewage and things like that.

MS BRESNAN: Thank you.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Thanks very much, Madam Chair. I am going to do something really different, Mr Sullivan. I am going to ask you a question about the budget, not about things generally in the world. Could I draw your attention to budget paper No 4, page 442. I am sure that for your guys it is going to be an easy question, but it is not something which pops up obviously for me in the notes. I think it would benefit the committee to see how the conduct of business actually occurs. I refer you to the increase and decrease in asset revaluation reserve surpluses, about the third last set of numbers on that page. The budget for 2009-10 had it at $54,500 million. The estimated outcome was 67, or a bit up. Then it drops to nine, goes back up to 70 and goes down to 10. There is obviously a trend. Can you let me know what actually causes that trend?

Mr Sullivan: I will get Simon Wallace, the chief accountant of Actew. We are required each year to basically look at the valuation of our assets. The valuation of our assets is somewhat related to the chairperson's question about ICRC determinations and whether or not any delay in terms of our price regulation can then result in a revaluation downwards of assets. So they move round a bit. Simon Wallace is the chief accountant of Actew. He understands these numbers a whole lot better than I do, Mr Hargreaves.

Mr Wallace: When you look at the increase and the decrease, it is based purely on our assumptions. For the years that you have 67, 73, 88, we have an assumption that every second year there is a revaluation of our property, plant and equipment by CPI. This is based on an accounting standard doing an impairment test. Doing the impairment test recently, we still needed to review whether there is a probability of this occurring or not because it is based on future cash flows through what the ICRC allows. For the years that you have the nine and the $10 million, that is just the assumption that it is ActewAGL distribution—the share of our investment in that being revalued. That one is assumed every year and our property, plant and equipment every second year. It is a pretty big task for us to revalue all our assets, so we are not planning for them every year.

MR HARGREAVES: So you do it every two years because it is a major task?

Mr Wallace: Yes.

MR HARGREAVES: Thank you very much for that explanation. It is exactly what I wanted to hear in the sense that it is a programmed thing and not something that is just historical. Could I just put in a plea for perhaps a note to that effect in those two sections of the budget next year? That would be helpful. Thanks very much.

THE CHAIR: Mr Rattenbury.

MR RATTENBURY: Thank you, Madam Chair. If I could come back to the Tantangera transfer, which was asked about earlier, I am interested in what uses the water from Tantangera will be put to. Is it entirely for the Murrumbidgee to Googong pipeline?

Mr Sullivan: Our working assumption is that the Tantangera water would be released from Tantangera down through the upper Murrumbidgee and captured at Angle Crossing in the Murrumbidgee to Googong bulk water transfer, and that the water then would be stored in Googong Reservoir. Once it is stored in Googong Reservoir, there are still some questions to work through about when we are going to use our purchased water as opposed to when we are going to use our normal cap water.

There is a view that says, for instance, that as long as we identify the water in Googong Reservoir as being purchased water, we will be able to maintain our right to sell it at any time as purchased water. That will require some accounting, I guess, in respect of what are we using within Googong in future. So we have got to work that through, but that is the intention. The Murrumbidgee to Googong bulk water transfer, of course, is not yet concluded in terms of its approval processes. It is getting closer.

The secondary way is that we could extract our Tantangera water directly into our water processing systems at Stromlo by use of the Cotter River pumping systems. For instance, if you envisage the possibility that Murrumbidgee to Googong was either delayed or did not occur, we would still seek to extract our water directly into our processing systems, which would have the impact of relieving any pressure in respect of the water cap. It is tied in. Our great preference is that both projects proceed, and that is how we intend to utilise it. It is not a lost project if one does not proceed.

MR RATTENBURY: I was unclear about the answers to Mrs Dunne's questions earlier. Basically, in terms of the water we have purchased, we have paid the capital cost up front. You said that, on recurrent costs, the most significant would be the fees to Snowy Hydro. Are there other costs?

Mr Sullivan: I think there are, and that is why I have taken it on notice. I think there are some costs in respect of just the management of your water accounts and the utilisation of those accounts. But I do not know enough of the detail to answer you here. As I say, I think that in terms of the overwhelmingly significant cost of the recurrent cost of the project it is the Snowy Hydro's storage and release charges which will be the costs.

MR RATTENBURY: I am interested in the strategy behind the fact that the Tantangera purchases have already taken place, given that the Murrumbidgee to Googong pipeline is still some time away. The enlarged Cotter Dam capacity is some time away. The dam levels are currently relatively high. What is the strategy behind purchasing—

Mr Sullivan: The dam levels are not relatively high. The dam levels are seasonally still low compared to all-time averages. We are currently down. We are up on what we were in 2006, the worst ever year. It is about the same and things change. So I would not say they are relatively high. This is something that no urban city has engaged in in any large way. Despite the encouragement of the National Water Commission and others, the purchase of irrigators' water downstream, the movement of that water—I do not mean literally—to Tantangera and the negotiation with an electricity generator to release that water is something which we, at times, thought may not happen. We are moving to a view now that it will happen.

We thought that in a very difficult water market it was important that we got into that market and secured the basic asset required to run the scheme on the basis that it was a prudent investment. It is an asset and, if the project does not proceed, we will sell the asset. We have got two options. We can operate the asset and become a water trader. I do not think it is really Actew's business to be a water trader. But I think there is no doubt that there are plenty of buyers, particularly if you went to buyers—there is a very large buyer up on the hill over the other side of town there—and you have these water licences packaged up. We have gone through the business of packaging up a variety of sources of licence and putting them into our account.

It is valuable asset which will be recorded in our financial statements as an asset. You will see it vary up and down each year, depending on the state of the market. We think it is a long-term asset. Water licences are an extremely attractive long-term asset. If you do not have that and you wait until we get things approved then you basically are

a buyer in the market. They know you have to buy, because you have got your things, and we do not know when that market is going to get very busy again. We generally buy during commonwealth moratoriums. During phases of the commonwealth you generally find there are some disappointed irrigators in the market. We have been able, through our brokers, to get our water licences, and they are recorded on our financial statements. But they are a good asset.

MR RATTENBURY: Mr Smyth raised the question of targets and the current review of them. In the recent ICRC report about the enlarged Cotter Dam, there was a reference to the fact that the government had a target of water restrictions of one in 20 years. The commissioner made some comments about the status of that target. Can you provide some insight into the status of that target?

Mr Sullivan: Yes, if I can be careful. I do not want to comment on the ICRC report because that is an open report. The commissioner has got a draft report out and a public process to conclude that report by the end of June. Traditionally, across Australia most state governments have worked on time in restrictions as their policy parameter to determine their need for water restrictions. The standard around the place is a one in 20 time in restrictions. The ACT have worked on net economic benefit as the basis of their water security needs. At the same time, I think it is fair to say that the government and the community want to understand the consequence of those water infrastructure moves in respect of what it may mean for the community and water restrictions.

I think it is fair to say that the ACT government has generally said that it sees the one in 20 time on restrictions as being a reasonable guide to what community expectation around the country is. It is much more, however. It is a consequence of the policy driver, which is then economic benefit, rather than the driver. In most jurisdictions, it is the driver—that is, we will build assets till we get to a point that we are confident that there will be a one in 20 restriction level. In the ACT we build assets based on net economic benefit and then we look at the consequence of those decisions and come out with the result of it. That is where that guideline is important in the ACT government.

MRS DUNNE: Madam Chair, I have a series of questions for the minister which also require documentation. I will pass this around. I want to draw members' attention to the answers taken on notice by the minister after the 18 February hearing of the PAC. One of the questions I asked the minister was: how often is the Treasurer briefed on the progress of the water security projects and what is the nature of those briefings? The minister answered:

> I am briefed regularly on all aspects of the Water Security Major Projects … Updates are also provided with each set of board papers, which are provided to the Voting Shareholders in advance of each board meeting. I am also briefed when any matters are required to be brought to the direct attention of the Voting Shareholders.

I also draw your attention, minister, to the 25 March information paper, which, by your account, you would have received before the meeting that took place at that time.

Ms Gallagher: Sorry, Mrs Dunne. What are you drawing—

MRS DUNNE: I am drawing your attention to this paper here.

Ms Gallagher: Yes.

MRS DUNNE: You probably saw it in its original form and it would not have had anything blacked out. I wanted to ask you, minister: did you receive and read this paper prior to the corporation's board meeting, which was held on 25 March 2009?

Ms Gallagher: I will have to have a look at it, Mrs Dunne. I can check in my papers.

MRS DUNNE: Okay. When you get back, if you did not receive and read it before 25 March, can you tell us when you did receive and read it? Do you note now that the paper says that the cost of the dam may exceed $250 million?

Ms Gallagher: Yes, "may exceed", yes.

MRS DUNNE: When you were in attendance at the estimates committee on 18 May last year, did you hear Mr Sullivan say:

> In early 2008, the ICRC accepted an estimated cost of 145.

That is million dollars—

> We are working on an estimate of costs that we warned in the report could be 30 per cent higher …

Madam Chair, you would note that 30 per cent on top of $145 million is $188½ million. Minister, why did you, firstly, allow Mr Sullivan to make the statement to the estimates committee when you were given the board papers that indicated the cost would be more than $60 million higher than that? Secondly, why did you allow that statement to remain uncorrected on the public record?

Ms Gallagher: Well, Mrs Dunne—sorry to draw it to your attention—but you have got a little bit of form in misquoting, specifically in relation to water security major projects. So what I am going to do is take what you have just said and then I am going to go back and have a look at what my papers have said, what my answers have said and what Mr Sullivan has said, and I am going to try to match it up, and I will then answer your question. I am not going to do it before.

MRS DUNNE: Okay. I also put on notice that, when it is pointed out to me that I make mistakes, I immediately correct them.

Ms Gallagher: Reluctantly and not immediately.

MRS DUNNE: Could I also draw your attention, minister—and I pass this to you—

Ms Gallagher: Can you just tell me what your point is, though, Mrs Dunne? What are you trying to draw together here?

MRS DUNNE: The point is, minister, that, according to the board minutes or the board papers of 25 March, you were informed that the cost of the dam might exceed $250 million, but in May when you and Mr Sullivan appeared before this estimates committee you allowed to stand the impression that the cost of the dam would be something in the order of 30 per cent above $145 million, which is—

Mr Sullivan: I think you are confusing—I think you are talking there, one, about the dam, and the second part of your question is about the Murrumbidgee to Googong transfer.

MRS DUNNE: No, I am not.

Mr Sullivan: One hundred and forty—

MR HARGREAVES: Madam Chair, can I raise a point of order here at this point, please?

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: As I understand it, in March 2009 it was prior to the 2009-10 estimates process—

MR SESELJA: Sorry, what is the standing order? What is the standing order, Mr Hargreaves, that your point of order—

MR HARGREAVES: I am trying to get to the point of relevance here, Mr Seselja—something with which you are a bit estranged. But do not bother; just sit there and hold your horses for a second.

MR SESELJA: Your job is not to protect the government, John.

MR HARGREAVES: Mr Seselja, you have been obviously excelling in the school of rudeness.

MR SESELJA: Madam Chair, vexatious points of order from Mr Hargreaves can stop now, I think.

MR HARGREAVES: You seem to have graduated from the royal Australian school of rudeness—

MR SESELJA: I think perhaps you just allow the question to be asked rather than—

THE CHAIR: Thank you, Mr Hargreaves.

MR HARGREAVES: I am trying to get a point of order in over the chatter of—

MR SESELJA: It is vexatious, like all your others—

MR HARGREAVES: inane mad people, Madam Chair. My point of order is that the question relates to the financial year past—well past the documents that we have

before us now.

MR SESELJA: We had this discussion before—

MR HARGREAVES: Mr Seselja, if you wish to try talking over people, we are in for a very long fortnight!

MR SESELJA: You are just stalling, and you should be shut down.

THE CHAIR: Thank you—

MR SESELJA: You should be shut down. It is vexatious rubbish, and you should shut up.

MR HARGREAVES: No, I just think we should—

THE CHAIR: Thank you, Mr Hargreaves. We will be moving on. Mrs Dunne, you did raise a question. I think Mr Sullivan was in the process of answering it.

MRS DUNNE: Sorry, just to clarify, the question I am asking about is the cost of the water security projects, which are relevant to the previous budget, this budget, and they will continue to be relevant in future budgets.

Ms Gallagher: Ms Hunter, I am going to take all of them on notice. I do not want a privileges committee established to inquire into what I may have said or may not have said. I am going to be very careful. Mrs Dunne has got form. She is embarrassed. She is now trying to continue—

MR SESELJA: As opposed to your form.

Ms Gallagher: She is trying to continue on, like Sherlock Holmes, about something that has moved on since then.

MR SESELJA: Are you answering the question or not, or are you taking it on notice?

Ms Gallagher: We will take it on notice.

THE CHAIR: Ms Gallagher, you have said that you will take that on notice.

MR SESELJA: Mrs Dunne was in the process of asking another question, which is when Mr Hargreaves cut her off.

MRS DUNNE: Sorry, could I ask the officials to pass that to the minister, and I ask—

MR HARGREAVES: I remind you, Mr Seselja, that Mrs Dunne is not a member of this committee.

MRS DUNNE: But I have the floor. Minister, those papers relate to the board meeting of 1 July. The first of the papers relates to the project cost for the expanded Cotter Dam, on the second page; the first page does not have much on it. First of all,

minister, could you tell us when you received and read this paper? Was it prior to Actew Corporation's board meeting, which was held on 1 July 2009? I presume you are going to take that on notice?

Ms Gallagher: Yes, I will. I will be taking all of this on notice.

MRS DUNNE: Thank you. When you take it on notice, could you tell us, if you did not read it before the meeting on 1 July, which you say in your answers to questions that you did, when did you receive it and when did you read it? Do you note that the papers say, and I quote:

> The preliminary TOC estimate for the construction of the ECD—

that is the enlarged Cotter Dam—

> is significantly over expectations and the BWA is now challenging its design and cost estimates to bring the total project cost within $300m.

Ms Gallagher: Yes, I can read that.

MRS DUNNE: When you were in attendance at the public accounts committee on 2 December 2009, I asked you a question, which was—and I will quote this directly from the *Hansard*:

> So you knew roughly then—

referring to the minutes of the board meeting of 1 July—

> that it was going to be hard to be less than $300 million for the dam.

You said:

> I would have to go back and have a look at what the minutes said—

Ms Gallagher: Yes.

MRS DUNNE: You continued:

> but I read all the correspondence I get from Mr Sullivan and from the board. And I was certainly aware that costs were increasing on the dam.

Then you went on to say:

> As to your question about when I was aware that it was over $300 million, my answer to that remains that it was in August when the government was given the final costings.

Ms Gallagher: Yes.

MRS DUNNE: Did you go back and check your records, as you said you would, on that occasion?

Ms Gallagher: Yes, and I am confident that all my answers have been correct.

MRS DUNNE: You do not find—you do not see that there is any necessity to correct the public record?

Ms Gallagher: No.

MRS DUNNE: Okay.

Ms Gallagher: If I can add, Mrs Dunne—I am sure I have said this a number of times—I was briefed not only by Actew but by Treasury that the costs of the dam were increasing, that there was no final cost, there was speculation about what those final costs would be, that Actew had commissioned some work to run the ruler over their costings and to make sure that their costings reflected good practice, and Treasury were involved in that work. So, yes, I was briefed right throughout that time. It would coincide with this timetable. However, a final cost was not provided to the government until August. My answers to that are all correct.

MRS DUNNE: Okay. Minister, why did you tell the committee that you were aware that the costs were increasing when you already knew, because you have told various committees that you read all the correspondence from Mr Sullivan and the board, and that it was going to be hard—and that correspondence said that it was going to be hard for the cost of the dam to be less than $300 million?

Ms Gallagher: Sorry, your question? Say it again, Mrs Dunne?

MRS DUNNE: Why did you tell the committee that you were aware that the costs were increasing, but at the time you already knew because, by your own admission, you read all the correspondence from Mr Sullivan and the board.

Ms Gallagher: Yes.

MRS DUNNE: Mr Sullivan and the board had already told you it would be hard for the dam to be under $300 million—

Ms Gallagher: Well, I don't—

MRS DUNNE: That was in July.

Ms Gallagher: When did Mr Sullivan say it was going to be hard to keep it in—

MRS DUNNE: In the board papers of late June—

Ms Gallagher: It does not say that. The board papers say that the Bulk Water Alliance is now challenging the design and cost estimates to bring the total cost within $300 million. So is that what you are quoting from when you say—

MRS DUNNE: Yes, and then—

Ms Gallagher: Mr Sullivan said it was hard to bring costs in to $300 million? Is that the same sentence or just your interpretation of it?

MRS DUNNE: The board papers say that it is now over $300 million. We all know that the TOC came in at $299 million.

Ms Gallagher: No, it does not say that. It does not say it was over $300 million. Mrs Dunne, this is exactly the form you have got and why I will be responding to questions on notice with this answer. It is because you have now given me two different interpretations of what that sentence actually says, with your own flavour in it, bringing Mr Sullivan into it, saying he said something, saying it says it was over $300 million, neither of which is actually said in the minutes of the board.

MRS DUNNE: What it says is that the Bulk Water Alliance is now challenging its design—

THE CHAIR: Okay, so is that going to be taken on notice?

Ms Gallagher: It will.

THE CHAIR: All of those papers and questions?

Ms Gallagher: It will.

MRS DUNNE: and costs to bring the project within $300 million—

THE CHAIR: Mrs Dunne, was there another question you wanted to ask—

MR SESELJA: She was responding to the assertion by the Treasurer.

THE CHAIR: We have a lot of papers you have tabled.

MR SESELJA: She is entitled to respond to the assertion.

THE CHAIR: Are there any more you want to add, because I know there are two more committee members with questions. Is there anything else you wanted to add?

MRS DUNNE: Yes, I do. Mr Sullivan, I refer to the statement quoted earlier from the discussion paper which the minister has before her. I will quote it again:

> The preliminary TOC estimate for the construction of the extended Cotter Dam, ECD, is significantly over the expectations, and the BWA is now challenging its design and cost estimates to bring the total project cost within $300 million.

The total project cost. Would you clarify whether the task was to bring the TOC within $300 million or the total project cost within $300 million.

Mr Sullivan: I will take that on notice.

MRS DUNNE: Thank you. Minister, did you at any time clarify with Mr Sullivan

whether this board paper was talking about the total outturn cost or the total project cost?

Ms Gallagher: I do not think we had that specific conversation, but I, too, will respond, if that is another question, as a question on notice.

THE CHAIR: On notice, thank you. Mr Hargreaves.

MRS DUNNE: I do point out, minister—

MR HARGREAVES: Thank you very much, Madam Chair. My question to the good folk from Actew relates to budget paper No 4, page 442, yet again. It is actually almost history. In the "Other gains" column, you talk about $12,426,000 which has come from the one-off sale of Ecowise Environmental. Could I ask for an explanation as to why that company—it was a company, I actually believe—was put up for sale, and what happened to the employees that were with it? What were the arrangements and how did you go about it?

Mr Sullivan: Thank you very much, Mr Hargreaves. Ecowise Environmental was a company that was owned jointly between Jemena, who is our partner in ActewAGL Distribution and Actew. It was a very complex commercial arrangement where we owned each of the shares jointly and severally. Jemena indicated to us that Ecowise was not a business that they wanted to be in, not because it was not successful, but they basically do not run environmental companies and were seeking to cease their involvement in it.

We decided that there was an unsolicited offer from a company called SP AusNet, which is a related company to Jemena. We considered that offer and rejected it. We then decided to move to a position where we operated, I think what is called a trade sale, where we went to a number of companies who we felt may be interested in purchasing Ecowise. As a result of that, we sold Ecowise to a company called ALS, which is known generally as Campbell Brothers.

As part of that sale process, we put conditions on the sale which were agreed with our shareholders that the laboratories in Canberra would be maintained, that there would be special attention taken to the Ecowise employees, particularly those in Canberra. In return for that, Actew and, through Actew, ActewAGL, agreed to long-term laboratory contracts with Ecowise, then owned by ALS, to maintain the services to Actew.

The sale proceeded. The only staff who were impacted in the end were those staff who, through long history, were still technically seconded from Actew to Ecowise. They had to be given an option in respect of a voluntary redundancy program, because they were actually employees of Actew rather than Ecowise. I think about seven people took that opportunity. Of those seven, I understand four or five then returned to work for Ecowise anyway.

Otherwise, the employment transition was smooth and they continue to do a fine job for us in the ACT and Ecowise continues under the ALS banner now as a very strong environmental testing company throughout Australia. The sale price was very

attractive to us. It was higher than any valuation that we had. So it was a good news transaction.

MR HARGREAVES: That figure of $12½ million, is that Actew's share of the—

Mr Sullivan: That is Actew's share of profit.

MR HARGREAVES: Share of profit. So there were assets included in that which came off your books, and after all of that, at the end of the day, if you take everything out, you came out $12½ million in front?

Mr Sullivan: Yes.

MR HARGREAVES: That is a big tick. I congratulate whoever it was in your organisation who has done it.

Mr Sullivan: A lot of people.

MR HARGREAVES: Yes, as usual, but there is somebody heading it up. Thank you very much for that; excellent stuff.

MS BRESNAN: On page 439 of budget paper 4, there is mention of some of the ecological monitoring and protection programs and it also discusses some liaison which occurs with environment protection agencies. Could you provide a few more details on some of the programs which are being run, particularly as it mentions the vulnerable species in the Cotter, Murrumbidgee and Burra Creek. What funding is allocated to those programs? Also, how often do you meet with the environment protection agencies?

Mr Sullivan: I will ask Ross Knee, who is Executive Manager, Water, in Actew to give you some information.

Mr Knee: We have had a long history of environmental monitoring, particularly in the Cotter River catchment. We have been monitoring fish there for a long time and the water quality. We have continued to do that. We have enhanced it a lot because of the enlarged Cotter Dam project. We do monitoring around lower Molonglo, so that is up the Molonglo reach of the river, upstream and downstream of the Molonglo confluence with the Murrumbidgee. With the advent of the Murrumbidgee to Googong project, we are doing monitoring in Burra Creek and upstream and downstream of the uptake in the Murrumbidgee as well.

We also do monitoring in the Queanbeyan River, in the dam itself and downstream in the Queanbeyan River, all the way down through Lake Burley Griffin, down the Molonglo River. We also do monitoring downstream from the ACT down to Burrinjuck Dam. With respect to the costs of those, I will have to take that on notice.

MS BRESNAN: Sure, and what you determine as your priorities when you are developing those environmental programs.

Mr Knee: The other part of your question was: how often do we meet with the EPA?

MS BRESNAN: Yes.

Mr Knee: I would like to take that on notice as well. It is roughly around every two to three months. We have an environmental technical advisory group with EPA and the University of Canberra, and we develop our monitoring strategy out of that.

MS BRESNAN: What processes do you use to keep the public informed about what you are doing in relation to those environmental issues, if they come up in the particular catchments?

Mr Knee: Under our licence we have a reporting requirement to the EPA. We provide reports of all incidents that happen to the EPA.

MS BRESNAN: So it is for the EPA then to pass on that information. I guess you have an indirect role in informing the public through the EPA?

Mr Knee: That is correct.

Mr Sullivan: I think we are going to try and step up that information role because the upper Murrumbidgee in particular is extraordinarily important to us. Ross mentioned the work that we are doing up there. To a degree, Tantangara and the Murrumbidgee to Googong transfer have focused us on it, but the other issue is that we are seeing after most rain events in the ACT at the moment that the turbidity of the Murrumbidgee River is quite high. We have done a lot of work on trying to source where that turbidity is coming from, and it is largely coming from the New South Wales side and the upper Murrumbidgee, where there are some erosion-related issues in some properties.

We are starting to move to work closely with New South Wales Water, with the councils of the upper Murrumbidgee and with individual landowners in the upper Murrumbidgee, because turbid water for us is a major difficulty. From a water utilities perspective, if the water in the Murrumbidgee becomes too turbid, we cannot pump and put it into our water supply. When there are rain events and the river is flowing very well, that is when we would really like to be able to take it out of the river and put it into our water treatment processes, but when it is turbid we cannot.

Burra Creek has become a focus as we work through the issues of water release in the Burra Creek. That has engaged us a whole lot more with the catchment and water groups surrounding the upper Murrumbidgee and the Burra Creek. We are finding a lot of—some may say surprisingly—common ground with respect to how we can help and work through some of the environmental issues around it.

I think it is important, in just alerting that we are in this game, that we take it very seriously and that we probably need to improve our community information on what we are doing. Some of it will be tied in to the Bureau of Meteorology's new national program in respect of water, water catchments and things like that. We are discovering, as we happily comply with their requirements, that with most of the sources required to give the BOM the necessary information to publish nationally, we are not needing to do a lot of new stuff. So there will be that avenue as well to see a

number of issues around water in those areas. A lot more public information will come from this quite exciting project that the BOM is doing, which we are working on with them.

THE CHAIR: I would like to go to page 448 of budget paper 4. It talks there about the decrease of $31.264 million in the 2009-10 outcome from the original budget. That was due to the repayment of borrowings by ActewAGL that are not likely to proceed. Can you explain what was involved in this transaction and why ActewAGL is no longer paying for borrowings?

Mr Wallace: The line you are looking at is basically the distributions from ActewAGL to Actew Corporation. There was a forecast for ActewAGL to undertake borrowings in last year's budget of $40 million per year. As it was stated, that is now unlikely. With the current state of events, it is unlikely to occur, so that is basically the decrease in this area. There is still work being done in the background to see if it can be pursued, but it is a two-party matter in terms of Actew and Jemena, the other partner of ActewAGL.

Mr Sullivan: ActewAGL generally fund their capital works internally. This has an impact not so much on profit but on distribution capacity, because the cash is used to be spent on capital works. ActewAGL were pursuing an option of funding its capital works program more and more through debt, which would relieve the cash in that the cash distribution would go up and there would be less of a gap between your cash distribution and your profit. In the end it was resolved at the joint venture level that ActewAGL would not pursue the debt option and we would continue traditionally doing it. So that is where this variation is—it has its impact on cash distributions. It is not so much on profit; it is more a cash issue in the fact that the cash will now go more and more into capital works.

MR SESELJA: Just on questions around borrowings—this is for Actew rather than ActewAGL—and looking at the statement of intent and the budget papers, at page 440, and I think it is at page 17 of the statement of intent, obviously, the borrowings have gone up since that statement of intent. We might be talking about two different things; if we are, please correct me. For 2009-10, it was $250 million; I think in the statement of intent it says $330 million now. For 2010-11, it goes from $100 million to $300 million. Obviously, we have seen the increases in costs. When did we become aware of those increases in debt? Obviously, the statement of intent would have been done at the time of the last budget; is that correct?

Mr Sullivan: Just before.

THE CHAIR: Just before, so it would have been in about April.

Mr Sullivan: The change in 2009-10 reflects the fact that we did not borrow in 2008-09 to the level that we thought we would. That was because of the delay in the projects coming online, if anything more, and the requirement for borrowings. Of course, we had a financial environment where you had to be very careful about entering the market in respect of borrowings. The increase in 2009-10 is more to do with a deferment of borrowing out of the previous year. The increase in 2010-11 is more to do with increased borrowing requirements as a result of increased costs.

MR SESELJA: Okay. The interest payments, the borrowing costs, over the page, obviously as a result of extra borrowings have increased from the statement of intent. We see them, on the numbers we have, peaking in 2012-13 and levelling off in 2013-14. Obviously, they have gone up a lot because there is a lot of capital going on at the moment. In the years beyond that, what is the plan to pay that down? How significantly will the interest costs go down in those following years?

Mr Sullivan: I think I took a question on notice. Until we see what sort of a bond the ACT government is able to negotiate for us, that will give us much more guidance on that. Traditionally, we have used indexed annuity bonds, which involve payments of both capital and interest throughout the life of the bond. They are quite difficult at the moment, so we may move to another form of bond; it could be a capital indexed bond or something like that. Once we see that next bond raising and what the bond is, it will give us a capacity to be able to give you a longer term answer in respect of interest.

MR SESELJA: When do we expect that that will be known?

Mr Sullivan: It would be nice to think of that bond raising occurring in the next few months.

MR SESELJA: On another issue, with respect to the water security projects, what is the advertising budget for them in 2009-10?

Mr Sullivan: Yes, I can take that on notice. It is about the same as it has been for the last couple of years, so it is around $300 million in respect of advertising. But I will get you that very specifically.

MR SMYTH: $300 million?

Mr Sullivan: Sorry, $300,000.

MR SESELJA: We are talking big numbers here!

MR HARGREAVES: I move for a privileges committee investigation!

MR SESELJA: That would have been tomorrow's headline.

Mr Sullivan: I apologise immediately.

MR SESELJA: So roughly $300,000 in 2009-10; a roughly similar budget for 2010-11?

Mr Sullivan: I think slightly down then, around the 250 mark, but I will get you the numbers.

MR SESELJA: And as a proportion in both of those years of the total Actew advertising budget?

Mr Sullivan: I will get you that.

MR SESELJA: Thank you.

THE CHAIR: What sort of things will you be putting in those marketing or advertising campaigns for the next year?

Mr Sullivan: I think you would have seen in this year's water security budget more and more of a linkage. We have two programs. We have the water for life program, which is around education, water, how important it is et cetera. You have started to see a linkage established between the water for life program and the water security program. You start with the kid in the bathroom and you lead to the fact that he is out there as an engineer on a dam. We do have some young ones out there. So I think more and more there is a linkage between why water security projects link in to the future of water and water usage. I hope we can see some more of this linkage into demand management et cetera. Also, there is a desire to understand progress. I think that is lessening in respect of the dam, but there is still a desire to understand progress—so some issues around progress with the projects.

MR SMYTH: With the costs that you have taken on board for the advertising, can you give a breakdown by media—television, print and other—and also include the production costs of each advertisement?

Mr Sullivan: I will give you what we have spent this year. I will give you that breakup, and you can then interpret that. I do not see any radical movement from that breakup. With respect to the future, we would not have broken it into media type. So if that is okay with you—

MR SESELJA: I think that is reasonable. A reconciliation of what has been spent by that breakdown—

Mr Sullivan: Yes. I do not think we would expect a great change in percentages.

MR SESELJA: If there was expected to be a major diversion in one of those areas, perhaps that could be highlighted.

Mr Sullivan: Yes, we will do that.

MR SMYTH: The sixth dot point on page 439 is "working with the ACT government to achieve an appropriate sustainable diversion limit in the Murray-Darling Basin plan". What is an appropriate sustainable diversion limit?

Mr Sullivan: Enough to provide Canberra with water for the foreseeable future. This, again, is an issue for the ACT government; it is an issue for Simon Corbell's department. They are the negotiators. We provide advice for them in terms of that negotiation. The Murray-Darling Basin Commission are scheduled to issue a draft plan in June and then move to negotiations of those sustainable diversion limits, or what we used to call caps. Clearly, the ACT, through the ACT government, will need to negotiate. What you do not get in a sustainable diversion limit is that, if you need the water, you then have to purchase it.

MR SMYTH: So your role there is to advise the ACT?

Mr Sullivan: We are advisers. We are not part of the negotiation.

MR SMYTH: Treasurer, is this a responsibility that you advise Mr Corbell on?

Ms Gallagher: No. Minister Corbell has responsibility for the water policy across the ACT government.

MR SMYTH: What are the prospects for achieving a satisfactory outcome?

Mr Sullivan: I think the ACT government have a good record in terms of negotiating caps and sustainable diversion limits. I hope they keep it going.

Ms Gallagher: Yes.

MR SMYTH: If we do not get an acceptable sustainable diversion limit, what then are the implications for water security in the ACT?

Mr Sullivan: We have a current cap of net 40 gigalitres. We have not used that cap. In fact, last year our net water usage was about 18 gigalitres. It would have to be a disastrous result to create disaster. That is clearly not going to happen. Where it does put pressure is basically on the ACT's capacity in respect of population increase, much more than on water increase. We have limits in terms of per capita usage and water going down, but if population increase moves, it then presents a pressure. But I cannot see any outcome delivering a disastrous result. You have to remember that, in terms of the Murray-Darling Basin, we account for about 0.03 per cent of the basin's water use. We are the largest urban centre.

The Murray-Darling Basin is interesting in that the commission has put out its own guidelines as to how you should calculate your diversion limits. I think the ACT government are working within a factor that is way under what their own guidance would suggest the ACT should look for. So there should be confidence.

MRS DUNNE: I wanted to clarify something. I think I heard you say, Mr Sullivan, that the water that we purchase out of the Tantangara purchase stands outside the cap?

Mr Sullivan: That is right.

MRS DUNNE: Thanks.

MR HARGREAVES: Minister and Mr Sullivan, I am aware that Actew is a sort of subset of ActewAGL, in the sense that there is—

MRS DUNNE: Other way around.

MR HARGREAVES: All right, the other way around. I am also aware that there are significant community contributions in terms of sponsorships, in terms of grants, in terms of other community involvements. I am interested in knowing how much the corporation actually deals out to the community by way of that sort of support. I am

interested, if there is a split between such things as sponsorships and grants, in getting some sort of an idea. What I know from my own experience is only limited. It is about the amount of support that the corporation gives to the non-high-profile activities like junior sport as opposed to elites, as well as to the elites. I would be interested in seeing what kind of community contribution our own corporation comes up with.

Mr Sullivan: Thank you, Mr Hargreaves. Actew's budget on sponsorship and community support is $470,000 a year. We break that down into a major events budget which is around $300,000 and a community support budget which is $170,000.

If you look at the major events, we basically then break that down into cultural, arts, sports, education and community. The big ones are the Australian Science Festival, the Canberra Symphony Orchestra, the Canberra area theatre awards, the Australian National Eisteddfod, the Australian War Memorial, Christmas carols, the Canberra International Music Festival, Bell Shakespeare theatre company, international softball skins tournaments and things like that. So far this year, to 1 May, we have sponsored 15 events.

The community support program is basically financial and, importantly, in-kind assistance to fund-raising events and activities. These include Malkara special school, the Smith Family, the Salvation Army, the Vietnam Veterans Motorcycle Club, the National Breast Cancer Foundation, Guises Creek Rural Fire Brigade and Snowy Hydro care helicopter. So far this year we have assisted 35 organisations.

We have lifted our assistance in terms of the number of organisations that we assist by about 30 per cent over 2008-09. We decline requests for sponsorship. We do not have to decline many but we cannot say yes to everybody. But we continue to work through as much as we can.

On top of that, with ActewAGL, theirs is a bit more complex because part of it is marketing. It is very important that ActewAGL has, in terms of utility companies in this country, the lowest churn rate of customers of anybody. Part of that is clearly people seeing ActewAGL as being part of our community. So getting their budget and working out what is marketing versus what is direct sponsorship is a bit more complex.

MR HARGREAVES: Thank you very much for that. I have got a couple of supplementaries. Could we get a list of that breakdown that you have just given us? I am sure that *Hansard* will show it but I am not quite sure that it is complete. Have you given us major highlights of that? That would be very helpful. You say that it is an increase of 30 per cent on last year.

Mr Sullivan: In numbers of organisations helped.

MR HARGREAVES: And that is it. Could I ask you to tell me how many organisations, without naming the organisations, you supported the previous year in both of those groups? Certainly not now, not at all.

Mr Sullivan: We will prepare a full brief on that.

MR HARGREAVES: I am sure Mr Smyth will be chuffed, because he is in the Guises Creek rural fire brigade.

Mr Sullivan: It did not influence the decision.

MR HARGREAVES: He is going to say thanks. There was no privileges committee into Mr Smyth?

THE CHAIR: Mr Hargreaves, have you finished?

MR HARGREAVES: I will save it. I will save it for a fight later.

THE CHAIR: Mr Rattenbury and then we will be breaking for morning tea.

MR RATTENBURY: Thank you, Madam Chair. Mr Sullivan, last week Actew took a number of MLAs on a tour of the various water security projects at the moment, which I found really helpful. However there are a number of—

Ms Gallagher: Was that last week?

MR RATTENBURY: Yes. And I was one of the people that went. It was very useful but there were a number of things I would like to clarify that arose from that. I wanted to check on what is the intended transfer up the Murrumbidgee into the Googong pipeline. When we spoke about this last year we were talking 10 gigalitres. In discussions I had with Mr Dowell we understand it might be higher than that now. I thought I had missed the point, so if you could clarify that.

Mr Sullivan: You have got to look at this. We have a Murrumbidgee to Googong bulk transfer pipeline project which seeks to take water from the Murrumbidgee River, a general flow of river water, extract it, which would be within our cap, and transfer it to Googong Dam via the pipeline and Burra Creek. And we are saying we believe there is an upper limit on that transfer of 10 gigalitres, on average. We are looking to 10 gigalitres of water being transferred through that process.

Then we have a separate project, which is Tantangara water. We have purchased water which is not within the cap and we seek to have up to 11 gigalitres of water in Tantangara available for our use in any one year. We would seek to use that by moving it down the upper Murrumbidgee to Angle Crossing and then transferring it across to Googong Dam through the Murrumbidgee to Googong bulk transfer pipeline and Burra Creek.

We have to allow for wastage in that water—and there will be some wastage in terms of the water—and so we are hoping then that we could transfer a further 10 gigalitres of water. There are two 10-gigalitre movements of water—one, flow of river within cap; and one, Tantagara-released water.

MRS DUNNE: Can I follow up on that because it was a line of questioning that I was interested in as well. I think it was in February this year Mr Rattenbury asked you similar questions about the volume of transfer. My recollection was that you said at that time that you were envisioning it would be a figure more around the five-gigalitre

transfer. And I think you said at the time that the net economic benefit would still be there even at a lesser figure of around 3½ to four. I am actually a little confused. I had always thought it was 10, and then in February it seemed to have been reduced significantly. Now it is 10 plus 10. I am trying to get a—

Mr Sullivan: Without relying on what you think I said, I would have to see what I said before I answer that. But let me go through it again. There was a discussion with Mr Rattenbury about the Murrumbidgee to Googong bulk transfer process and it was that, if we are limited at all through capacity management agreements with either New South Wales or the ACT arising out of their approval of the process, the Murrumbidgee to Googong bulk transfer project still has economic benefit at quite low levels of transfer. And we have certainly talked about of the order of three to five gigalitres would still make the project viable.

At the moment, we do not have a Tantangara project and, until I have got a Tantangara project that provides it, I have to justify Murrumbidgee to Googong on its own accord. And that is transfer of capped river flow water across to Murrumbidgee to Googong. That is why it has to be justified in terms of its economic benefit, on the assumption that nothing else occurs than that. If Tantangara then is implemented as a project, it basically provides, in terms of an already justified process, a transport mechanism of Tantangara water across to Googong Reservoir.

MRS DUNNE: Another 10.

Mr Sullivan: And that is why I said I did not count the transport mechanism as a recurrent cost of Tantangara, because it is basically in operation.

There are two separate projects, one getting very close to approval in respect of the Murrumbidgee to Googong transfer, the other reliant on an intergovernmental agreement and a commercial agreement being finalised. When they are all approved and we move down the further processes—I do not think that the ACT requires any further process; I do not think the New South Wales government will require any further process; but the commonwealth may—then we can bring the full numbers to the table, for what it means.

I hope that clarifies that what I was talking about was capped water and the fact that we could justify this process without Tantangara on quite a low level of water transfer from the river. The more we transfer, of course, the more viable it becomes and the more justifiable it becomes.

MRS DUNNE: Is it possible for the committee to receive a copy of the net economic benefit analysis for the Murrumbidgee to Googong transfer?

Mr Sullivan: I will take it on notice. I think we have done it but I will have a look.

THE CHAIR: Thank you, Mr Sullivan. It is 10.30; so thank you to Actew officials for appearing this morning. We will now be adjourning for morning tea. We will continue with the superannuation provision account.

MR SMYTH: Are you saying that is the end of Actew questioning?

THE CHAIR: That is right.

MR SMYTH: I am not sure that was discussed with the committee.

THE CHAIR: We will adjourn.

Meeting adjourned from 10.31 to 10.50 am.

THE CHAIR: We will now move on to the superannuation provision account. In last year's budget there was an undertaking to conduct a review into the superannuation liability, and page 215 of budget paper 3 gives a brief overview of that report. I am wondering what happened with the liability. It was stated that the liability is now 52 per cent funded, which is still below the 2008 level of 65 per cent. Could you please provide some more details of that report that has been undertaken and any plans prior to the triennial review, specifically in regard to future anticipated capital injections? Also, are we still on track to achieve the goal of having fully funded the liability by 2030?

Ms Smithies: I might hand over to Pat McAuliffe to confirm some of the numbers. Your first set of questions was around where our liability is at and what is our percentage funding, so I might hand over to Pat to do that, and then we will come back to the review.

THE CHAIR: Mr McAuliffe and Ms Smithies, you understand the implications of the privileges statement?

Ms Smithies: Yes.

Mr McAuliffe: Yes. As you pointed out last year, following the big downturn in the markets, the investment portfolio in particular suffered some big losses. Over two years it was a few hundred million dollars. At the end of last year we ended up at a funding ratio of 45 per cent, and that obviously gave us cause to have a look at things to see whether we needed to change things. Over the course of this year, we have seen a very significant turnaround in investment markets. The estimated outcome that we are looking at for this year is about a 14½ per cent return as opposed to our budget for a return of 7½ per cent. That is nominal, net of fees, so that has turned that funding ratio around quite significantly from 45 to estimated to be about 52 per cent this year. We have looked at that, and I guess the budget is based on, again, a forward-looking return of 7½ per cent across the forward years.

Ms Gallagher: In relation to the funding plan, the decision that we have taken in this budget is to wait until the triennial review, which is done, as I understand, next year, around any potential for future capital injections into the superannuation account in order to meet our target. So we have not put anything additional in this year over and above our normal provision. We have had two years of pretty volatile activity, one where we lost money and one where we have made some significant improvements on that loss, so I just think the triennial review would be a much more comprehensive review around our future liabilities.

THE CHAIR: In budget paper 4 on page 191 this year's estimated expenditure is significantly lower than the 2009-10 estimated outcome. Could you explain the reasons behind this?

Mr McAuliffe: That is booking through unrealised losses on the investment portfolio, so on page 193, if we look at the other expenses line, we have an estimated outcome of $70 million dropping down to $8 million.

THE CHAIR: Okay. On page 193 all the revenue items are significantly down. Are there factors other than a return to more trend levels for returns?

Mr McAuliffe: Again, up in the estimated outcome, particularly for the other revenue item, that picks up the bulk of the unrealised and realised gains on our investment portfolio. So we have factored in the 14½ per cent return for this year, and then next year we go back to reversion, reverting back to a 7½ per cent return for the forward years.

Ms Gallagher: It is a long-term average.

MR SMYTH: Can we go back to the first part of your answer, which was the drop in other expenses. Does the new accounting standard have any effect on the determination of that number?

Mr McAuliffe: Which accounting standard is that?

MR SMYTH: The new accounting standard says that it does not require reductions in asset values or impairments to be written off against expenses. So is that applied in 2010-11?

Mr McAuliffe: No. That has not been the way we account for these.

MR SMYTH: Okay. So, if not, why not?

Mr McAuliffe: I am just not sure what you are referring to.

Ms Smithies: Which accounting standard are you talking about?

MR SMYTH: I knew you were going to ask that number. My understanding is that the standards have changed and that—

Ms Smithies: Accounting for superannuation or accounting for employee entitlements?

MR SMYTH: For superannuation is my understanding.

Ms Smithies: We might have to have a look at that, but not to my knowledge. We had a change to the accounting for employee entitlements, which we took in in the budget outcome as part of last year's outcome and it has flowed through into the budget. But that is not how we account for superannuation liabilities in a superannuation account. It is a different standard. So it might be that.

MR SMYTH: I will check on what standard changed, and I might put it on notice.

Ms Gallagher: Yes.

MS BRESNAN: Just following on from the discussions we have just been having, at the top of page 197 in BP4 it talks about reduced allocation to share investments. I am presuming this means there is a higher allocation of cash investment. I am just wondering if you can explain this a bit further and briefly talk through what the thinking is behind this.

Ms Gallagher: This is under "dividend revenue", is it? I am just having a look at 197.

MS BRESNAN: Yes.

Mr McAuliffe: Essentially, we are not changing our actual asset allocation to shares. When we revert to a 7½ per cent return, we are getting dividends paid on a higher—sorry—

MR HARGREAVES: While you are doing that, Mr McAuliffe, Treasurer and Ms Smithies, am I correct in assuming that most of the numbers in fact will go down and back to the normal budgeted perspective because of the increase from seven to 14 per cent, so that we have seen in 2009-10 a rather nice piece of additional interest that was not actually projected, and that is nice, so the safety-first factor, dealing with other people's money, is you are going back to the single line of seven?

Ms Smithies: That is exactly right. We would have budgeted for a 7½ per cent return in 2009-10. We have exceeded that. Up to around the 14 per cent is where we are sitting for 2009-10 because we do not obviously budget for the share markets to be sitting at such a high level across the board. It is just coming off that high.

MR HARGREAVES: So in dropping it down to seven, back to where you were before, have you worked out what it was that made that extra seven per cent in 2009-10 and why that is not going to go forward, part of it?

Mr McAuliffe: The bulk of it is going to be unrealised. It will be gains through capital appreciation of the value of the shares.

MR HARGREAVES: Okay.

Mr McAuliffe: But at the moment also, because of the growth in return, the value of our share allocation has actually grown above our strategic target and so what the budget assumes is then we will rebalance that down to the lower range across the forward years.

MS BRESNAN: The point was actually the second point under interest at the very top of page 197 and it refers to "anticipated lower level of allocation to cash investments".

Ms Smithies: I see. The very top point, yes.

MS BRESNAN: Yes, the very top point. So I am not sure my question has been answered—excuse me if it has—but it was just about briefly talking—

Mr McAuliffe: At the moment in our 2009-10 actuals we have got a lot more money sitting in some cash investments because we are waiting to allocate some money to some other asset classes. So, whilst we are doing that, the money has been held in cash, and then across next year we anticipate reallocating those moneys across the other asset classes.

MS BRESNAN: And is there a particular thinking behind taking that particular approach, in terms of, as you said, going to the cash investment?

Mr McAuliffe: The approach was to keep the money, if you like, "proxyed" in cash while we are in a position to allocate to the other asset classes. So, whilst we have been out exploring opportunities to reallocate, we have held the money in cash as opposed to putting it wholly into equities and exposing yourself to a lot more equity risk exposure.

Ms Smithies: The territory has an investment policy which we call strategic asset investment allocation, which is outlined in the investments chapter—I think it is found on page 206—which talks about our long-term asset allocation and what is seen as the best balance of asset investments between high growth and low growth assets. That is a strategy that is worked up with our Investment Advisory Board in relation to this particular portfolio and has been signed off by government some time ago. But obviously we can only move into particular markets when opportunities arise. Indeed, when there is turbulence in the market, you might want to sort of hasten slowly into moving into particular areas until things settle down. So it is a long-term goal about how we want to allocate our financial assets.

MS BRESNAN: Yes, and it is based on what the risk is at a particular time—

Ms Smithies: That is right, yes.

Mr McAuliffe: That is right. We take an assumption. Assumptions are made about the returns across the various asset classes and you essentially mix those together. The idea is you model it up. The outcome we are looking for is our investment target objective, which is the five per cent real plus CPI and then the fees. So, after a whole lot of modelling scenarios, this is the outcome that we have come up with, which we think will deliver us that five per cent real outcome without taking any more risk than we need to to get there. Any investment returns are hard these days, but five per cent real—it is not something where you can leave all the money in cash and have any real chance of getting that; hence the equity exposure we need.

MS BRESNAN: Thank you.

THE CHAIR: Every year in a range of forums the Greens have been known to ask about ethical investment. Again, I will ask: what work is planned for this year to review the ethics or otherwise of particular investments and move towards a comprehensive ethical investment program?

Ms Gallagher: We have done a review on the principles of responsible investment. I am not sure what the status of that document is. I have read it and I think I want to discuss it with Treasury. Essentially, the outcome of that review was that we are operating in line with the PRI that we set out and that the processes are good. I think it was a very positive report and I am sure we will be able to provide you with that report, Ms Hunter. I know you have been after it and I will just talk with Treasury about whether we can do that as part of this process.

I think the next issue, which is the discussion we had with Caroline Le Couteur and yourself, is really—Caroline's interest is moving beyond PRI and moving into, I guess, shaping your portfolio around ethical investments as opposed to following a process which seeks to influence things within the small jurisdiction that we are. It seeks to influence and it has set of standards that we apply. I think that is probably a harder piece of work. That is something that I am in ongoing discussions about with Treasury because some of it comes to, I guess, conflicts with maximising returns on investments.

THE CHAIR: Although Ms Le Couteur would probably argue that—

Ms Gallagher: Yes, I guess there are different and competing priorities which I am not sure I am reconciled to yet. If you do seek to move to screen or not allow certain investments or holdings in certain companies, how do you do that and to what extent do you move down that route?

The examples Treasury have given me in some of the discussions we have had include: do you exclude tobacco companies? But then it gets down to: do you exclude investment in companies that might grow tobacco on the farm? How far do you go down that chain to exclude if you take this view? I think it is very complicated and I certainly do not have all the answers. I think it is a piece of ongoing work.

MR SESELJA: Do you invest in tobacco companies now?

Ms Gallagher: Yes, there are in—not the ACT government putting their hand up and saying that we want to be investing in tobacco companies, but through arrangements that we have. Perhaps Pat can go through that.

MR SESELJA: What about cluster bombs? Are they still investing in the companies that make cluster bombs?

MR HARGREAVES: We are not investing in the Liberal Party anymore.

Ms Gallagher: Again, not in cluster bombs, but you can draw a link between companies that may manufacture some component of something that might be used for that. That is some of the difficulty. If you are trying to restructure your portfolios, at what point do you make that decision and how far does it go?

Mr McAuliffe: One of the difficulties we have is that we are always trying to look for, across everything, good value for money outcomes. One of the things we are looking at is the cost of our investment portfolio as well. We have made a decision that with a

large percentage of our investments we have invested in indexed managed funds. So we go and put our money into a pool trust. We essentially buy units in that trust and the trust might be benchmarked to, say, the ASX 300 benchmark.

That investment pool will hold all the stocks that comprise that benchmark. If we had a screening policy in place, we would not be able to direct that manager, for example, to screen those stocks out. We would have to get something very, very separate established for us. So that causes some problems. If we say that we want to screen out tobacco where we might be a direct holder in one of our discrete mandates, the income we are going to derive from being in the indexed fund may well be derived from those same companies.

As the Treasurer points out, it is a very difficult process to work through. Our focus is on indexed funds because, as I say, they are very low cost and we are getting the market turn. Where we have active management, where we have some direct holdings, that really is what we call—that is sort of at the edge.

Ms Gallagher: So, Pat, based on what my understanding is, and we do have a meeting in the future scheduled to discuss this, we would have to move out of indexed bonds—indexed investments—basically. We would have to take that decision to move out if we were to start afresh. We cannot do it—

Mr McAuliffe: Or we would have to see if we could find a funds manager that would be prepared to set up an indexed fund for us—a discrete indexed fund just for ourselves—that would screen out those particular stocks. That is where it would become very expensive to do that.

MR SMYTH: Just on the issue, through the SBA are you aware that a fund or a research organisation called ESG Research Australia has been set up?

Ms Gallagher: Am I? No, I am not.

Mr McAuliffe: I can talk about that if you want to talk about what has been happening in this area a bit more broadly. Over the last 12 months one of our Australian equity managers, Perpetual, has actually signed up and become a signatory to the PRI. Another of our Aussie equity managers, Ausbil Dexia, has actually become a member of ESG Research Australia.

One of the big problems we have had with this whole ESG issue is the ability for people making investment decisions to actually get good research on what the issues are so that when they are analysing and making an investment decision, they can actually have the research there to base that analysis on—if you like, they can put a value on a particular risk. That is something that all investors are struggling with. ESG Research Australia has been set up as a means to try to encourage the brokers, and they are the organisations that do this research, to actually specifically look at ESG research and then provide that research to all the funds management industry.

MR SMYTH: So will the SBA join ESG Research?

Mr McAuliffe: No, ESG Research Australia is for fund managers. I am not aware of

any funds or entities that are actually a member of it. It was actually set up by a group of fund managers. There have been a couple of industry super funds—

MR SMYTH: Yes, UniSuper—the big supers, yes.

Mr McAuliffe: There are couple of industry super funds that have done it as well.

MR SMYTH: So a big super can join because it is an actual investor?

Mr McAuliffe: Sorry, we have not actually looked at whether we would join. What benefit we could actually get out of joining is something that we could certainly—we are looking at all those sorts of things for us—options for us to consider.

MR SMYTH: Minister, would the government consider joining ESG?

Ms Gallagher: Yes, sure, and I think this is part of what I am trying to work through with Treasury. We have signed up with PRI. We have had a review done. That says that we are acting in line with those principles. It is now moving, I think, to the next step of taking some decisions around how we go further, if we go further and if we do go further, what that means in terms of positives and negatives for our investment portfolio. It is just a matter of ongoing work and I imagine it will be for some time.

MS BRESNAN: I am just wondering if you can perhaps provide an update on where the Totalcare wind-up project is up to?

Ms Gallagher: So we are moving off the—

MR HARGREAVES: No, it is in the superannuation.

MS BRESNAN: Yes, I thought it was in superannuation.

Ms Gallagher: The issues around the superannuation?

MS BRESNAN: Yes.

Ms Gallagher: I am sure Tom McDonald is here. He looks keen.

Mr McDonald: I am always keen when I am invited by the minister to do anything!

Ms Gallagher: I know that, Tom.

Mr McDonald: Speaking in my capacity as vice chair of Totalcare Industries Ltd, we had hoped to get Totalcare wound up by the end of this financial year. At the end of March we had a meeting with our external auditors and we were advised by them that we were not in a position to apply the wind-up at this time. For technical reasons connected with how the budget runs, we have extended the company's existence by another 12 months. We are hopeful of getting through the issues that we have to get through by the end of the calendar year.

As to where we are in terms of the superannuation matter, by the end of this financial

year we predict, seeing as we are almost there now, that we will have settled with 200 claimants. The payout we have made so far, effective the 6th of this month, was somewhere around $5.57 million in terms of settlements. We have 350 cases, if I can use that term, where settlements have not taken place. It is a misleading number because the overwhelming majority of those are probably individuals with respect to whom we will not have any liability. We have a number of people we have not been able to reach, although we have tried to reach out to them using different methods.

We are preparing advertisements as we go into the scale-down end of the superannuation project now. We are going to be advertising in regional newspapers in Eurobodalla and along the coast and in some national newspapers. We are having a final sweep with regard to superannuation, requesting former employees to come forward if they believe they have a claim.

We have 44 settlements that were previously held up which can now be processed. That is in addition to the 200 which are in the standard phase. Out of the 350, we have another 30 or 40 individuals with respect to whom we have had a hold-up in settlements due to rollovers to third and fourth tier superannuation funds. Those funds were not part of the original mistake doctrine that enable Totalcare to recoup its money from AGEST, which is part of what we need to do the restitution process for former employees.

We are in negotiations with those funds. We had a meeting with APRA last month. We talked about some options in connection with how we would deliver that solution more efficiently than we had because some of the funds have just been, to be frank, stalling us for quite some time. We did not want to litigate. We do not want to spend $15,000 to get $10,000, even though there is a full Federal Court decision that basically allows us to walk in and take the money if we file suit. That is not the way that we wanted to do business. APRA has given us some guidance and we are going to be talking to our federal Treasury colleagues in the next couple of weeks. We are looking for a smoother solution to get through those issues, which involves simply taking the action to settle, using the mechanisms that APRA has told us that we can bring to bear. It is quite prepared to talk to these funds for us as well.

Part of the problem has been that folks did not think that AGEST was giving them a rate of return that they liked so they rolled into some private funds. Of course, half of their capital has been dissipated by the global financial crisis and has not come back. We are managing that side of things. In relation to the rest of them, the outstanding number in that cohort, we are quite happy with where we are.

MS BRESNAN: Has all that had an impact on the time line for the wind-up, essentially, or are there are other factors?

Mr McDonald: There are other factors as well. I may have mentioned to the committee the last time I spoke about Totalcare that a liability of $1 million suddenly came out of nowhere for insurance issues that had not been dealt with over many years by Totalcare Fleet, some of the lessees and also the insurance company itself. It was to do with the payment of the deductible for comprehensive insurance when cars have motor accidents. To put it in the simplest possible terms, many multiples of the $500 did not get paid over many, many years. That was presented to us as a $1 million

liability. We have managed to pare it down to $200,000 and, in collaboration with the folks who had the leases on the vehicles, we are getting through that where Totalcare is not going to be liable. But that is not resolved yet. That is probably the main issue that has been keeping us from winding up. To be frank about it, we do not want to be in a position where we have taken Totalcare from what it was, which was an unfortunate blot on the escutcheon of government business enterprises—

Ms Gallagher: Not under our government, Tom!

Mr McDonald: I will leave that up to you, minister, but we have taken—

Ms Gallagher: I just wanted to point that out. I am sure Mr Quinlan would agree with me.

Mr McDonald: Ms Bresnan, we have taken the company from that position at the bottom of the credibility barrel to the point where we have settled—

MR HARGREAVES: You just took away the barrel; is that it, Tom?

Mr McDonald: Every single case that Totalcare has settled on a superannuation front has been settled without the payment of external legal fees and with no litigation. We have rebuilt the company's credibility in relation to these matters. The last thing that the board wanted—at our last meeting we discussed it—was to damage the brand in the context of cost because if we waver in the way that we are approaching these settlements or the way that we deal with debts, credits, whatever may come about, there is always a danger that we might attract litigation. There is litigation raging against the commonwealth. It has now spilled over a little into the ACT with the superannuation, and Totalcare has been free of it.

Right now I am looking at coming in under what the original allocation of $17 million was. I am happy where I sit in regard to that. The board is happy where we sit. If we start getting sued, you add 30 per cent on top of that for every single case. We would rather not be in that space. We would rather, for the first time in the company's miserable history, give a dividend back to the government when we close it down.

MS BRESNAN: Thank you, Mr McDonald.

THE CHAIR: One more question and then we may need to move on.

MR SMYTH: I have a number of questions still.

THE CHAIR: We will do another five to 10 minutes, if we can, until we need to move on to the next lot of questions.

MR SMYTH: I go back to page 222 of budget paper 3 and the review. Has the review made any recommendations about adding an increment to the annual injection that has already put into the fund?

Ms Smithies: No, it has not.

MR SMYTH: Is there any consideration of upping the annual contribution?

Ms Gallagher: I think we covered this at the beginning.

Ms Smithies: Yes.

MR SMYTH: That is okay.

Ms Gallagher: There will be consideration of it. There has not been in this budget. We are going to wait for the triennial review to inform government in our decision making around that, but I think it is likely that we will need to put more capital into it.

MR SMYTH: So what is the likely time frame on that decision?

Ms Gallagher: When is the triennial review?

Ms Smithies: Next year.

Ms Gallagher: Before the next budget?

Ms Smithies: Not the next budget but the budget after.

MR SMYTH: What year is that? Not the next budget, so—

Ms Smithies: 2012-13.

MR SMYTH: So 2012-13?

Ms Smithies: Yes. It will be incorporated into the 2012-13 budget. It will be done through the latter parts of 2011 and the early parts of 2012. That is when we will do the three-year review.

MR SMYTH: All right. So the objective of 2030 still stands?

Ms Smithies: Yes.

Ms Gallagher: Yes.

MR SMYTH: I notice on page 223 the outcomes in table 6.3.4 as at 30 June 2012 and 30 June 2014. The percentage stays flat at 54 per cent for those two years. Is there a reason for that?

Mr McAuliffe: They are just rounding.

MR SMYTH: It is just a rounding exercise?

Mr McAuliffe: Yes.

Ms Smithies: You can see it is the liabilities and the assets that make up the percentage move.

MR SMYTH: If it is rounding, that is fine. Going to page 190 in budget paper 4, the indicators, what work is being done on the fees paid by the SPA to ensure that we are getting value for money?

Mr McAuliffe: We are always looking at the fees, hence we have such a strong focus on maintaining a large proportion of the portfolio on index management. You will see from the table on page 205 of BP3 that Vanguard is listed across many of our asset classes. The reason is that Vanguard is our provider of funds management services. By having that sort of scale with them we are able to negotiate very low fees. To the extent that we have got our active managers in place, we work closely with our asset consultants. We always monitor those fees and, in fact, we monitor the ongoing performance of those managers just to ensure that we are getting the right value. There is not a one-stop shop we can go to to get our investments across just one or two managers. We need to diversify some of our managers, but there is an ongoing look at the fees we are paying.

MR SMYTH: So how many fund managers were removed through 2009-10?

Mr McAuliffe: We have not removed any over the last year.

MR SMYTH: And we constantly review their performance?

Mr McAuliffe: Yes.

MR SMYTH: How is that done?

Mr McAuliffe: It is done by monitoring their performance. We have got investment management agreements in place with all of them. We monitor their performance against the benchmarks that are set up within those agreements. We also have our asset consultant look at their performance as against their peer managers. If we have an Australian equities value-style manager, we will have our asset consultant look at the other managers that provide a similar type of service to make sure that their performance is in the right area.

MR SMYTH: Turning to BP4 on page 195, what is the reason for the sale of $127 million of assets for the portfolio?

Mr McAuliffe: They are just more turnover numbers where we are rebalancing our investments as we go. We have got a large amount of money within a cash fund. When we have to pay the costs from the SPA—things like the reimbursement back to the commonwealth for the superannuation expense—we have to call money back from the investment to make those sorts of transactions.

MR SMYTH: Which of the assets was sold because of maturity?

Mr McAuliffe: The sale at maturity is just the way the line item is recorded. It was not like a maturing investment, as such. It was just that we have sold some investments from our cash portfolio to bring them back in.

MR SMYTH: Were some assets sold at the bottom of the asset trough?

Mr McAuliffe: This is cash that we are holding. The cash investments we are holding do not have any sort of—

MR SMYTH: Okay.

MR SESELJA: Just a quick one on this. Treasurer, on Saturday it was revealed that a number of personnel files across the public service were made public. We are not sure of all of the detail of those. Did any of those relate to Treasury staff in particular—while we are dealing with super—although the question is more broad? Did it reveal anyone's superannuation details, for instance?

Ms Gallagher: I have not had a full briefing on that matter, Mr Seselja. I read about it in the paper on Saturday as well.

MR SESELJA: Is that the first time you became aware of it?

Ms Gallagher: I became aware of an issue I think on the Thursday, but not specifically about payroll records; about some other documents in Health. As I understand it, a full investigation with InTACT is underway.

MR SESELJA: What have you done in Treasury in particular to make sure that Treasury staff have not had any of their personal details put on the common drive?

Ms Gallagher: I cannot answer around the breach that has occurred. I understand the problem has been rectified and an investigation is underway.

MR SESELJA: Just to clarify—

Ms Gallagher: I have answered it, Mr Seselja.

MR SESELJA: I am not sure that you have. Just to clarify it—

Ms Gallagher: Yes, I have.

MR SESELJA: when you found out that these documents were there, obviously there was a number. What was done to ensure that Treasury staff—now that we are dealing with Treasury; we will deal with Health at another time—did not have any of their personal details exposed across the network?

Ms Gallagher: I have not been able to do anything, Mr Seselja, because the breach has occurred. It is not clear to me; I have not had a briefing on exactly whose records were able to be accessed, so I cannot answer the rest of that part of your question. My understanding is that the problem has been rectified, which is what needed to happen. I cannot go back and fix something that has occurred.

THE CHAIR: We will now move on to the territory banking account. On the issue of debt financing, given the increased borrowings and liabilities issue, could you talk us through any revised strategy to meet these new liabilities?

Ms Smithies: Are we talking about the new borrowings that we are taking on board?

THE CHAIR: Yes.

Ms Smithies: With the new borrowings that we are taking on board, I think the interest by the last forward estimates was around $20 million at 5½ per cent. Obviously, those costs have been built into the bottom line of the budget and they are reflected in the deficit position—sorry, 6.25 per cent. So it has been built into the bottom line of the budget that we have now. In relation to financing that, this is something that is financed from the general budget as a whole, so it comes out of the operating revenues that come into the budget and financed as an operating cost. It is not necessarily financed separately. I am sorry, Ms Hunter, I am not quite sure where your question is leading.

Mr McAuliffe: In terms of strategies to undertake new borrowings, there are not a lot of options out there. That is the reality. We operate out in the Australian debt financial markets. We have a debt program that is established which is essentially a set of contractual documents that allow us the ability to go out and issue bonds. There are a few different sorts of bonds that we can issue. There are the shorter term ones which are in the form of commercial paper. They tend to roll over about every three months. We can go out and issue fixed rate nominal bonds. So we can go out and borrow X million dollars for a certain term; you pay a fixed rate on that over the life of it and at the end of the bond you would repay the principal, at maturity. The other sort that we have issued over recent times, particularly for Actew, has been inflation-linked bonds. They have two components to them. There is a fixed real rate component and there is a variable CPI change.

What we are constantly doing is looking to see what the best opportunities are for us to go out, when we need to go out. For the Actew borrowings, and Mr Sullivan spoke about those this morning, as he pointed out, previously we have issued a couple of bonds. They were in the form of an indexed annuity bond. Currently, in looking at the current market environment, there are some other forms of inflation-linked bonds which we will consider, and they are capital-indexed bonds.

We are currently in the process of exploring those to see what is the best opportunity of getting the volume that we need, getting a rate that reflects our particular credit rating and in the time frame that we want to issue the bonds. We talk to various banks and investors to get that idea.

Ms Smithies: We went through this on Friday. I spoke about the fact that if you have a look at our balance sheet as a whole, the borrowings that the government is undertaking are not particularly onerous on the balance sheet in relation to the size of the balance sheet. Yes, the implication of more borrowings is obviously a recurrent cost by way of interest which has to be funded from the budget and therefore from ongoing operations. But I think I also mentioned that if you look at the cash flows that sit with the territory government, those cash flows are sufficient in a way to cover the repayment of the debt, if you extend them out across the forward estimates period.

Also, coming back to our net financial liabilities to our revenue raising capacity

indicators, which is one of the ones we tend to look at when we go to the issues of raising debt, our balance sheet still remains strong and our revenue basis still remains strong. So if the question is really around a capacity issue and whether the budget has the capacity to do this, it does. Obviously, it does need to be repaid and it does hit the bottom line in relation to interest payments.

THE CHAIR: Going to page 199 of budget paper 4, under "Business and Corporate Strategies", there is a sentence that reads:

> Monitoring of investment performance is undertaken in conjunction with the Territory's investment adviser and the Investment Advisory Board.

Can you take us through how this process works and where the Investment Advisory Board get their advice from?

Mr McAuliffe: The first part of that is the investment adviser. We actually call it an asset consultant or an investment consultant. We have a contractual arrangement with our current asset consultants, a firm by the name of Towers Watson. We have a contract with them which covers a range of services ranging from helping us to set our investment strategy right through to recommending funds managers and then the ongoing monitoring of both the performance of the portfolio as a whole as well as individual funds managers.

The process along the way of making those decisions is that we have an external Investment Advisory Board in place. They comprise three external people. They are not territory public servants. We meet quarterly. We also have the ability to conduct out-of-session meetings if we need to.

If we were going to look at the strategic asset allocation, for example, our asset consultant provide us with a range of different options that we can consider and all the risks and returns that go with those different models. They would come and present that to both Treasury officials and our advisory board and the advisory board would then, as a collective group, advise Treasury on whether they think the asset consultant needs to go away and do a bit more work or whether we need to understand a few more different issues. We would then collectively take that advice and, in the case of a strategic asset allocation, that would then be put through as a recommendation to the Treasurer for approval.

That is just one example. We do that through all the various elements of the investment process.

Ms Smithies: A good part of that quarterly meeting of the Investment Advisory Board is the board getting all of the adviser's work on the external fund managers as well, and how they are tracking.

Mr McAuliffe: That is right.

Ms Smithies: So a good part of the meeting is actually going through each of these funds managers to look at their performance in the market.

THE CHAIR: Who are the three people on the board?

Mr McAuliffe: The chair of the board is a lady by the name of Barbara Yeoh and the two members are Phil Charley and Neville Page.

MR SMYTH: Treasurer, in the technical briefing that the committee was given, I asked some questions about what makes up the $461 million outcome for this year. I am not sure whether we have received that answer yet.

Ms Gallagher: I signed a question on notice about that maybe on the weekend, so you should have that answer. We have broken it down.

MR SMYTH: All right. We will leave it at that.

Ms Gallagher: I am not sure where it is at. I certainly signed it. I may have even signed it on Friday. So it should be circulating somewhere.

MR SMYTH: It makes it hard to ask questions if we have not received it.

Ms Gallagher: Yes. I am sure someone could print it off and provide it. This one is not signed but I did not change it.

MR SMYTH: There is considerable variance. The proposed outcome was $152 million and the actual outcome is $461 million. Could you give us a summary of why there is such a difference?

Ms Gallagher: I just gave it to you.

MR SMYTH: You may need it back.

Ms Gallagher: There is a large lump in there. I think it is capital works.

Ms Smithies: I am sorry, Mr Smyth, what was the question?

MR SMYTH: What are the major movements? It then goes from a $461 million outcome for this year to $135 million next year. What is the reason for the sudden drop?

Ms Gallagher: The largest movement is the reprofiling of the capital works program. That is in the order of $137.9 million, and that is not included in the 2010-11. Our belief is that that program will be delivered without reprofiling. So that is the major difference but there are some other—

MR SMYTH: So for 30 June 2011 and 30 June 2012, you see it going back to normal levels?

Ms Smithies: The capital works program?

MR SMYTH: No, the territory banking account.

Ms Smithies: Yes, that is right.

MR SMYTH: So why is it planned that on 30 June 2013 it jumps from $119 million to $209 million and then in 2014 it jumps to $385 million?

Ms Gallagher: I think that is largely related to the deficit, so moving out of deficit. Can you give me the page number that you are on, Mr Smyth?

MR SMYTH: Page 201, budget paper 3.

MS BRESNAN: I have a follow-up question. You said it is contingent on the capital works program.

Ms Gallagher: Sorry, Ms Bresnan?

MS BRESNAN: That figure that we were just discussing, the $461 million to $135 million, is contingent on the capital works program—

Ms Gallagher: Being delivered in its entirety.

MS BRESNAN: It is a hypothetical question but if it is not actually delivered in that time frame what would—

Ms Gallagher: It would improve the cash position because we are not using the cash. We have talked about whether you build in some level of reduction in the spend but that would mean you would be saying that this is our capital works program but we are only budgeting for 70 per cent of it. We decided against that.

Ms Smithies: If you look at the number across the years, not only is the territory's operating result improving, but also the cash that has flowed out for capital works across the years is actually decreasing. So it is a big program in 2009-10, still a large program in 2010-11, a relatively large program in 2011-12, and then it returns to what is probably more in a budget sense around $200 million by the last outyear. Without that cash going out for capital, obviously the territory balance goes up.

MR SMYTH: The federal government has issued a paper looking into sovereign wealth funds called "Managing manna from below". Is that something that we have had input into? Are we looking at issues such as that?

Ms Smithies: No, we have not.

MR SMYTH: Is there a reason? No reason?

Ms Smithies: No.

MR SESELJA: On BP4, 201, accountability indicators, the note says:

> The cash enhanced fund component of the investment portfolio has a large exposure to debt instruments.

What are some of these debt instruments and what are some of the risks associated with them?

Mr McAuliffe: What we class as debt instruments are essentially the various types of notes—say, commercial paper—fixed interest bonds, mortgage-backed securities. That is generally the mix of the cash enhanced fund. In terms of the risks that go with them, we have a credit rating limitation, and that is in our investment guidelines, that we cannot go below. So every security has got to be investment grade for a start. That is managing that risk of a default.

But where the main risk that has come through is probably in terms of what happened when we had what happened last year in terms of the credit freeze in the whole financial markets. When you go and put a valuation on securities, it does not matter whether they are AAA rated or BBB rated, when you do a market-to-market valuation on them, that point-in-time valuation can move dramatically, depending on how the market is pricing them. So that is the main risk around them. It does not mean we do not get our cash on them, because it is just a market-to-market valuation. But in terms of the actual risks of them, they are all investment grade; so we are pretty comfortable with those.

MR SESELJA: You referred to some of the debt instruments that were implicated, I suppose, in the GFC. We do not have any exposure to those sorts of collateralised debt obligations?

Mr McAuliffe: No, and that is why we never had any subprime debt, for example, the reason being that our restrictions are at security level. What happened during the credit crisis was that a number of investors invested into a fund—and the fund might have been AAA rated but it comprised a whole mix of different individual securities—and some of those securities were subprime debt. We do not look at the fund rating; we look at individual security ratings. So that is the way we have avoided those sorts of issues.

THE CHAIR: Anything more on the territory banking account?

MS BRESNAN: One final one. I was wondering how or if the commonwealth stimulus funding is accounted for in the banking account.

Ms Smithies: It will flow in where the rest of our commonwealth revenues come in. The revenue is on page 203, is it?

Mr McAuliffe: Yes.

Ms Smithies: The transfer revenue, the $3.241 billion in 2009-10, has commonwealth stimulus money plus the GST revenue plus all of our taxes and all of the other commonwealth payments.

MR SMYTH: On page 204 of budget paper 3, it states that the TBA assets are invested in a cash enhanced fund and a fixed interest fund. What value-adding strategies are feasible for these assets?

Mr McAuliffe: The main value-add strategy—and this is something we will be looking at during the year—is probably more in a fixed interest portfolio. At the moment, we have that passively managed. Again, it is a little bit like some of our equities. We have it managed in an index fund. One of the things we could look at is actually having it actively managed, and that way, if you are actively managing, you look at both credit opportunities as well as managing the duration of the portfolio. So we are trying to take advantage of differing interest rate environments. That is the sort of value-add strategy that we will look at.

MR SMYTH: Who will make that decision to go from passive to active?

Mr McAuliffe: We would make that decision, based on looking at advice from our asset consultant and then looking at that in conjunction with our investment advisory board.

MR SMYTH: What changes to any of the asset allocation of these assets were made during the year, if any?

Mr McAuliffe: There was no change. The value of them actually went up because of the way the markets were turned around, but we did not actually change the mix.

THE CHAIR: I understand from the Treasurer that we do have someone who can answer some questions about discontinued agencies.

Ms Gallagher: Yes.

THE CHAIR: Particularly Rhodium.

Ms Gallagher: We have Rhodium here, and ACTTAB. ACTTAB are not discontinued. I am just saying we have people here from ACTTAB as well, though. They were expecting to be heard this morning.

THE CHAIR: Yes, certainly. They are on the list this morning. I know that we do have to keep to time. Did the committee have any questions around Rhodium?

MR SMYTH: Yes, certainly. Treasurer, perhaps you could inform the committee what is happening to Rhodium and when it is expected to be wound up.

Ms Gallagher: Sure. I might ask Ken to answer that. There is an ongoing process.

Mr Moore: A couple of years ago we had about 4½ thousand leases under management, which is the main purpose of the company. Following the government's decision to wind the company down, we shed the ACT government fleet to a company called sgfleet. That happened close to 12 months ago. We have also shed the ActewAGL vehicle fleet in about the same time frame. What we have been focusing on over the last 12 months has been the remaining leases, which are mainly novated leases. These are where employees novate vehicles through their employer for salary sacrificing purposes. But we also still have the ACT government fleet of operating leases, and we have got about 160 of those left. We are down to, as of today, about 900 leases from a high of 4½ thousand.

In terms of the novated leases, we are in final negotiations with a preferred buyer for those leases. Subject to board agreement to the actual sale agreement and then getting the consent of voting shareholders under the Territory-owned Corporations Act, we are hopeful of signing a sale agreement with that preferred buyer in the next few weeks, with a target date of transferring those leases across to the preferred buyer at the end of June. We are hoping that those leases will go across on a novated basis. In other words, we are basically selling those leases. But there was a recent High Court decision in relation to Macquarie Bank and Bendigo Bank that now requires us to have every individual customer sign an agreement to novate those leases across.

For those with whom we do not get that agreement, we are able to assign those leases across to the preferred buyer. But, unfortunately, the assigned lease stays with Rhodium until maturity, even though we will not be performing the lease services, which will be moved across. In an ideal world, we are hopeful that we will get everybody to agree to novation, and all those leases will disappear.

In terms of the rest of the ACT operating leases, the government has made an agreement in principle to move them into TAMS, bearing in mind that all bar two of those leases are TAMS leases that we have been managing on their behalf. We are yet to sit down with TAMS and work out that detail, because it is still at ministerial level. We are hopeful of being able to transfer those leases across to TAMS by 30 June, but that is not an agreed date yet with TAMS.

Following the transfer of all those leases across, we still have to complete 2009-10 financial statements, do an annual report in the normal time frame required by the government. But effectively we hope, by the end of September, all those residual leases will be gone. The annual report will be gone. And what we are looking at is possibly a shell of a company remaining if we have any leases continuing on an assigned basis. But it would be quite a very empty shell, because all the management of those leases would actually be done by the buyer, not by Rhodium. But you still have to keep a governance going while ever that shell remains.

We come under the corporations act and there is a process you go through to deregister the company. The board of directors has to be satisfied that it meets a number of conditions before the company can be deregistered—minimal assets, ongoing liabilities et cetera. And we really do not know when we will get there.

MR SESELJA: I apologise if you did cover all of this earlier, but what are we currently estimating to lose as a result of Rhodium's wrapping up?

Mr Moore: This financial year, the expected loss is $5.3 million.

MR SESELJA: And in total?

Mr Moore: That includes the expected expenses through to the end of September that we are actually recognising in this year's accounts under the accounting standards.

MR SESELJA: So that is total losses?

Mr Moore: I would have to add them back from the time Rhodium started incurring losses, I think about three years ago. But this is the biggest one by far.

MR SESELJA: But you can provide that detail for us on notice?

MR SMYTH: Treasurer, I had a briefing on this the other day—and I thank your officials for that briefing—but, just for the record and for the committee, the vehicles that are going across to TAMS are vehicles that TAMS use anyway at this stage?

Mr Moore: Yes.

MR SMYTH: And the two vehicles that are not?

Mr Moore: I think they are department of health vehicles. When I say "vehicles", these are mainly ride-on mowers and road-laying machines. Most of the vehicles that the territory has got, of course, are passenger, light commercials, and they have already gone to sgfleet.

THE CHAIR: Thank you, Mr Moore. We will now move on to the ACT Insurance Authority. I want to start with the operating result. It appears the result from last year was much better than the forecast and it is expected to decline again this year. Could you please talk us through the reasons why and what you expect to happen? I am looking at budget paper 4, page 427.

Mr Fletcher: The result there is mostly to do with, I suppose, some unexpected returns on our investments and, I suppose, a reduction in the cost associated with our claims experience. So it is a bit of a one-off for this year. In the outyears, we would budget that those returns on investment will not be as good as they were this year and that our claims experience might return to a normal situation rather than the reduction in claims cost that we seem to have this year.

THE CHAIR: On page 428, our non-current liabilities appear to have increased significantly from last year's budget forecast. Could you give us a brief explanation? Can you expand on this—in other words, give us a better understanding of that change?

Mr Fletcher: Most of that is associated with some movement in our estimate of the costs associated with the bushfire claim, which is currently in court at the moment.

MR SESELJA: How much has been spent to date defending the bushfire claim?

Mr Fletcher: I would have to take that on notice. It is certainly a substantial amount of money. It is covered by our reinsurers who are responsible for all of the legal costs associated with the claim. So the territory is not liable for any of those expenses.

MR SESELJA: So the entirety of the legal expense will be covered by reinsurance?

Mr Fletcher: We would have met some of the expenses in the early stages, as the—

MR SESELJA: How much was that?

Mr Fletcher: I would have to take it on notice.

MR SESELJA: Sorry, you were saying?

Mr Fletcher: That is all right. As we have self-insured retention associated with our policies, we would have to have consumed that self-insured retention or our excess before we got into the reinsurers' money. But certainly all of the costs associated with bushfire claims now are with reinsurers' costs.

MR SESELJA: How much will our reinsurance costs go up as a result of making that claim on the reinsurers?

Mr Fletcher: We are part way through our reinsurance cycle at the moment, looking to place the 2010-11 policy. And our expectation several months ago was that the costs, particularly on our liability policy, could increase significantly, in the order of 20 to 25 per cent.

MR SESELJA: What would 20, 25 per cent represent in dollar terms?

Mr Fletcher: Yes, if I could just finish?

MR SESELJA: Sure, sorry.

Mr Fletcher: We have been through that process now in a series of meetings with our London underwriters and with our Australian underwriters, and the news is not nearly as bad as we thought it would be. They have, particularly those underwriters that are on our primary layer, a better understanding of what the claim will cost them and a better understanding of the case as it has developed. The early indications are that we may incur 10 or 15 per cent on the costs in our primary layer, which is only about $200,000 out of the whole program. So when you look at that across our whole PL cover, it is only a marginal increase.

Ms Smithies: Can I also add that, when the market looks to pricing this risk, it is not just our bushfire in 2003 that they would be looking at. In fact, probably more of a concern to the market was really what was happening in Victoria and the liabilities that arose out of Victoria, rather than what happened in 2003. So that is going to be driving cost across the market and it probably will be what is driving what we are looking at here.

Mr Fletcher: So our effort in having those meetings with underwriters was basically to sell to them that the territory's risk, particularly in terms of bushfires, is different to the other states. Obviously, geographically, we are a lot smaller. The percentage of our urban land that is developed is a lot smaller. We have come a long way since 2003 in terms of the way we manage our bushfire risk. In other words, do not treat us like Victoria or New South Wales, who have a multitude of lightning strike and bushfire-type incidents; treat as our own risk. I think that our efforts there have really paid off, particularly in terms of this year.

MR HARGREAVES: Does that mean that the case you put to these people that we

have actually done well in terms of the post-2003 effort is reflected in the amount of insurance we are having to pay out?

Mr Fletcher: Sorry, having to pay?

MR HARGREAVES: The actual amount of money that we have to pay out in insurance, the whole atmospherics around the ascending rates, is actually improved by the advocacy you guys have done on what we have done around the bushfires?

Mr Fletcher: The type of information that we presented to underwriters was—a lot of the work is done by Territory and Municipal Services in terms of their strategic bushfire management plan—information about all sorts of initiatives that have been undertaken, and that is then reflected, obviously, in their assessment of the level of risk and therefore in the premium they choose to charge us.

MR HARGREAVES: So they have actually recognised that what we have been doing has a positive effect then?

Mr Fletcher: I think so.

MR HARGREAVES: Fantastic. I look forward to the press release on that one.

THE CHAIR: Obviously, bushfire risk is up there but I am also wondering what sort of work you might have done around other risks like climate change impacts. Has there been work done to look at that?

Mr Fletcher: Not on climate change impacts. The authority's role is really to try to deal with, I suppose, catastrophic type claims that might arise, that is, earthquake or bushfire or major storm damage incident that might take us into the big dollars. We have not particularly focused on any area of environmental impacts. A lot of those impacts are not necessarily insurable in the market anyway.

MR SESELJA: In your priorities, you have identified assisting agencies in the analysis of their operations and assets to improve risk assessment and management. Where are some of the holes currently, in your opinion, in the risk assessment and management of agencies?

Mr Fletcher: I think that—

Ms Gallagher: Improvement can always be made.

Mr Fletcher: We can always make improvements. I suppose it is a never-ending cycle for us. What we are trying to do is assist agencies with understanding what their risks are in their operations and to their assets. A lot of that comes about by trying to work with them to try to provide information about their claims profile. That is encapsulated in a project called the cost of risk project that tries to target particular agencies that have a claims profile that is a cost to the territory. We try to encourage them to put in place arrangements to try to mitigate some of those risks.

What do we do? We sit on risk management committees with agencies. We have

representatives on a number of those. We try to help agencies with putting together risk management plans. We provide them with information about their claims history. We participate in their training activities. We try to tailor training and are happy to turn up and present to groups of six who might have a particular risk they are trying to manage. They are the types of things we are trying to do to improve the way they manage risk.

MR SESELJA: Just coming back to the question: in doing this, what holes have you identified and have you advised agencies of where there are holes? Are you able to share some of that with us?

Mr Fletcher: We have in some instances, and they are with some of those agencies that are included in the cost of risk project. But one of the things that I am interested in doing this year is trying to put together a benchmarking-type activity where we can assess or survey different agencies against particular criteria—it might be on a self-assessment basis—to basically score them up on what we think about their risk management.

MR SESELJA: Which agencies did you say were involved in that process?

Ms Smithies: The risk profile across the territory is obviously going to fall where fixed physical assets sit in terms of where we put our efforts. So it is the fixed physical assets. TAMS, being a large asset holder, is going to have a large level of fixed physical assets. And with Health, being a large service provider and having particular issues around medical malpractice, we are going to be working with the health department as well. I do not think it is necessarily a question of which agencies have a deficiency in practice; it is just those agencies, due to the nature of the business, the work that they are doing and the holdings of their assets, that we will obviously be wanting to concentrate our efforts on.

MR SESELJA: Given that, do any of those agencies have a deficiency in practice?

Mr Fletcher: The risk management arrangements in each agency are the responsibility of—

MR SESELJA: You are advising them, though, on that analysis.

Mr Fletcher: They are the responsibility of the CEO.

MR SESELJA: Do any of them have deficiency in practice in their risk analysis?

Mr Fletcher: I think that they could all improve their practices in some way or another.

MR SESELJA: Have you advised any of them that they have deficiencies in practice?

Mr Fletcher: No, I have not.

THE CHAIR: Ms Bresnan.

MS BRESNAN: This is following up on the risk management framework. It states at the top of page 431 of budget paper 4 that the next stage of the framework has commenced later than anticipated.

Mr Fletcher: Yes.

MS BRESNAN: I am wondering whether you can give us a time frame for the next strategy.

Mr Fletcher: Sure. We had some money set aside last year to undertake some work on risk management. That spend was about the process that I have just spoken about—the benchmarking process and trying to get a broader assessment made of territory risk in different agencies. There is also some funding in there for some external consultants to run training programs. My tenure at ACTIA commenced in November last year. I do not know what the former general manager had in terms of his intentions with that funding—I think it was more to do with running external training programs—but my effort next year will relate to some assistance from consultants to try to put in place that benchmarking-type process and provide some more training opportunities to the territory agencies more broadly.

MS BRESNAN: So that will be next year some time. Were there any particular reasons why it was delayed?

Mr Fletcher: I do not know.

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

MR HARGREAVES: No.

THE CHAIR: One more and then we will move to the home loan portfolio.

MR SMYTH: I note from page 426 that there was a saving on the capital injection and $5 million was returned to the government. How was that achieved?

Mr Fletcher: It was basically an assessment of our financial position. There was a $10,000 injection—

Ms Gallagher: $10 million.

Mr Fletcher: this year and next year. Our assessment of our financial position was that—given, as I said, the claims development issue and our return on investment—we could return that $5 million back to the Under Treasurer.

Ms Gallagher: Gratefully received.

MR SMYTH: I note that in the explanation on page 432 it says:

> … estimated outcome … is due to additional funds not being required … as a result of an improved cash position.

Your cash at the start of the period was $213 million, and it went down to $211 million. How can that be seen as an improvement?

Ms Smithies: I will let Mr Fletcher answer that question, but also the capital injection—when the government made the decision around putting in the capital injection, it was around capital adequacy and ensuring that the assets were in a positive position as well, moved into a positive position over time, which is what actually is achieved by that particular profile of $5 million followed by $10 million next financial year. That is budget paper 4, pages 240, 228. You see the net asset position moving into and maintaining positive. It may actually even be that, by the time next year comes along, the $10 million that is in there to be drawn might not be needed. In fact, we have already been put on notice that it will not get drawn until it is at the very end of the financial year and it is proved to be needed and necessary, depending on what else happened.

MR SMYTH: Perhaps Mr Fletcher can answer that in one hit. I notice that your cash position actually goes from $211 million to $252 million over the coming year, so what is the need for the injection? Perhaps, Treasurer, you might ask for it back.

Ms Smithies: You are asking why the cash is increasing?

MR SMYTH: Yes.

Ms Smithies: Are you talking about the cash and cash equivalents?

MR SMYTH: Yes.

Ms Smithies: Which is offset by the increase in liability—yes?

Mr Fletcher: That is right.

Ms Smithies: John, do you want to talk about that?

Mr Fletcher: Are you talking about the cash and cash equivalents in current assets? Is that right—$213 million, $211 million and $252 million?

Ms Smithies: Yes.

MR SMYTH: Correct.

Mr Fletcher: I think that the outcome there—I will just look at the notes in the balance sheet. There is a decrease in the capital injection and lower than anticipated payments, which is our claims profile in terms of claims made. And then that is offset again by an increase in the interest receipts of 4.77.

MR HARGREAVES: The explanation is on page 431.

Mr Fletcher: It is on page 431.

MR SMYTH: Yes, but then what is the case for the capital injection?

Ms Smithies: The capital injection remaining?

MR SMYTH: Yes.

Mr Fletcher: Remaining? I suppose that was the point, that we had a $10 million capital injection and the decision was made, given the balance as at the end of the period in terms of our assets, that we could return the $5 million.

MR SMYTH: I understand, but in the coming year what is the necessity for the $10 million?

Mr Fletcher: The 10? There may not be. I think the Under Treasurer has indicated that that amount is there and available to the authority, but it will be really a decision to be made, with the Under Treasurer and the Treasurer, about whether the authority actually receives that or returns it.

Ms Gallagher: It is prudent. I have got a record of prudent financial management.

THE CHAIR: To balance assets off against liabilities, keep the account in positive.

MR SMYTH: There are massive deficits. Is it the massive deficits that make it prudent?

Ms Gallagher: Which I am dealing with very prudently.

MR SESELJA: They seem to get bigger.

MR SMYTH: We will watch with interest.

THE CHAIR: Thank you.

MR SESELJA: Record revenues; massive deficits. Very prudent!

Ms Gallagher: I think it was Standard & Poor's who said prudent financial management of the territory.

MR SMYTH: So record revenues, record tax returns and still deficits.

THE CHAIR: Thank you, Mr Fletcher. We will now move on to the home loan portfolio.

Ms Gallagher: Yes, that is right: to manage prudently has left the government in a strong starting point to weather the current weaknesses. I knew it was not me that gave myself the prudent tag.

THE CHAIR: We are now up to the home loan portfolio.

MR SMYTH: We will see.

Ms Gallagher: Independent analysts believe we are prudent.

MR SMYTH: Another independent analyst said that you have missed the GFC—you were insulated from it. You forgot to mention that one.

Ms Gallagher: I am not sure they said the ACT budget had missed the GFC. I think there might be a little bit of Vicki Dunne there. I think they said the ACT economy. Correct me if I am wrong, Mr Smyth.

MR SMYTH: We will correct you when the debate comes back to the Assembly, won't we?

THE CHAIR: Let me go to pages 181 to 182 of budget paper 4. It is in the section around the priorities for 2010-11. The ACT government homebuyer loan scheme ceased in 1996; you have had a reduction of 20 loans in the last year, from 195 to 175, and anticipate that dropping even further, to 135. When do you anticipate that the scheme can be wound up?

Mr Dowell: The home loan portfolio appears to have about a 12-year tail on it at the moment, which has been dropping each year. There was a number of different types of loans entered into at varying times and there are also different lengths for the loans. People who can easily get commercial finance have tended to leave the home loan portfolio where they have seen better total banking packages, probably in the private sector. The people that remain in the home loan portfolio are therefore often not at the same credit level. But we are looking at about 12 years at the moment.

THE CHAIR: I am just wondering about the sorts of deferred assistance that might be given to those remaining.

Mr Dowell: Each of those different loan types that I mentioned earlier had a limit on how much was to be paid off the loan based on income. Any additional amount that was to be paid to cover the loan—the principal plus interest—would be treated as deferred assistance. That is not an interest-bearing component. Effectively, they need to make the payments determined based on income and then the rest is put into deferred assistance; so it is like a secondary loan.

THE CHAIR: How many of the remaining 175 loans are receiving this sort of deferred assistance?

Mr Dowell: Twenty-two are receiving deferred assistance.

MR SESELJA: So how many are in arrears?

Mr Dowell: In arrears?

MR SESELJA: Yes.

Mr Dowell: Twenty-seven I believe is the answer.

MR SESELJA: Come and join us.

Mr Dowell: Twenty-seven.

THE CHAIR: Twenty-seven are in arrears.

MR SESELJA: Do not go too far away.

Mr Dowell: There is a difference between deferred assistance and arrears. You can have the deferred assistance and not be in arrears. The arrears is the principal and interest.

THE CHAIR: In arrears, obviously, because those figures are not the same. I do understand that. What is the size of the average loan?

Mr Dowell: The average loan I believe is well covered by the value of the portfolio but I would have to take that on notice.

THE CHAIR: Take that on notice.

MR SESELJA: Could you also take on notice the value of the loans that are in arrears as well?

Mr Dowell: Yes.

MR SMYTH: I was wondering why the agency has purchased investments valued at half a million dollars during 2009-10?

Ms Smithies: That is just the normal part of investing in the market. You notice on the cash flow there is a significant amount of money that is held in cash or investments, which backs against the liability; so the liability is back to back. We have got investments and the purchase of investments would just be the normal operating activity of payments if we are paying for an investment and lending out into the market. I am just trying to work out which way it was.

Mr Dowell: Yes, there are two aspects with the home loan portfolio. One is where we have got the payments coming in from people with mortgages and the other bit is that we have invested the money that we have borrowed from the commonwealth; so the purchase of investments is with that savings. Currently, the reason it is set up that way is that we actually earn more interest on the investment than we would by repaying the commonwealth loan, which is at a lower rate.

MR SESELJA: In relation to the loan scheme that was announced by Ms Birch—I think that was a while ago—there was some stuff in the media today about helping people in public housing to purchase their own home. Has there been any consultation with Treasury and the home loan portfolio and do we know how that will be similar to what goes on in the residual loans that you have?

Mr Dowell: It is totally separate from the home loan portfolio.

MR SESELJA: So it is not borrowing from any of the principals that have been used for it.

Mr Dowell: No.

MS BRESNAN: I am not sure if this question was asked in terms of questions taken on notice. Do you have any information about the size of the deferred assistance debt?

Mr Dowell: It was not.

THE CHAIR: It was I think.

MS BRESNAN: That was taken?

THE CHAIR: Yes.

Mr Dowell: I can answer in respect of the average outstanding loans. It is $32,000; so we are looking at rather small loans.

THE CHAIR: So how much money in total is outstanding in relation to this scheme?

Mr Dowell: Around $6 million.

THE CHAIR: It is around $6 million. Mr Hargreaves, any other questions about the home loans portfolio?

MR HARGREAVES: No.

MR SMYTH: In the operating statement of the other revenue there is $1.5 million which, according to the notes, seems to be a provision for doubtful debts. What is occurring there?

Mr Dowell: It is the reduction in the provision for doubtful debts which comes back in as the revenue. As the number of lower loans have fallen as well as the value of the loans, the provision for doubtful debts has been reduced.

MR SMYTH: It comes back in, yes.

THE CHAIR: Thank you, Mr Dowell. We will move on to ACTTAB. Treasurer, are you able to stay longer? We had thought about breaking at 12.30, but obviously we are running a bit behind schedule.

Ms Gallagher: Yes, no worries.

THE CHAIR: So are you able to add some extra time to go into that lunch hour for about another 30 minutes?

Ms Gallagher: Yes.

THE CHAIR: Thank you. Can we go to page 449 of budget paper 4? ACTTAB is to

implement a new integrated betting system and sales terminals. This has been on the drawing board for some time. So when will this be implemented?

Mr Quinlan: During the course of the next financial year—

THE CHAIR: Could you please state your name and position, Mr Quinlan?

Mr Quinlan: Sorry. Ted Quinlan, Deputy Chair of ACTTAB.

MR SMYTH: Out of practice.

Mr Quinlan: Yes. I continue to hope to be so. We hope to implement it during the course of the next financial year. There have been some delays. They have been delays of circumstance in as much as we have been doing other things like setting up our own sporting bet process, because we were removed from the pool of Tabcorp and also we have had to make some adjustments in our process with Tabcorp. Mr Stewart might want to give you more detail if you wish on any specifics of the implementation.

THE CHAIR: It would be good to know a bit about the implementation and whether there will be a loss of revenue while the new system is being bedded down.

Mr Stewart: There is no anticipated loss of revenue during the bedding down of the system.

Mr Quinlan: Can I just butt in? Not a loss of revenue because we are implementing the system—but certainly we are losing revenue because we have not got it.

THE CHAIR: Because you have not got it in place already?

Mr Quinlan: Yes.

THE CHAIR: So if we can get a sense of what is going on with the revenue?

Mr Stewart: I cannot comment on revenue, but in terms of the system, the contracts have been signed with AmTote, which is an Australian and international company known for tote systems. We have already implemented the first stage of about a five-stage development. The next stage, which is in process now, is to do with the implementation of account betting systems. As Ted says, the implementation is expected to occur in this financial year—well in advance of the end of this financial year.

THE CHAIR: How might it impact on revenue?

Mr Quinlan: We cannot give you a precise number on that, but certainly our business is falling away somewhat. That is not necessarily the case for other organisations. That is because we do not, because of the absence of the system, have the breadth of product that people now want to use. It is not just the retail punter that wants to use Flexibet or the wider variety of products; it is also the bigger punters who frame their books and their betting propositions around the capacity to bet on a more complicated style of product. We cannot quite compete for those, although competing for those is

done at two levels. The first, of course, is a system you can provide—the access you can provide them—and the second is the rebates that they might get. There is heavy competition in rebates.

We cannot say for certain, but there is a degree of confidence that the market will shake itself out in terms of the number of providers and the level of rebate that is given to large gamblers, or large punters, because the level is not really sustainable. There is a point, in fact, when very large organisations can actually lose on the gamble but win overall because they get a degree of rebate. Because they work at very fine margins they can actually make money and not necessarily win a bet. That has got to shake itself out in the longer term.

MR SMYTH: Just on the Flexibet—when are they likely to have that facility, Ted?

Mr Quinlan: That is the key that we wish to implement with the new system. There is not that much pari-mutuel betting in the whole world. There is no Microsoft package for pari-mutuel betting to buy off the shelf. We bought a package, but it is requiring a considerable amount of implementation and a considerable amount of interface with Tabcorp, or whoever we might pool with, because we are too small to have our own pools. There is still a lot of work and a lot of testing to be done. The one thing we cannot do is have the damn thing go wrong because the results of that are disastrous.

MR SMYTH: What is the indicative time frame? Is it the end of this financial year or the end of the calendar year?

Mr Quinlan: The next financial year. We said that we would not go near it before the spring carnival. We do not want to be operating a new system under the pressure that the spring carnival will bring, so it will be post-November. Then you have got the Christmas season and whatever. We are probably looking at the first half of the next calendar year.

MR SMYTH: All right. For those who do not know, can you explain what a pari-mutuel pooling capacity really is?

Mr Quinlan: Everybody buys a unit in various propositions, and there is a pool for each of those propositions, and the winners share the spoils. If nine out of 10 people back the one horse then the dividend will be very low, but if the 10th person's proposition gets up then they will receive a considerable amount. The pari-mutuel is that there is a mutual interest in the final dividend. In fact, it is decided by who puts what on. We hold no risk; we just operate the pool. That world is changing. Our business is growing in the sports betting side where we actually set a book and take the risk. I think you can see from the figures—our figures and those from elsewhere in Australia—that that form of betting will continue to grow, possibly at the expense of pari-mutuel betting. But while ever we offer a retail product across the counter and while ever people want to bet then the pools will exist.

MS BRESNAN: You have listed as a priority the exploration of the current wagering agreement beyond 2012. Can you update us on the situation with regard to that wagering agreement? I think we discussed it in the last estimates. What has been done

to secure a long-term agreement beyond 2012?

Mr Quinlan: We have no guarantees because, in fact, the Tabcorp has no guarantee that they will in fact have their agreement, particularly with the Victorian government, beyond 2012. So that is in process. We have ongoing discussions with Tabcorp. There have been some changes at the executive level there; so there have been recent discussions with them to make sure that we are all on the same wavelength and that we are all looking at the same horizons.

But provided that there is no cataclysmic change, the prospects of us continuing pretty well as we are now are good. They are not guaranteed, not certain, because we found that with our sporting bets side. We had to actually set up our own pool with Western Australia and Tasmania for a while because we were no longer part of that pool. I think that if the current executive was there at Tabcorp, as is the case now, that might not have happened. We might have still been participating in their sporting bets pool, but we are not, and we are happily providing our own. But we have no guarantees.

MS BRESNAN: So is the Tabcorp situation going to have any impact on what happens beyond 2012 in the ACT? Or as you said, you—

Mr Quinlan: With the Victorian licence?

MS BRESNAN: Yes.

Mr Quinlan: Certainly, a very material effect. We are of a size that we cannot operate all the pools. We could not run a trifecta on Bendigo race 3 or something like that. We could not have any sort of meaningful pool operating. Obviously, we have to go into a much larger pool and, should that fall aside, we have already had discussions with the other wing of TAB group—TAB New South Wales—and we would be reasonably certain that should the Victorian situation go belly-up, then there is a high probability that we would be able to work in with the TAB New South Wales pool.

MS BRESNAN: And that has already been discussed, has it?

Mr Quinlan: That has been discussed at a level sufficient for us to be confident, but nobody signed anything.

THE CHAIR: Mr Quinlan, I am wanting to go to page 453 of budget paper No 4, user charges, and it says there:

> the decrease of $2.366 million in the 2009-10 estimated outcome for the original budget is mainly due to the loss of one of ACTTAB's major customers;

Could you explain "mainly due"? What were the other factors? Is this major customer a person or is it a syndicate?

Mr Quinlan: I have not got the exact details of it; so maybe Kaleen can assist.

Ms Snowden: It was one major customer. It was an individual and he turned over between $5 million and $10 million with ACTTAB. The VIP market has become very

competitive and there are a lot of rebates being offered out there. We have got to try to maintain our customer base. We have got two very loyal customers left now and they have been with us for some time. We are looking at trying to obtain this customer back in the future.

The other decreases that have been around are that we have seen turnover decline because of the delays in the new betting system, basically, because we do not offer the same product mix—flexi betting, for example. That is the big unknown for us, whether that will increase our turnovers going forward or whether those people have left our market. We have seen the market become a lot more competitive in the last 18 months. There are a lot more corporate bookmakers out there.

MR SMYTH: Can we go to page 54 of budget paper 3 and discuss the ACTTAB dividend?

Ms Snowden: What page was it?

MR SMYTH: Page 54 of BP3. It says that the expected dividend for 2009-10 was $69,000 and there is no dividend for it—well, there is just a dash there for this year. How is the outcome?

Mr Quinlan: Yes. Certainly, our revenue is down and our actual profit share dividend to government is non-existent. I can give you the latest figures I have got. We still represent a cash contribution to government because we pay licence fees, because we pay—well, we will not pay any income tax equivalent either. At the very bottom, we are still worth about $4 million in Australian cash money to the ACT budget. The process of the racing development fund has changed. The Racing Club has gone into direct grant from government.

So we will show positive figures because that burden has been taken away from us. We would expect that once we rebuild a suite of products, we can get back out there and compete. That is not just going to happen overnight, because once we lose punters, and we lose a number of them, a number of people just bet in New South Wales, bet in Queanbeyan effectively, because they have the wider variety of product.

We have to win them back but we think we can and we certainly think we can win them back on the retail side on the face-to-face business that we do. But we are certainly going through tight times in terms of particularly our pari-mutuel betting. Our sports betting is growing but we are losing particularly in the VIP betting, the big punter. A few years ago we had several. We now virtually have one at the moment. You get that business by getting into the rebate business, getting into the rebate competition, and by providing a service. We can provide and have provided a service where you provide the electronic interfaces for a high volume of betting.

MR SMYTH: Sure. In the coming year though, 2010-11, we see a return to a $3.3 million dividend. Given the delay in the implementation of the computer system, as you said, probably until early next year, is that still likely?

Mr Quinlan: Yes, that is likely only because we do not pay the Racing Club.

MR SMYTH: I see. All right.

Mr Quinlan: So in fact it is illusory; we are not performing any better—

MR SMYTH: Yes, but that burden is taken off you.

Mr Quinlan: but it is a more true indication of what we are earning.

MR SMYTH: All right, in the years beyond 2010-11 where the dividend is still low we could expect to see, once the pari-mutuel betting is available in the ACT, those numbers increasing much stronger?

Mr Quinlan: We would certainly hope so. I mean, that is the business world. We cannot guarantee it. It is a very, very competitive business now. If anybody watches the sporting shows, even embedded in the commentary there are odds given of the changing market while there is bet and run. as they call it—is that the word?

Ms Snowden: Bet on the run.

Mr Quinlan: Yes, bet on the run, where people are betting halfway through a game like cricket, football or whatever, and you have got—

MR SMYTH: In the final quarter.

Mr Quinlan: advertisements for internet betting and you have also got the commentators giving the sport bet odds or whatever. So it is a highly competitive business.

THE CHAIR: Mr Quinlan, if we go to page 449, you talk about prioritising harmful gambling or doing some work around ensuring that harmful gambling does not increase. Can you advise how ACTTAB is contributing towards staff training and customer education to minimise the harmful effects of gambling? Are you increasing your efforts in this area this year?

Ms Fitzgerald: Yes, we do have some stringent training practices in place in relation to the provision of responsible gambling services across the TAB. We are compliant with the ACT code of practice, which requires that all of our staff are fully trained before they deliver gambling services within the outlets. Then we are also mindful of our obligation to ensure refresher training within a five-year period for all of those people.

In terms of compliance, our training meets levels there. Additional to that, we have a very good working relationship with Lifeline and one of the senior counsellors there. Most recently we met with Mike Zissler, the new CEO, to talk about how we can strengthen any of those provisions that we have under current contractual arrangements. We work with Lifeline to make sure we have a highly visible presence in the TABs in relation to literature pertaining to responsible gambling and the responsible delivery of those services.

So our staff behind the counter are highly trained. They undertake refresher training.

We have a lot of Clubcare and Lifeline literature and, in fact, a single ACTTAB contact point if people prefer to come internally to ACTTAB to discuss problem gambling rather than to Lifeline or a broader community organisation.

MR SESELJA: Minister or officials, the priorities on page 449 talk about ACTTAB's position as a responsible corporate citizen. It refers to some of the stuff that is being done and contributed to community activities. Just take us through that. Does that mean we will see more sponsorship of community events and what type of community events are we likely to see sponsored?

Mr Quinlan: Not while we cannot afford it, but certainly we believe that as a government-owned instrumentality we have a community responsibility. But we also believe we have an obligation to our own business to promote and we want to be seen as part of the community. You might have noticed that our last advertising campaign had a theme of "bet local". We were actually trying to remind people in Canberra that, in fact, they own ACTTAB and we would like them to do business with us. We would intend to promote on both fronts, as a corporate citizen but also as a promotion of the organisation within the community.

MR SESELJA: So how much has been spent this financial year to date on the sponsorship and promotions?

Ms Snowden: Close to $835,000.

MR SESELJA: And the estimates outcome for this year in that category?

Ms Snowden: In our sponsorship?

MR SESELJA: Yes.

Ms Snowden: Can I take that on notice?

MR SESELJA: Sure, that is fine. Also, what is budgeted for 2010-11?

Ms Snowden: I will take that on notice, as well.

MR SESELJA: That would be great. That recent campaign you referred to, Mr Quinlan—what was the cost of that?

Mr Quinlan: I cannot tell you. More on notice.

MR SESELJA: Okay, take that on notice.

Mr Quinlan: Let me just say that the theme was through our various promotions. That is an ongoing theme, because we spent money employing Matt Giteau—using Matt Giteau. We were involved in bringing Matt Giteau to play with the Brumbies. Part of the deal was that we would use him for promotion, and part of that was to try and give it that local theme. But it is not the only promotion that includes that theme.

MR SESELJA: Sure.

Mr Quinlan: I do not know how we can, but we will try to give you a sensible response to that.

MR SESELJA: As a breakdown of some of those campaigns.

MR SMYTH: Ted, your answers were always sensible.

Mr Quinlan: Yes.

MR SESELJA: So the contribution from ACTTAB for Matt Giteau coming back to Canberra—what was that roughly?

Mr Quinlan: $22,000 to $25,000?

Ms Snowden: No, it is $180,000 over three years.

THE CHAIR: As there are no more questions this morning for ACTTAB, we would like to thank Mr Quinlan and other members of ACTTAB. We have an agreement with the Treasurer that we could move back to 1.3 to finish off and we have probably about another 10 or 15 minutes. Treasurer, I am not sure if you have officials here who would also be able to answer some infrastructure questions?

Ms Gallagher: Yes.

THE CHAIR: There are some people around. We will start with 1.3, financial management.

MR SMYTH: On page 163 of budget paper 4, the processing of the first homebuyer concession scheme, I notice that in last year's budget paper 4 it was about 1,200 homebuyer concession scheme transactions. This year it is up to 1,800. What is driving the difference?

Mr Dowell: Part of what will be driving that is the first home loan boost from the commonwealth. That would have brought forward some of those purchases.

Ms Smithies: And the low interest rate environment has obviously made it attractive for homebuyers.

MR SMYTH: If it is the first homeowner boost, last year's budget paper 4 said they were processing around 2,700 first homeowner grants, yet this year it is down to 25. Is there a reason for the decline?

Mr Dowell: The timing of the first homeowner boost finishes, I think, at the end of June.

Ms Smithies: 30 December.

Mr Dowell: On 30 December it finished, but people need to have commenced building. So it is getting towards the end of the contract periods.

MR SMYTH: All right. Thank you.

MR SESELJA: Just on revenue, Treasurer, the consolidated financial statements on page 17 say that the year-to-date budget for the collection of change of use charge is $3.75 million, and that includes the March quarter. However, the actual amount collected up to the March quarter is $5.212 million. Why the variance, and has the government already started applying the different approach to change of use, and, if so, on what date did that commence?

Ms Gallagher: I will need to get someone else to explain. I have not found the page you are looking at.

MR SESELJA: Sorry, I was referring to the consolidated financial statements on page 17.

Ms Smithies: Are you referring to three quarters, the end of March outcome?

MR SESELJA: Yes, I was talking about—

Ms Gallagher: That is not in the budget.

Ms Smithies: You are talking about the consolidated financial statements—

MR SESELJA: I talked about the consolidated financial statements, yes; I referenced that in the question to page 17.

Ms Gallagher: Page 17 of that report, yes.

MR SESELJA: What it is basically saying is that you got more than you budgeted for, which is fine. The question is: why are you getting more than you budgeted for? Have you started applying the different approach to collection of change of use, the site by site analysis, and, if so, when did that start?

Ms Gallagher: I read a letter from Minister Barr to me over the weekend around this. I am not sure there is a date given in that letter, but it did say that he had asked Neil Savery to move quickly to rectify it. So it is very possible that that will have started already.

MR SESELJA: Okay.

Ms Gallagher: But that would have started around May, some time in May.

MR SESELJA: So it was just coincidental that we got more than we budgeted for? There were just some big complexes that came in that were not expected to come in?

Mr Bulless: I understand that the increase in the change of use charge reflected through ACTPLA's account actually reflects the heightened level of activity in the housing market for this year, partly because of the low interest rate, partly because of the first homeowner boost. So it is effectively an increase in the level of charges being

collected by ACTPLA based on volume of transactions.

MR SESELJA: Okay, so it is a greater volume of unit complexes being approved?

Mr Bulless: Yes, it is more activity than market. And most of their revenue lines are higher than they had forecast because of the housing activity. That includes fees like extension for time to build for leases—those sorts of things. They are just seeing a much higher level of activity right across the various fees and charges.

MR SESELJA: Okay. Treasurer, we had a discussion on Friday afternoon about the change of use charge and about the fact that it was unknown as to how and when this apparent arrangement commenced. Have we got any update on that?

Ms Gallagher: No. I did not find anything out over the weekend, since I last spoke to you.

MR SESELJA: When are you expecting to get the answer to that question? How lengthy do you think that process will be?

Ms Gallagher: I have no idea. ACTPLA, as I said, are undergoing their own processes around that. That is not my area of ministerial responsibility, so I cannot answer it.

MR SESELJA: But they will be reporting back to you, presumably.

Ms Gallagher: I have asked that I receive a copy of it once it is finalised.

MR SESELJA: And they have not indicated to you when they will be reporting back to you on that?

Ms Gallagher: I will check, but I do not believe so.

MR SMYTH: You just mentioned you were not sure whether the new arrangements had started to be applied. Have they been applied?

Ms Gallagher: Again, I think that probably is a question Minister Barr can answer. It is under his office, ACTPLA's operational control. The letter I read over the weekend indicated that rectification action had started, so early May is my best guess.

MR SESELJA: Are you able to check that for us?

Ms Gallagher: Yes, sure.

MS BRESNAN: I would like to ask a question on infrastructure, if that is possible. I know it is going back, but it is one of the biggest items in the budget. In BP3 on page 106 onwards it lists the total budget and some of the projects being undertaken. I just want to check and confirm how much is being rolled over from 2009-10 because I note that the total capital investment is over 849 and new capital programs, 183, 402. Of that total amount there, is most of it rollover from 2009-10?

Ms Gallagher: Rollovers, but also existing profiling of programs from previous years.

MS BRESNAN: So when you say "existing profile" is that the capital asset development program or—

Ms Gallagher: Yes. So, where it is going to take four years to deliver the project, that is reflected in this, in the profile, so that $6 million is in there for 2009-10 and prior year programs. Then there are some rollovers. So, yes, the large part of the infrastructure spend is on works that are already in progress.

Mr Bulless: I think the figure is in the order of $135 million and is the amount that has been rolled from the 2009-10 program into future years. I think that that accorded with a figure that was quoted a bit earlier on today around the cash. Sorry, let me correct the record. On page 193 of BP3 there is a table, 5.6.10, and you will see in the third column along, financing rolled forward, that the figure is $154 million.

MS BRESNAN: Treasurer, are they projects that are just continuing on, or are there some projects which have not actually started as yet?

Ms Gallagher: In the—

MS BRESNAN: And those funds which are being rolled over.

Ms Gallagher: Most of them would be ongoing. I cannot think of one that has not started in some capacity. It may have started and then been delayed for reasons why. But, yes, I cannot think of anything that has not started.

Mr Bulless: Yes. Ms Bresnan, on page 194 of budget paper 3 there is some detail provided there about the major projects contributing to that figure.

MS BRESNAN: Yes. I just wondered if there has been any analysis done to make sure that the projects will be able to be delivered. Particularly looking at the new projects, there is a significant amount in this budget, particularly with regard to public transport and roadworks.

Mr Bulless: As part of the process of developing this budget, we engaged with agencies a number of times about the status of their various projects, including options to identify projects which had not progressed at all. The advice from agencies was that all of the projects pretty much to a tee had been started at some point, even though perhaps the financial expenditure had not progressed that far. Those projects were rolled forward and reprofiled against the new budget year in the forward years.

Also as part of this year's capital works projects—and complementary to the work the Treasurer has been doing with chief finance officers and also some of the advice underpinning the business cases provided to the government as part of bidding for money—agencies are required to put in much more detailed advice around the programming of the future program in terms of deliverability, consultation, planning issues—that sort of thing. So the types of projects being put forward to government and funded in this budget have all been through a much more rigorous process than in prior years.

The profile has also been quite rigorously reviewed in the sense of: when is the cash needed and when will cash need to flow across the budget in forward years? So you will see within our works in progress that that reflects the sort of pushing out to more accurately match not necessarily the delivery of the project but the need for the cash requirement, because what tends to happen is that the works are delivered on the ground and then profiles for cash that come through the Procurement Solutions people may take some time afterwards, particularly where it rolls into another financial year.

MS BRESNAN: In terms of that analysis as well, is that also looked at—the completion of those projects—and we will get that in more detail?

Mr Bulless: Yes.

MS BRESNAN: Has it also looked at, I guess, the long-term viability of those projects and in terms of their productivity as well—that sort of future thinking?

Ms Gallagher: About?

MS BRESNAN: Yes, about what are the projects you are doing, the ongoing future benefits they are going to have for people as a community?

Ms Gallagher: Yes, sure.

THE CHAIR: Also, the government has made this announcement about zero net emissions by 2060. How is this building fitting into that target?

Ms Gallagher: Yes. That is all information that comes as part of the business case as to how it fits in with other strategic documents. For example, we are doing a big piece of work around the capital asset development plan as part of that target and making sure that we are building the buildings with that target in mind, particularly with Health being a huge energy user.

Ms Bresnan, I think your question is around the community benefit, around what analysis goes into what. I would say that is a key part of all of the standard business cases that come. If Treasury had their way, we would not be doing—

MS BRESNAN: You would not be doing anything.

Ms Gallagher: That is not fair. They are just a bit harder line than agencies, but, certainly they do—

MR SMYTH: There will be counselling available afterwards for those that are affected by this.

Ms Gallagher: It is part of the discussions around the table but also part of the business cases. For example, if you are looking at what facilities you are putting in in a new area, there could be a view that there are existing services outside of that area that would be adequate to cope, but then there is a counterargument that the community need of that new local community would justify establishing schools,

community centres—things like that. So it is very much a part of that thinking.

MS BRESNAN: And you said that is in the business cases?

Ms Gallagher: That is right. You would have to demonstrate demographic need. Is it in line with this government plan? What will it deliver to the local community? All of those things are part of that process.

MS BRESNAN: And that was part of about fitting with the Canberra plan and all those plans you have got?

Ms Gallagher: Yes.

MS BRESNAN: And that goes into the business case—

Ms Gallagher: You can see from the first stage of the transport commitments here it is the first stage of a bigger plan that is looking right across the board.

MS BRESNAN: Thank you.

MR SMYTH: Following through, then, to page 197, I note you have also got the project savings. The East Lake electrical infrastructure relocation of $720,000: what is the nature of that as a saving?

Mr Bulless: There was funding provided a couple of years ago for ACTPLA to undertake some forward design for infrastructure at East Lake. The government is looking at options whereby, complementary to the development of both East Lake and Kingston, LDA would have a role in working with ActewAGL to progress the delivery of that infrastructure. It also probably makes sense, if that is the way we go forward, that we have ActewAGL and LDA involved in that process more so than ACTPLA because it will not be a territory asset and territory project per se.

MR SMYTH: All right. And the emergency services station relocation design of $1.655 million saving?

Mr Bulless: That is probably an issue that is better answered by the Minister for Police and Emergency Services, I think.

MR SMYTH: Okay. Back on page 40 in the revenue, I notice that land tax would appear to go up 10 per cent this year. Why is it going up such a large amount above CPI?

Mr Dowell: It is to do with the change in the valuations of the properties. The actual rates themselves have remained the same now.

MR SMYTH: Sorry, Mr Dowell, you are very hard to hear.

THE CHAIR: Yes, you might need to move the microphone.

Mr Dowell: Okay. The existing land tax rates have remained the same since 2006-07.

The increase in the amount collected is to do with new properties entering the market and with the general valuation of properties.

MR SMYTH: All right. Minister, given that the rates have not changed since 2006-07, is bracket creep becoming an issue here with the increase in valuations of properties?

Ms Gallagher: What? You would like to see us review down the land tax?

MR SMYTH: No. I am just asking whether the various—

Ms Gallagher: At the moment, we are very happy to increase any of our revenue lines, without changing what we are charging.

MR SMYTH: Right. So you are not worried about bracket creep then?

Ms Gallagher: No. I am more worried about getting out of deficit.

MR SMYTH: All right.

MR SESELJA: Not that worried. It is taking you time. You do not look too worried.

THE CHAIR: We are now at 1 o'clock. We have added another 30 minutes to the hearing. Mr Smyth, the final question, and then we will wrap up for a break for lunch.

MR SMYTH: I have many questions still to go. The 10 per cent increase, or expected increase, in the ACTTAB licence fee: what is that based on?

Ms Smithies: The licence fee is based on a percentage of the capital value of the licence, less the GST. So I imagine it is based on—

MR SMYTH: Yes, I have read that. What does it mean?

Ms Smithies: It is based on a formula, yes.

THE CHAIR: Would you like to take that on notice?

Ms Smithies: Yes, we can take that on notice. That is fine.

THE CHAIR: Thank you.

MR SMYTH: All right. In regard, then, to the general rates, again there is a five per cent increase there. Is that simply because of the increase in valuation of properties?

Mr Dowell: No, it is not. General rates increased globally, the collection each year by WPI, and new properties come in, and that is how you get the total increase.

MR SMYTH: I have got more questions.

THE CHAIR: We will have to finish up, unless you have a very brief one, Mr Smyth,

because I think I have been—

MR SMYTH: I have got a whole list to go through.

THE CHAIR: I am afraid we cannot go through a whole list. We have added another 30 minutes—

MR SMYTH: That is the purpose of the estimates.

THE CHAIR: to this morning. We do need to take a lunch break for everyone here plus also for the secretariat.

MR SMYTH: Sure, but the Treasurer is happy to stay.

THE CHAIR: As mentioned at the commencement of the hearing today, there is a time frame of five working days for the return of answers to questions on notice at this hearing. In relation to questions on notice, the committee has agreed that written questions on notice will only be accepted for three working days following this public hearing for the following: Actew Corporation Ltd, superannuation provision account, territory banking account, the ACT Insurance Authority, home loan portfolio, ACTTAB Ltd and discontinued agencies—that is Totalcare Ltd and Rhodium Asset Solutions Ltd. I therefore ask members to provide any questions to the secretariat by close of business Thursday, 20 May 2010. Questions on notice pertaining to these agencies and applicable output classes will not be accepted after this deadline.

On behalf of the committee, I would like to thank the Treasurer and officials from the Department of Treasury, Actew Corporation, ACT Insurance Authority, ACTTAB Ltd, Rhodium Asset Solutions Ltd and some of those executives who came back again today.

Meeting adjourned from 1.02 to 2.04 pm.

Appearances:

Gallagher, Ms Katy, Deputy Chief Minister, Treasurer, Minister for Health and Minister for Industrial Relations

ACT Health
Brown, Dr Peggy, Chief Executive
Thompson, Mr Ian, Deputy Chief Executive, Clinical Operations
Cahill, Ms Megan, Executive Director, Government Relations, Planning and Development
Foster, Mr Ron, Chief Finance Officer, Finance Management Branch
Smalley, Mr Owen, Chief Information Officer, Information Services Branch
Carey-Ide, Mr Grant, Executive Director, Aged Care and Rehabilitation Services
Ainsworth, Ms Brenda, Executive Director, Health Performance Improvement, Innovation and Redesign

THE CHAIR: Welcome to this public hearing of the Select Committee on Estimates. The Legislative Assembly has referred to the committee for examination the expenditure proposals in the 2010-11 appropriation bill and the revenue estimates in the 2010-11 budget. The committee is due to report to the Assembly on 22 June 2010 and has fixed a time frame of five working days for the return of answers to questions taken on notice.

The proceedings this afternoon will commence with an examination of ACT Health and, in particular, output class 1, acute services. Can I remind witnesses of the protections and obligations afforded by parliament to privilege and draw your attention to the yellow coloured privilege statement before you on the table. Could you confirm for the record that you understand the privilege implications of the statement?

Ms Gallagher: Yes, Madam Chair.

THE CHAIR: Can I also remind witnesses to keep their responses to questions concise and directly relevant to the subject matter of the question. We have a great deal of ground to cover during the hearing and I would like to maximise the opportunity for members in attendance to put their questions directly today rather than on notice. Before we proceed to questions from the committee, would you like, minister, to make a brief opening statement—and could that opening statement take no more than five minutes?

Ms Gallagher: Thank you, chair. I am very happy to keep to that five-minute time limit. I apologise for being five minutes late to this meeting. I just had to attend cabinet on one matter and cabinet meets this afternoon.

In relation to this budget for ACT Health, this is the first year that the ACT Health budget exceeds $1 billion. Again, this budget was a budget about growth of the city and growth of our services. You will see that nowhere more than in the health appropriation. We have a range of initiatives which deal with growth right across the portfolio in terms of mental health, acute services, access to elective surgery, access to

cancer services, older person services, home and community care, expansion of our facilities both at Canberra Hospital and Calvary Public Hospital and increased demand around obstetric care at Canberra Hospital, as well as the recurrent costs of some of the new services we expect to open this year, which will be the new beds at Canberra Hospital, the new intensive care unit at Calvary hospital and the new neurosurgery operating theatre which will open at Canberra Hospital.

This is very much a budget for growth. I think we have targeted our initiatives to those areas where the demand is the greatest. In terms of the capital program, the large elements of the capital program really are in the works in progress. We have a number of projects there—the adult in-patient facility, the new car park, the new women's and children's hospital and the refurbishment of our community health centres being the key ones there. We are all ready and happy and willing to spend the next two days with you answering any questions you might have.

THE CHAIR: Thank you, minister. I wanted to go to pages 24 to 26 of budget paper 2, which talk about the national health and hospitals reform. Could you explain how the introduction of a local hospitals network would change the manner in which we at the Assembly can hold the government to account for services delivered via our hospital system?

Ms Gallagher: Sure. The new local hospital network which will be developed will be a local hospital network covering four hospitals, or hospital-like services. Our plan—and we are still discussing with the commonwealth how we will implement this change, and my view is that we do it sooner rather than later—is that Canberra Hospital, Calvary Public Hospital, Clare Holland House and QEII would be covered by a local hospital network. That local hospital network would have a governing council, the size of which is to be determined and the membership of which is to be determined, although under the terms of the IGA, or the agreement through COAG, there is nominated expertise to have represented on that governing council, which would be fairly common sense.

That local hospital network will be funded with some money coming from the commonwealth and some money coming from the ACT government, but it will be separate to the ACT health department as an entity. It will require some restructuring of our business. Essentially, ACT Health as it now stands now will have all the things that will be done by the local hospital network taken out from that departmental structure. We will need to report through the budget papers in a very transparent way how much of the money has come to the local hospital network and where it has come from.

We have not really got down to the detail of how we will translate that into our budget papers, but my expectation is that if we are able to get that all up and running for next year's budget—that might be a bit ambitious but it may be able to be done—we will still have the same level of information. It might just be dealt with in different output classes. The governing council or the chair of the governing council will perhaps have a role in estimates alongside the Minister for Health. We will need to work on that and on how we translate that into the budget papers.

THE CHAIR: Thank you.

MR SESELJA: Minister, in terms of how this governing council will be resourced, obviously there will need to be some form of secretariat support, bureaucracy, around that. Can you take us through how that will work? Will the ACT government have departmental officials moving over? Will there be representatives particularly of the ACT government, the New South Wales government, the commonwealth and others? How will this be structured?

Ms Gallagher: At the moment, the local hospital network that we envisage will just cover the ACT, New South Wales local hospital networks—and there may be two of those, or two or three of those, that sit around the ACT, depending on the negotiations they are having about their local hospital networks. There will be some staff that transfer. For example, all the staff that work in the hospitals will be under the control and governance arrangements of the local hospital network. ACT Health as it stands now, the department with thousands of staff, will no longer exist in that form. ACT Health will be more of a policy and planning agency with connections to the local hospital network. They will be two separate entities.

MR SESELJA: The Prime Minister in one of his media statements, I think, nominated the hospitals in our region—Canberra Hospital, along with, I think, Yass and Queanbeyan, and perhaps Cooma—that should potentially be in a network. How far away are we from the likelihood of going down that path where we see a regional approach to the management of hospitals for the ACT and beyond?

Ms Gallagher: I think there are some benefits for the ACT out of a regional network, but I also think there are some risks to it as well. I guess the timetable of that will be determined by the negotiations that we have with the New South Wales government around future local hospital networks. Now we have signed up to it and it is the way our hospital is going to be funded, my view is that we should get moving and implement it in the ACT in the first instance. Then you can look at how you can grow it into a more regional local hospital network, if that is possible. It is not as easy as just saying, "Let's now have Cooma and Yass and everyone under our network." For example, there are different industrial relations arrangements. There are staff employed under New South Wales superannuation arrangements as opposed to ours.

There is probably some quite complex work that has to be done. Indeed, the New South Wales government have got to agree to devolve some of the decision-making capacity they have had in those hospitals if they want the ACT to become the base of a regional provider and allow them to be more under the control of the ACT government through the local hospital network. I think there are some complex discussions. I know the Chief Minister has written to the New South Wales Premier seeking to open those discussions. I do not recall having seen a reply from the New South Wales government at this point in time.

MS BRESNAN: We have talked about governance—so you have that governing council. Essentially, would it be the operational aspects of ACT Health contract management that those sorts of services would come under? Would that also come under the control of the governing council and, as you said, ACT Health would just be for policy development?

Ms Gallagher: We have not worked through all of the detail of that and how it would operate. We have acknowledgment from the commonwealth that, because of our size and the number of hospitals we have in the ACT, they are prepared to look at unique governance arrangements for the ACT. For example, we are considered to be one network and we may not need to establish an independent statutory authority in order to manage some of these. But at the end of the day they want arrangements that mirror the national arrangements but which acknowledge our smallness.

MS BRESNAN: I appreciate that you do not have the detail at the moment. Essentially, what I am trying to get to with the question is that, given the size of the ACT, in that we are already a fairly small jurisdiction with a fairly small bureaucracy, in managing one major hospital, how will that work in practice? It is essentially creating almost another level of bureaucracy in this already small jurisdiction. Is it envisaged that it will possibly create some problems in terms of how it works in practice?

Ms Gallagher: Again, my attitude to this has been that we should be able to use the advantages of the small size to deliver a model that works for the ACT. We do not have all of the detail that I think will address all of the concerns that people have, but we have the willingness from the commonwealth to look at making or putting in place arrangements here that do not over-bureaucratise a small system.

MR SESELJA: So apart from the funding arrangements, given that we are not going beyond the borders at this point, what actually will change, apart from, as you mentioned before, shifting a few things around? What will impact as change here in the ACT, apart from, hopefully, some additional funding from the commonwealth?

Ms Gallagher: You will have a hospital managed by a governing council, a chair of the governing council. We do not have that at the moment. That is a new way of managing our hospitals. It is a hospital network.

MR SESELJA: Is that an improvement, in your opinion?

Ms Gallagher: We have not got one in place yet. We have had problems with boards in the past.

MR HANSON: Surely, if you are signing off on it, you would know if it was an improvement or not.

MR SESELJA: You opposed them in the past, didn't you?

THE CHAIR: Could we leave it to one person questioning at a time.

Ms Gallagher: Yes, we did oppose them, and we have explained that to the commonwealth. But that was a board for a hospital. This is going to be a governing council for a group of hospitals, for Calvary as well as Canberra. Indeed, in that sense, it is going along the path of where we were heading, anyway, with our discussions with Calvary about being a better networked system so that our hospitals could delineate, and agree to delineate, services across a network, rather than have individual management of each separate entity. So I think there will be differences.

I have not firmed up in my mind the make-up of the governing council. There is a whole lot of other work which is interrelated with the local hospital network, which is around the primary care organisations, which have progressed somewhat in the commonwealth budget as well, and how they relate, because under this model community health services are meant to be 100 per cent funded by the commonwealth. They are looking at new ways of engaging with primary healthcare organisations to deliver those services.

For example, if we have a primary healthcare organisation established in the ACT—which we will, I presume—then it would make sense to have them on the board of the governing council, and it would make sense for a member of the governing council to sit on the board of the primary healthcare organisation in order to understand what each other's organisations were doing and how the decisions that each of those takes impacts on the other.

My concern is—and it is something we are watching very closely—to make sure that the arrangements that are set up are done in an integrated fashion so that we are maximising, to the best available ability possible, the skills and expertise of each sector, but so that each sector knows exactly what the other one is doing.

MS BRESNAN: Is the funding for the governing council likely to come from the GST revenue?

Ms Gallagher: Some of it can, because that will be the way the commonwealth government channel into the hospital, through a mix of the payments that they have agreed to over and above the GST and also some of those GST payments. Some of it will be a re-allocation of the way we currently do our work. We do have management structures in place at both of the major hospitals here and we will have to look at them and make sure they reflect the new networked model. I think it is an exciting time but it is a time of turbulence. And when you have turbulence in the health system, it means you have to manage things very closely because nobody likes change.

MR HANSON: It strikes me that you do not know how this is going to work. You do not know how it is going to end up looking and how it is going to function. You do not know if it is actually going to be an improvement to our health system or not, and you do not know what it is going to cost. The only thing you can tell us is that it is another level of bureaucracy. So why have we signed up to this?

Ms Gallagher: No, I did not say it is another level of bureaucracy, Mr Hanson.

MR HANSON: Well, it is another layer of bureaucracy.

Ms Gallagher: I do not share your view on that.

THE CHAIR: Is it a question, Mr Hanson?

MR HANSON: It is. I want to know why we have signed up for this. If we cannot answer those fundamental questions, why have we signed up for this?

Ms Gallagher: The cabinet looked at this very closely about the costs and benefits of moving to the model proposed by the commonwealth, and one thing was clear: the current system could not keep going. By 2040, the entire ACT budget would be taken up with the health system, which would mean there would be no money for education, no money for community services and no money for territory and municipal services, because everything would have been in health. So that was the starting point. There was an acknowledgement—and I think there is acknowledgement right across the board, from everybody who works in the health system—that some form of national reform had to occur. That was the starting point.

With respect to the issues for the ACT, I do not think they are as significant as they are for the larger states, where they are looking at setting up multiple local hospital networks and there is the matter of how all those networks will work with each other. We do not have those same pressures. So I do not think that the actual structure of the local hospital network is a huge issue at all. In terms of the commonwealth coming in and taking, from the end of the next healthcare agreement, 60 per cent of the growth costs in health—

MR HANSON: Minister, if I can just interject there—

Ms Gallagher: No, I am just answering your question.

MR HANSON: Well, you are not.

Ms Gallagher: It was a very comprehensive question, Mr Hanson. We have two days, so let us work together. In terms of the commonwealth taking 60 per cent of the growth costs of the health system into the future, it was a significant contributing factor. Our analysis showed us that unless health costs decline or rise slower than GST, it is an excellent deal.

There were three other issues on which we wanted concessions from the commonwealth in terms of acknowledging, before we agreed to the deal. They were that there would be an acknowledgement of the higher than average costs that the ACT system incurs, that they were historical, and that they relate largely to the superannuation requirements. This is particularly relevant for the development of moving towards a national efficient price. That is potentially the biggest risk for the territory, that, unless there was specific acknowledgement of the fixed cost which we cannot reduce, that they are around superannuation—

MR HANSON: Minister, if I can just interject, please—

Ms Gallagher: that there would be a problem—

MR HANSON: We are going to get into the broader questions but this is specifically about the local hospital networks. I appreciate that we will—

Ms Gallagher: Well, I am telling you about the local hospital network.

MR HANSON: No, you are not. You are talking about the broader reasons why you signed up. But what I am—

Ms Gallagher: No, I am not.

MR HANSON: asking you is why we have signed up to the local hospital network. What is the rationale for this element of this health reform?

Ms Gallagher: Mr Hanson has had his head in the sand for the last three months if he does not understand that the notion of an efficient hospital price is directly linked to the local hospital network and the model that we signed up to. I am just explaining to you why we signed up to a model and what are the reasons for it. I am telling you that, apart from the fact that our budget was going to disappear into just being the health budget and nothing else, and the fact that the commonwealth is now coming to the party on growth costs in the health system, there are other additional reasons. One of them was around our higher than average historical costs, which will not change. Another was that we do not own or operate our second public hospital. And the other issue was that 25 to 30 per cent of our activity is generated across the border.

They were all pertinent issues. We got all of those issues addressed to our satisfaction by the commonwealth and, over and above everything, when we looked at all of the positives and perhaps some of the negatives, the positives outweighed the negatives.

MR HANSON: Is this a negative then?

Ms Gallagher: Is what negative?

MR HANSON: You are saying there are positives and negatives, and you are refusing to outline one advantage of doing this local hospital network. So is this one of the negatives?

THE CHAIR: I think we have had a go on the—

Ms Gallagher: I have just explained it all.

THE CHAIR: local hospital network. There may be time to come back to it.

Ms Gallagher: You must have had your ears shut.

MR HANSON: Well, you did not.

THE CHAIR: Mr Hargreaves, you had one around this governing—

MR HARGREAVES: Thanks very much, Madam Chair. It is a bit like WiFi in here at the moment. I would like the minister's perspective on this particular aspect. In 1985, I think it was, some of the health bureaucrats would remember—because some of them are quite ancient—in 1985, 1986, 1987 or thereabouts, we had three boards in operation in the ACT. There was an ACT health authority, which had overarching responsibility for the health system. We had a hospitals board. I see a couple of older hands up there in the gallery. And we had a community health board. That did not work then. Maybe it did not work because Kate Carnell was on the hospitals board; I do not know.

MR HANSON: Madam Chair—

MR HARGREAVES: Mr Hanson, you are not a member of the committee.

THE CHAIR: We are asking for—

MR HARGREAVES: And I am.

THE CHAIR: concise questions as well, Mr Hargreaves. Could you get to the point?

MR HARGREAVES: Yes, I know, Madam Chair, but that little history lesson was needed. One of the reasons why it did not work was in fact the lack of autonomy that the boards had over the operations that they had. My question to the minister is: are we confident that the local hospital networks will have sufficient autonomy actually to deliver that which the commonwealth and the territory require them to deliver, or will we be back here in a couple of years time with an experiment that went wrong?

Ms Gallagher: I think people can stand on the sidelines and snipe like Mr Hanson chooses to do on this, but I think we need a national system of health delivery, and this is what this does. In a way, it creates a uniform system of delivering healthcare services to the Australian community, regardless of where you live.

We have some concerns around having a local hospital network. I do not think you could sit here and say that there will be no problems at all. We do have concerns around it. It does involve devolving some of the responsibility for the hospitals that I have as minister to others. I think our experience with boards in the past is that, while boards can be the decision maker, the government of the day ultimately takes all the risk, regardless of the decisions of the board. So we do have some concerns around devolving decision-making capacity to that local hospital network.

But I think that, in a community of this size, with the health professionals that are involved in delivering health care to the people of the ACT, and with the expertise that we have in ACT Health, we are in a great position to finalise arrangements for how decision making is to occur through the local hospital network which protects the community and delivers good decision-making outcomes.

MR HARGREAVES: A supplementary, Madam Chair?

THE CHAIR: I think Mr Smyth had one first.

Ms Gallagher: This model is going to be developed over the next year—how it is going to be worked, how it works between hospitals, how it works in relation to ACT Health, how it works in relation to the commonwealth. Ultimately, before we appoint a governing council, I am sure the Assembly is going to have lots of discussion on it in the lead-up to that.

MR HARGREAVES: I have a supplementary to my question, Madam Chair.

THE CHAIR: Then Mr Smyth will be taking a supplementary.

MR HARGREAVES: Okay. We might just state for the record that some people have had four or five supplementaries and I have grown old in the process.

MR SESELJA: Some are keen.

MR HARGREAVES: And some of them are just blustering away.

THE CHAIR: Mr Hargreaves, your supplementary, please.

MR HARGREAVES: Madam Chair, we heard from the minister that there will be a governing council, and we appreciate that we have to take our time in selecting the chair and all of that. I presume, though, that the local hospital network is going to include the New South Wales region, so I would be interested in the selection process regarding the selection of that board. Will it include New South Wales? Will it include representatives of ACT Health and New South Wales, both working together, to come up with this, and what sort of process will that entail?

Ms Gallagher: The network itself is going to cover the ACT. Whether you ask that a member of the surrounding local hospital networks from New South Wales have either a seat at that table or a role in the governing council's structures that they put in place is yet to be determined. I think it makes good sense because, frankly, our local hospital network is significantly impacted upon by decisions of hospitals around us and we are not necessarily involved in those decisions, although there is a formal, full structure in place, a process in place, between ACT Health and Greater Southern certainly in having discussions and having a formal process. Again, I think that detail will come out in the next few months as we work through all this detail.

THE CHAIR: Thank you. Mr Smyth.

MR SMYTH: I am happy to defer initially to Mr Hanson.

MR HANSON: Thank you, Mr Smyth. Minister, it seems that the advantages you have outlined for adopting the COAG resolution were nothing to do with the local hospital network. When you said there are advantages and disadvantages, this seems to be a disadvantage. Throughout the negotiation—

Ms Gallagher: Sorry, can you tell me what—

MR HANSON: You have failed to outline any advantages in doing this. It does not seem to be a neat fit for the ACT, which has two hospitals. If you were going to have a network, maybe it made sense when we were going to have Cooma, Yass and Queanbeyan in the original days. That was the original announcement. But now it has been wound back. Did you give any consideration to saying, "We will sign up to the reforms but we do not actually need one of these here. We do not need another layer of bureaucracy to do what we have got to do over two hospitals"? Was that part of the negotiations?

Ms Gallagher: Certainly, and I do not know what you are not listening to in my evidence. It seems—

MR HANSON: I want to know about the negotiations and whether that was part of the negotiations.

Ms Gallagher: If you could let me finish, it seems that you are actually dreaming about your next question and therefore are not listening to the answer I gave to your first question. But you say I have not outlined any advantages in the new model. I think you are wrong. I think we have outlined a number of potential advantages in moving to this national system. You do not just have to say, "Because it is going to be a benefit to ACT," and not care about anyone else. I think the move to a national system—

MR HANSON: No, the national system—

Ms Gallagher:—of health reform is important.

MR HANSON: Yes, minister, but what I am talking about is the local hospital network. You have outlined a lot of advantages that you say—and I am sure we will get into that—are in the whole system of going with the national reform. But in terms of the advantage to the ACT of having another layer of bureaucracy to sit over two hospitals, I do not think you have.

What I want to know is: as part of the negotiations at COAG, was there consideration given to saying, "This does not actually fit the ACT. We are very different from New South Wales and Victoria that have a greater array of hospitals, obviously greatly dispersed across bigger states"? Does it not make sense to actually say, "We do not need one of those here in the ACT. We will sign up for the rest of the reforms but until we actually say we are going to have Cooma, Yass and Queanbeyan, we do not actually need this network"?

Ms Gallagher: I can tell you that our local hospital network will be larger in terms of its budget and amount of activity and the amount of staff employed than many other of the local hospital networks. So I do not think you can say, because we are small and only have two hospitals, we have—

MR HANSON: That is only because you have got two big hospitals. That is not—

Ms Gallagher: Mr Hanson, if you will let me finish. I have been here for a whole day without you and I have managed to finish pretty much every question I have been asked. In the space that you have been here, you have interjected more times than I have been able to answer. We have got two long days together. Let us just keep it nice.

MR HANSON: Answer the question, minister, and I am sure we will get along fine.

Ms Gallagher: The local hospital network here will be a significant hospital network. It will employ thousands of staff. It will deliver hundreds of thousands of cost-weighted separations across a year and it will have a budget in the order of, heading towards, a billion dollars. It will be a large hospital network.

Even though there are only two hospitals, they are two large hospitals. I have not said at any time that this is creating another layer of bureaucracy. I have said we will have to reconfigure what we do but I do not think that, just because we are establishing a new way of doing things, it will mean any more bureaucracy.

We will have to change the way we report. Some staff will move to work for the local hospital network. Others will remain in ACT Health. There will be a governing council. But there are hundreds of different advisory councils in ACT Health, different meeting groups. There is absolutely no reason why this should create another layer of bureaucracy, and I have never used that term. It is an unusual position for the Liberal Party to put to me after, for the last four or five years that I can remember, you have been calling for boards to manage the hospitals.

MR SESELJA: Whom will they answer to, the board?

THE CHAIR: Mr Smyth I think had the supplementary.

MR SESELJA: Whom will the board answer to?

Ms Gallagher: The governing council will report to both the commonwealth and the ACT governments.

MR SESELJA: And will they be an ACT entity or a commonwealth entity?

Ms Gallagher: It will be an ACT entity, at this point.

MR SMYTH: On that, you say there will be no increase in bureaucracy. But there has to be substantial increase somewhere or there have to be job cuts in ACT Health. There is the independent pricing authority coming, there is a national performance authority, there is a national funding authority. There is neither of those now. There are local hospital networks. We will have one of those. There is a primary healthcare organisation. But how many of those are there going to be? And then there is an expanded role for the Australian Commission on Safety and Quality in Health Care. What is surrendered when those new organisations are set up or expanded?

Ms Gallagher: Most of those organisations you have listed are commonwealth agencies. We may deliver some services through the primary healthcare organisation. We are currently a large provider of community health services. But that is not going to be an ACT Health organisation per se. And I cannot see why we would need more staff than we have got now. I think it is an underlying thing. Instead of everybody working for ACT Health, we will now have a proportion of staff that will work for ACT Health and a larger proportion of staff that will work for the local hospital network.

MR SMYTH: Schedule A, para 15 of the agreement, says that governments will ensure that there is no net increase in the number of health bureaucrats as a proportion of the health workforce. If they are all mainly federal organisations and there is no net increase across either health bureaucracy, where are the staff coming from for those new organisations, some of which will impact on the ACT? Where are the staff coming from and where are the staff lost?

Ms Gallagher: If you are talking about the independent pricing authority and—

MR SMYTH: It is all the organisations, all the many organisations.

Ms Gallagher: Yes. Then they are questions that you will need to ask the commonwealth in terms of—

MR SMYTH: No, you are—

Ms Gallagher:—the costings that we have done around our structures. We do not believe there will be any need to increase staff or decrease staff for this model.

MR SMYTH: Where will the staff come for those new models which will help oversee the health system and the health network that you have just signed up to?

Ms Gallagher: Whom are you talking about? Give me an example of what you are on about.

MR SMYTH: I have just read out all the new authorities or extended authorities that have been put in place to govern this system, and there is an agreement in the schedule—

Ms Gallagher: They are not coming from the ACT government. That is what I am telling you.

MR SMYTH: So they are coming out of federal health, then? There will be a reduction in federal health numbers?

Ms Gallagher: As I said, you will have to ask the commonwealth.

MR SMYTH: No, we are asking you. You are the person who signed up to the deals.

Ms Gallagher: I am not the commonwealth minister.

MR SMYTH: But you have signed up—

Ms Gallagher: I go in looking at what it means to the ACT and what it means—

MR SMYTH: Has the ACT government signed up to the deal?

Ms Gallagher: For example, in regard to the independent pricing authority, I think the states—

MR SMYTH: Has the ACT government signed up to the deal?

THE CHAIR: Mr Smyth, can you please wait for an answer?

Ms Gallagher: If I can give you an example, the independent pricing authority is a commonwealth agency. The positions are going to be determined, from memory of

reading the fine print, by the Treasurer, with assistance from the commonwealth minister for health. The change that we got to that model was that the states and territories have some role in—I am just trying to think what the words were at the end of the day—or have some influence over the work that is done by the independent pricing authority.

But we currently have staff that do a similar job for ACT Health in ACT Health now, who watch what our costs are when we compare it to a national average, who look at movements in pricing, who look at what is happening in our hospitals. So we have those staff now, and they will be able to continue to do that work and feed into the independent pricing authority. That is how it is going to work.

THE CHAIR: I am wondering about the new arrangements and whether they will assist with any cross-border issues that we have at the moment. The ACT has had arguments with New South Wales around money to do with healthcare provision to New South Wales residents. In budget paper 3, page 51, it says that New South Wales was expected to owe the ACT, I think it was, $91.1 million for 2009-10. How long will it take us to actually collect this money? Have we got this money? Are we on our way to getting this money?

Ms Gallagher: There are two ways that New South Wales pay their bill. They pay a monthly allocation and then that is adjusted at the end of year for the activity that was delivered. That is usually done in arrears, that final adjustment. They are up to date with their monthly payments but there are, I guess, acquittals of those end-of-year adjustments where agreement has not been reached. I think that goes back to 2006-07.

THE CHAIR: How confident are you that that money can be recovered? What sorts of processes do we need to go through to get that money?

Ms Gallagher: We are very confident the money will be recovered. The New South Wales government and the ACT government have agreed to go to a formal process of arbitration around some of the data and concerns that New South Wales have. But we are very confident our data is up to date and rigorous and will withstand that arbitration and we will get that payment.

THE CHAIR: What timing were you expecting on that?

Ms Gallagher: I think we are just in the process of, hopefully, finalising appointing an arbiter to do that work. But they have made another adjustment to their payment. Where they were $31 million down, they made another payment of $20 million towards the end of—I cannot recall when the date was but it was a month or so ago, was it not, that they made that additional payment? The liability is growing. It is growing every month but, in terms of some of the, I guess, outstanding bill, which was large, they have come part way to fixing that.

Under the new model, there is the opportunity, I think, if the commonwealth is funding 60 per cent of the activity in the local hospital network, particularly once they move into 60 per cent of the growth in activity, once they move to that, for our dependence on New South Wales to be slightly less, because we have another funding

stream.

THE CHAIR: Ms Bresnan, do you have a supplementary?

MS BRESNAN: Yes, on this.

THE CHAIR: And then Mr Smyth for a supplementary.

Dr Brown: There has also been some discussion about what role the national pricing authority might play in terms of the allocation of funds around the other 40 per cent as well. That has yet to be firmed up. That is my understanding of this discussion.

THE CHAIR: Ms Bresnan, then Mr Smyth.

MS BRESNAN: In relation to, I guess, the arbitration process—and in the budget there is the money from New South Wales—has that been an ongoing problem over the last few years? There has been a significant amount owing and does that, then, impact on the budget for the following year?

Ms Gallagher: I should say there are a couple of things going on there. The formal cross-border agreement usually goes to arbitration when it is renegotiated, and that is because they are always hard negotiations. I think New South Wales would always like to pay less and we would always like them to pay more.

The process is that there is a data audit, which is the second issue which is going to the outstanding liability that we are holding as well, which they have now made another payment on. That is going through a data audit in the process. I do not want to get it confused with part of the formal arbitration. Those always do seem to go to arbitration, from my recollection. I do not know whether they did when Mr Smyth was in government. I think New South Wales is looking—

MR HARGREAVES: It did in 1985.

Ms Gallagher: They are looking to contain their costs. When 25 per cent of our work is New South Wales, there is always going to be a big bill to pay at the end of the year.

MS BRESNAN: You mentioned, Dr Brown, the national pricing authority. Again, I know these details are not final but is it a possibility that in the situation where there are those cross-border payment issues—I know it does not just occur in the ACT—the pricing authority could step in? Essentially, I guess, all authorities would be reporting to them in some way. Would that resolve the situation or would it merely be that they would actually step in and deal with any conflicts about this?

Dr Brown: I do not think there has been anything determined yet. But, as I understand it, that has been part of the discussions—as to what role they might play where there are these cross-border issues. Clearly, the allocation of 60 per cent of any admitted patients through the local hospital network and the direct funding to that will account for 60 per cent of the New South Wales costs for any New South Wales patients. But it is the other 40 per cent, and there has been discussion about whether or not they may play a role there. I do not think there have been any final decisions yet.

MS BRESNAN: Thanks.

Ms Gallagher: The commonwealth has always, under the healthcare agreement, been a player in the final disputes. It has always been there as the last point of contact if you are unable to resolve payments between states. We have never used it, to my recollection, but it has been there.

MS BRESNAN: But it could possibly be more formalised.

Ms Gallagher: It could.

MS BRESNAN: By whatever comes out of this process.

Ms Gallagher: It is certainly in our interests to get that in place.

THE CHAIR: Mr Smyth.

MR SMYTH: If we could go to the heart of the agreement, which is that we surrender 30 per cent of our GST payments, when does the surrender start and at what percentage rate?

Ms Gallagher: It is in the commonwealth budget. It is more than 30 per cent. For us, it is about 47 per cent of our GST revenue. That is because the commonwealth share at the moment is so low. Their rate is about 28 per cent.

MR SESELJA: So we have got to give up half our GST—

Ms Gallagher: No, we do not give up anything, Mr Seselja—

MR SESELJA: Well, we do.

Ms Gallagher: You can badge it like that, but we do not give up anything. I think it is about 47 per cent. That is the last figure I saw; it is certainly in the 40 per cent range. It is around the detail of that; I will get it for you. About 47 per cent of the GST payments will go to the local hospital network.

MR SESELJA: So do your negotiators—

Ms Gallagher: So we do not lose anything—

MR SESELJA: Well, hang on; the deal—

Ms Gallagher: It all goes into the health system.

MR SESELJA: The deal you negotiated—every other state is paying 30 per cent except WA.

Ms Gallagher: No. Wrong.

MR SESELJA: How much are they paying?

Ms Gallagher: It is 30 per cent on average across the country.

MR SESELJA: Yes, okay.

Ms Gallagher: So some pay more and some pay less.

MR HANSON: We pay the highest.

MR SESELJA: So some pay less. The average is 30. We are paying 47 per cent, and we are paying that because at the moment the commonwealth pays less for our hospitals.

Ms Gallagher: No. Nobody loses any GST revenue. Every state gets the same. GST revenue comes in, and then a proportion of it goes into the health system. In order to get commonwealth up to that base level of 60 per cent, about 45 per cent of our GST revenue needs to go into the health system. That gets them to the 60 per cent. Then, when the growth costs kick in, they are at 60 per cent; they then take on the growth costs of that 60 per cent. So we do not lose anything. I do not want anyone running out and going, "We've given up all of our GST."

MR SESELJA: Well, we have not—just half.

Ms Gallagher: And saying, "We got dudded compared to other states." That is simply not the case. It is the amount; it is the share. It would be over $400 million. Let us just remember that our health system currently, in this budget, is over $1 billion; of that, $400 million will go in from GST payments. I would argue that it probably is already getting that, and more.

MR SMYTH: So some of that payment starts on 1 July next year. Can we have a breakdown of how much each year? And the full payment is transferred on 1 July 2015?

Ms Gallagher: We will get all of that for you.

MR SESELJA: Can you explain again why we are paying so much more than the rest of the country?

Ms Gallagher: It is about getting to the 60 per cent level. Historically, the commonwealth are at different points in different states—their share of the cost of public hospital services. In the ACT, they are at about 28 per cent of the share. We pay about 68 per cent, from memory, and then there is four per cent that comes from private health funds.

MR SESELJA: So because they pay less now, we are giving up more of our GST?

Ms Gallagher: We are not giving up anything.

MR SESELJA: We are. We are handing over 47 per cent of our GST.

Ms Gallagher: We are not handing over anything, Mr Seselja.

MR SESELJA: Which then comes back into a—

Ms Gallagher: Mr Seselja, we are not handing back anything.

THE CHAIR: Is that a question or a statement, Mr Seselja?

MR SESELJA: Are you still going to have control of that 47 per cent?

Ms Gallagher: The GST comes to the ACT and half of it will go into the health system. I do not think anyone in Canberra would say that is a bad deal.

MR SESELJA: But that is not the entirety. That is not what we are talking about. We are talking about how much in this agreement have you signed to ensure is taken back into a pool which, down the track, may be part of a pool which is looking at networks across the border and 47 per cent of our GST we will no longer have control of.

Ms Gallagher: No, that is not what we have signed up to. We have not signed up to that, Mr Seselja.

MR SESELJA: So you are saying that you will still have control of all this 47 per cent of GST that you have signed up to.

Ms Gallagher: It will go to the local hospital network.

MR SESELJA: Which, down the track, could be a part of New South Wales as well?

Ms Gallagher: Not under the current agreement that the ACT government—

MR SESELJA: But, down the track, we would expect that it would.

Ms Gallagher: Are you thinking that you have uncovered some sort of major problem with the agreement here?

MR SESELJA: I just do not know what kind of negotiation took place when other states—

Ms Gallagher: You look excited about it.

MR SESELJA: Other states are giving up an average of 30, and you are giving up 47 per cent.

Ms Gallagher: This has been reported several times in the media; you obviously just—

MR SESELJA: Well, I am asking—

Ms Gallagher: It has not clicked until I spoonfed it to you today—

MR SESELJA: I am asking you the question, Katy: why—

Ms Gallagher: This is how it is going to work.

MR SESELJA: Why did you negotiate a deal where we had to give up almost half when other states were able to give up much less?

Ms Gallagher: Nobody has given up less; nobody has given up anything. The same money comes to the states and territories—exactly the same. Different proportions of that need to be allocated to the local hospital network in order to get the commonwealth to their 60 per cent base funding of in-patient services that they need to be at when they take on the growth in hospital costs. When they take on that growth, that is the important year. That is where we needed to get them to. We have not given up anything.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Thank you very much, Madam Chair.

MR HANSON: This is an issue we have got to pursue.

MR HARGREAVES: Excuse me.

THE CHAIR: You have had plenty of goes.

MR HARGREAVES: I had my breakfast between now and the last question. Minister, is it not true, then, that 100 per cent of the money of our GST, which is going into this local health network, will be spent on health issues—health for the people of the ACT? One hundred per cent of the amount of money of GST that we are putting into the pool will go on health?

Ms Gallagher: That is exactly right. Indeed, our health budget exceeds our GST take now. We actually spend more on our health system than the entire GST allocation.

THE CHAIR: Ms Bresnan.

MS BRESNAN: Sorry, but I am staying on this issue. In terms of the split of the funding—this was obviously an overall negotiation point between the states and territories and the commonwealth—a large proportion of it has gone towards the acute end. I appreciate that it is about hospital reform, but I am wondering what, if any, discussions there were about preventive issues and making that more of a focus of the reforms. A lot of groups have acknowledged that the preventive end is where the reform needs to happen. If there is, I do not know if there has been an acceptance, almost, that hospitals are just going to be the point where that pressure is going to continue to be felt and that is why—

Ms Gallagher: Yes. We did have a lot of discussion around that. That is why we are keenly watching the development of the primary healthcare organisations and how they are going to work in the community. Some of the concerns we raised around the

table in discussions with the commonwealth—we all acknowledge that the hospitals need more money; there is no doubt about that. The state and territory budgets for the last 10 years will show you that they just continue to grow. You need to meet that demand. It is very difficult to turn the ship from being focused on hospitals to increasingly improving your primary healthcare end and all your prevention and health promotion activities. It is very difficult. It is something that I have looked at pretty closely and tried to push more money into. I certainly wanted to try to put more money into health promotion and prevention, but we have not been able to because of what the hospital sucks up every year.

Let me go to some of the concerns we had. For example, if you set elective surgery targets that make it more attractive to come to the hospital—more attractive and more able to get your elective surgery done in the public system—that would reduce effort and choice in the private system. If you look at making your emergency department the four-hour target, are you just attracting people to that because they know that they will get seen and discharged and whatever in four hours? We had a whole lot of discussions around not making hospitals the place that everybody wants to go to. You have got to keep focusing on the other end of the business.

We have a pretty comprehensive range of programs in our community health system. That is again one of the issues that we have to work with the commonwealth very closely on in moving to the model that they want under primary health care: how we make sure that the work we have done on—I will choose mental health as an example—specialist mental health services, where you have a range of different responses and entry points, depending upon someone's need, is considered. If we are just going to focus on in-patient mental health at the hospital and there is going to be another government that deals with community-based mental health or funds community-based health, even if we deliver that program—how do you make sure that you continue to run an integrated service?

MS BRESNAN: You said that basically it is difficult to turn the ship around.

Ms Gallagher: It is.

MS BRESNAN: But again, just trying to understand the discussions around this, if there is an acceptance that that is going to be where the point is always going to be where the pressure is being felt, what strategies were actually discussed about relieving that pressure and the increasing demand on hospitals? If the focus keeps being on hospitals, that is where the focus is always going to be.

Ms Gallagher: As I said, there was a lot of discussion around this. I think the first area of reform delivered through COAG has been focused on the hospital system. It is the National Health and Hospitals Reform Commission work, of which a large part is the hospital. I think you will see from the commonwealth government's other budget initiatives their interest in working with us to keep work out of the hospitals, whether it is around some of their initiatives to support general practice that they are funding, for example, including supporting nurses. It is going to be a progressive piece of work of reform. The hospitals will, in the first instance, get the major focus, because they are a major player and probably the most under pressure at the moment. It is certainly not the answer to everything, but there is a lot of discussion. I know that the

commonwealth, in terms of their health prevention agency, are expecting that that will have a very significant role in the future in determining government policy and planning in this area.

THE CHAIR: I wanted to go back. You gave an example around the area of mental health and what might be provided through a hospital and what might be provided through the community. On page 25 of budget paper 2, where it is talking about the national health and hospitals reform, it does talk about 22 subacute mental health beds being allocated. I am just wondering if there is a split there. Was it proposed that non-government mental health services would deliver them? Where will they fit and what sort of consultation has gone on around those 22 subacute beds?

Ms Gallagher: Not a lot of consultation yet, because this was, again, determined at COAG. There was a national allocation for subacute services, of which the ACT community's pro rata share is $26 million. We believe that this will allow us to open 22 subacute beds over the next four years. The money is staged, and there is a component of capital money in that $26 million that we will be able to use. In discussions that I have had with Dr Brown, we have talked about the additional need for a step-up, step-down facility. What we are thinking about—I do not know if this will be news to anyone: it might be; I have certainly discussed it with Peggy—is filling the gap between the young persons step-up, step-down facility that we have opened and the adult step-up, step-down facility which is open by having young adults—

THE CHAIR: Is that 18 to 25?

Dr Brown: It is 18 to 25.

Ms Gallagher: Yes.

Dr Brown: Currently, we have a step-up, step-down facility that operates for 13 to 18; our adult one currently operates at essentially 18-plus. With our move to having a model of care that focuses more on that young adult age group, particularly once we bring online a young persons facility that will cater for that 18 to 25-year-old group, we are looking at providing a step-up, step-down facility that caters for that group as well.

THE CHAIR: Just following on from that, where is that young persons facility up to?

Dr Brown: We are still in the forward design phase.

THE CHAIR: Okay, at the hospital?

Ms Gallagher: Yes, it was part of the work that was done around the secure unit. It was originally intended to be at Calvary. However, there were some tree issues at Calvary as well, but the clinicians, particularly the paediatricians, felt that it was more appropriately located where the medical services for young people were, which is at TCH. So, once that was clear, we went and had a look around the TCH campus to see where it best fits. At the moment, the work determined that it best sits up in front of where the old swimming pool is, on that side of the hospital.

MR SESELJA: What were the tree issues at Calvary?

Ms Gallagher: There is a whole lot of bush around Calvary, essentially.

MR SESELJA: I understand that, but what did that prevent?

Ms Gallagher: I do not think it was going to prevent; we would have had to cut down trees. To build a new adolescent unit where it was on that Calvary master plan would have involved cutting down quite a lot of trees, which has been a contentious issue in the past. That was one of the issues that were identified in that early work. The second issue—and perhaps the one that persuaded me the most that we should look at TCH—was the representations I got from clinicians about where the facility should be located.

MR SESELJA: But trees did not prevent any other facilities from being built in Calvary in recent times, did they?

Ms Gallagher: It was a different site, though. At Calvary in the last few years we have only built the Keaney Building, which did not have significant tree issues, and the intensive care unit, which has been built on the side of the hospital and that did not have significant tree issues. This was going to be, if you can picture it, near Belconnen Way but down from Brian Hennessy House, behind the Calvary Clinic, I think, which involves a lot of trees.

THE CHAIR: I just want to go back to the national health and hospitals reform—

MR HANSON: Can I just ask for the completion date on that facility, minister?

Ms Gallagher: We have not got capital funding for it yet. We have just identified the site.

Dr Brown: We are in the process of finalising the model of care and that will inform the design. That is due to be completed—

MR HANSON: I know there is a lot of demand for that. At the moment I think people are going down to Campbelltown for the service.

Ms Gallagher: They could go to New South Wales, they could go to the psychiatric unit or they could go to the adolescent unit at the Canberra Hospital.

MR HANSON: That is where the assessment unit is. So you do not have a date for that yet?

Dr Brown: We anticipate the forward design being completed by June 2011 and then we will look for the capital money for completion.

THE CHAIR: I just want to go back to reforms and the impact that they might have on outpatient services at the hospital. What does it mean for those services? Is there any impact from the national reforms?

Ms Gallagher: Outpatient services.

Dr Brown: I do not know that the national reforms per se necessarily impact on the outpatient services. Are you talking across health generally or specifically mental health?

THE CHAIR: No, not focusing on mental health—across health generally with the reforms. Is there going to be any impact on outpatient services that are currently delivered?

Dr Brown: Part of the work that we have been doing as part of the capital asset development program, quite separate from the national health reform, has been looking at where is the optimal place to deliver services. Some of that has been looking at realigning services from the current hospital campus out into enhanced community settings. There is nothing in the national healthcare reform that necessarily would change that.

THE CHAIR: Okay, thank you.

MR SMYTH: Just back to the numbers: you were handed a note. Did we get those percentages on the GST?

Ms Gallagher: Yes, it is actually in the commonwealth budget papers. I was just asking for that, because I saw the table where it had the make-up and the percentage next to it.

MR SMYTH: All right. Part of the package was that we would also, therefore, receive moneys over the next four years and the total was something like $80 million. What is the breakdown of that per year?

Ms Gallagher: We can certainly provide you that. It has lifted a little bit, I understand, through the commonwealth budget, through some of the announcements, but we can certainly break that down for you.

MR SMYTH: Can we do that now? Apparently so.

Ms Gallagher: For our national access targets—this is the ED money—eight million. Ninety-five per cent of elective surgery done in recommended times; that is 10.4. The subacute beds is 26. The emergency department capital is 8.3. The elective surgery capital is 6.8 and the flexible capital funding pool across the emergency department elective surgery and subacute is 7.5. That equals 67.

THE CHAIR: That is on page 25 of budget paper No 2.

MR SMYTH: My understanding was that it was to be $80 million. You just said that it had been uplifted a little. Is there another payment?

Ms Gallagher: Yes, I just need to work that out. I do not have that in front of me. But, from recollection, there was a slight uplift after the commonwealth budget. We will

put that on notice with the latest—

MR SMYTH: They are obviously the aggregates. Can we have them broken down by year?

Ms Gallagher: Yes.

THE CHAIR: I will mark for the *Hansard* that we have a question on notice on that issue.

MR HANSON: Can I just confirm: there is money being allocated, essentially bonus points, if we achieve, I think, 95 per cent of elective surgery done on time, and I think you read there was $10.5 million; is that right?

Ms Gallagher: I think it is 10.4.

MR HANSON: There is money as well if we get emergency department timings within four hours, I think, if we achieve a certain number of people going through within four hours. Is that right? I did not hear that one read out.

Ms Gallagher: Yes, $8 million, the four-hour national access target.

MR HANSON: So the question is then: if we do not meet our targets, are we out of pocket to the tune of $18.4 million?

Ms Gallagher: No, not necessarily. For example, in the wording on the four-hour national target, there is a paragraph included, which the ACT got put in, that says that, where there are jurisdictions or areas where there is significant undersupply of general practitioners, that should be taken into account in determining the payments to—

MR HANSON: For elective surgery and for emergency—

Ms Gallagher: No, I am talking to the four-hour national access target, which is the emergency department. For example, we do have some concerns around that and our ability to meet that, although it is in a staged fashion as well. Category 1, I think, is 2012—sorry, someone will give me the year that it starts. But, for example, in one year we move to category 1, then we move to category 2, then we move to category 3, and I think categories 4 and 5 have been put to 2015-16.

MR HANSON: And—

Ms Gallagher: Just let me finish, Mr Hanson. I know you are excited about your next question. It is a staged moving to those different triage categories. In relation to that, we are very concerned, at the moment, for example, if category 4 and 5 were put into that without some qualifying words. We had put into the wording on that that this would be reviewed in areas where there was significant undersupply of general practitioners. That is not saying we do not want to meet the target; we do want to meet the target. But, if we are still facing the GP shortage that we have got now, which we hope we will not be because of all the other measures that are in place—but, if we are—that is taken into account. In a way, you do not want to be doubly penalised for a

situation that you do not have an enormous amount of control over; for example, if you lose your reward payment because there are not enough GPs. It is not within the local hospital network's capacity to control the number of GPs, and, therefore, should they lose a payment because there is another part of the health system that is not quite—

MR HANSON: Is that guaranteed, or is that subject to negotiation, assuming we do not meet our targets?

MS GALLAGHER: I do not have those exact words in front of me, but it makes reference to areas where there is a significant undersupply of general practitioners and that that will be taken into account in determining those reward payments.

MS BRESNAN: On the four-hour waiting times—again, this is in your discussion with the commonwealth—was it also taken into account that the ACT essentially sees every type of patient, where they can see patients, plus we have got people coming from the skiing fields and people from the region coming to the hospital? It is a different case from some other hospitals, which might be specialised hospitals. I imagine that also affects that ability to meet those four hours.

Ms Gallagher: Yes. There is a role in the agreement for local clinician decision making about how that four-hour target is applied. That is really to cover off that issue. This is where the health system is always so interesting because there is always an example you can use. For example, if you had a person present with a condition that the doctors did not want to admit or did not think needed admission but might benefit from staying in the ED for monitoring for an hour longer than the four-hour target, for one reason or another, they should not be penalised. You should not be made to do an admission for one hour to get that person and then have them discharged just to make sure that your numbers look good on the four-hour access target. So there is capacity within the four-hour target for clinician engagement and establishing some of those rules about how it is to be applied.

MS BRESNAN: Is that going to be applied to all states and territories? Is that going to be applied in that respect?

Ms Gallagher: Yes.

MS BRESNAN: And are there any particular guidelines about how that is to be worked out?

Ms Gallagher: South Australia have agreed to doing this. It is 95 per cent of all presentations, I think, that are to be seen, treated and discharged or admitted within four hours. It was modelled on, I think, the UK; Perth and South Australia had agreed to do this. So there is a fair bit of work already. I have met with our emergency department directors at both Canberra and Calvary to talk about this and they have got some pretty good ideas about what we should do and what stepping stones we need to put in place to deliver this and deliver it on time.

I have not finished my conversation with Peggy, but I think we could benefit from sending a couple of our clinicians over to the UK to see how they have worked the

system there, and particularly if we can find a hospital that is as close to our type, like a TCH or a Calvary type of emergency department, because the UK are further down the track than WA is, for example, in determining what you need to do. I think there is a whole range of different solutions. You might straightaway just think it is more doctors and nurses for the emergency department—that that would help you get your throughput; but that is probably one of the last things you would do, although we do need to do some of that. It is more beds, better use of equipment, monitor cardiac conditions—a whole range of things. We are looking at all of that.

MR HANSON: On the elective surgery, the $10.4 million: is there any specific provision in the document for the ACT in that? Generally speaking, we do not keep our targets for elective surgery.

Ms Gallagher: We achieve our targets—

MR HANSON: I do not think we do. Are you saying 95 per cent—

Ms Gallagher: within recommended time frames.

MR HANSON: of elective surgery is done within the recommended time frame? We are not achieving that.

Ms Gallagher: In the emergency category we do. In category 1 we do. In category 2A we are pretty good. It is probably the other category 2 and category 3 that we need to do work on. Again, I think the ACT's view is that we will need to take some of our issues around 30 per cent of our elective surgery list being from New South Wales. If we were not dealing with that load coming through—and, indeed, they are usually sicker and more complex procedures from our look at the data than the ACT patients—that does impact on our timeliness.

We have got new operating theatres opening. We have got the new neurosurgery suite opening, and that will free up a theatre at the Canberra Hospital. So we do have some increased capacity that we will continue to work with. We have got a big and ambitious program with the private sector that we need to implement carefully over the next year, which will probably put us in pretty good shape, I imagine.

THE CHAIR: Mr Smyth, a final supplementary on this, then I would like to move on to the capital asset development program.

MR SMYTH: This is the same area but a different question. The ratio between the commonwealth and the ACT is currently what?

Ms Gallagher: The last figure I saw—thanks to years of Howard government neglect, I should add—was 28-68—

MR SESELJA: Didn't they give you the GST?

MR HANSON: The GST we are now giving away?

Ms Gallagher: Just be careful with that. We are not giving away any GST. If you call

giving money to a hospital giving it away—

MR SESELJA: But we are losing control of it.

Ms Gallagher: and continue to use that term loosely—

MR HANSON: Giving it to Kevin Rudd and the way he manages it, if you want to play politics, minister.

THE CHAIR: Do we have a question?

MR SMYTH: I am sorry—

MR HARGREAVES: When are they going to be quiet?

Ms Gallagher: The last figure I saw was about 28 commonwealth, 68 ACT and then the difference was private.

MR SMYTH: And what are we moving to?

Ms Gallagher: To 60-40, essentially, of the government spend in health. There would still be a small bit that was—

MR SMYTH: That occurs in what year?

Ms Gallagher: The 60-40—is it 2013-14? We will get an answer for you. Sorry, I have a lot of numbers jumping around in my head.

MR SMYTH: What is the transition arrangement? Do we go straight to the 60-40, or is there a path over the next three or four years?

Dr Brown: There is a stepped process to move through a state-based efficient price to a national efficient price. It is, I think, starting in 2011-12, but we will have to confirm that.

MR SMYTH: All right. That is recurrent expenditure. How is the capital dealt with?

Dr Brown: The commonwealth has indicated that it will fund 60 per cent of capital.

Ms Gallagher: Planned capital.

Dr Brown: Planned capital, but we do not have—

Ms Gallagher: And they will do that directly to the states.

MR SMYTH: Sorry, what percentage?

Ms Gallagher: Sixty per cent of planned capital.

MR SMYTH: When does that start?

Dr Brown: We do not have any dates for the commencement of the capital yet that I am aware of.

MR HANSON: What do you mean by "planned capital"? That spend is already on the books, is it?

Ms Gallagher: Don't worry, we have got lots of capital plans, so it is good for us.

MR HANSON: Is Calvary a plan?

Ms Gallagher: Calvary has a lot of capital plans, regardless of the ownership and governance of the hospital.

MR HANSON: So that is all part of the CADP then?

THE CHAIR: Could I move to that capital and the works that will need to go on? Looking at catering for the health needs of people in the ACT over the next 10 years and beyond, do you have predictions past 2020? Have you done any work past 2020 about what the infrastructure needs of the ACT people will be? Is there any sort of looking forward to what sort of construction—

Ms Gallagher: The big piece of work that we have done has been to roughly 2020. Based on that work, the health needs of this city peak in about 2018. That is our best information at the moment. I guess our focus has been on trying to get the system ready for that. As to going out to 2030, we have not started that work yet. It is probably too scary to do.

Dr Brown: It is also very difficult to predict too far out. We are already predicting more than 10 years ahead in terms of demand and models of care et cetera. It is probably not reasonable to go too many years beyond that.

THE CHAIR: Although, obviously, you have got a large capital works program that is built on some idea about what Canberra is going to look like in future and its health needs.

Dr Brown: Sure, and we have done that, I think, to 2022.

THE CHAIR: Okay, so that is built on that idea?

Ms Gallagher: Yes.

THE CHAIR: Beyond the immediate few years. I would like to turn to the transition of individuals from hospital to the community—

MR SMYTH: Sorry, before you go on—

THE CHAIR: in budget paper 4.

MR SMYTH: I am just concerned that this is the largest part of the budget. It is an

enormous part of our health over the next five years. I am concerned that none of these figures about the transition arrangements are available.

Ms Gallagher: They are available—

MR SMYTH: Can we have them during the break?

Ms Gallagher: I do not know, Mr Smyth. I will see if we can get them in time.

MR SMYTH: Do you know what they are or not?

Ms Gallagher: Well—

MR SMYTH: You say, "I don't know," but this is at the heart of the agreement.

Ms Gallagher: Well, what are you after? We move to the GST arrangements in 2011-12. That is when they start.

MR SMYTH: Yes, and what percentage goes in 2011-12?

Ms Gallagher: That is when you move to the GST funding.

MR SMYTH: So—

Ms Gallagher: There are three different—

MR SMYTH: All 47 per cent goes in 2011-12?

Ms Gallagher: Yes, the allocation—but we do not lose anything. It is just the allocation—

MR SMYTH: No, I said "move". You need to listen.

Ms Gallagher: Well, I can hear you.

MR SMYTH: I did say "move".

Ms Gallagher: I can hear you.

MR SMYTH: Good, I am glad you can hear me.

Ms Gallagher: The allocation of that money, of the GST, will go into funding the local hospital network.

MR SMYTH: So as of 1 July next year—

Ms Gallagher: From 2011-12 to 2013-14—

MR SMYTH: 47 per cent goes across immediately, even though the full funding arrangement model comes into place in what year?

Ms Gallagher: 2014-15 is when the commonwealth's top-up, the growth funding, comes in.

MR SMYTH: So we surrender 47 per cent of GST as of 1 July—

Ms Gallagher: No, we do not surrender any money, Mr Smyth.

MR SMYTH: Well, we are surrendering it into the local area network.

Ms Gallagher: No, we do not surrender any money. I will not agree to that question.

MR SMYTH: Well, 47 per cent is no longer under our control.

THE CHAIR: Is there further detail that you are able to give to Mr Smyth's question at this time, or is that going to be taken on notice?

Ms Gallagher: If Mr Smyth clearly puts out what questions he has, we will do our best to get all that detail—

MR SMYTH: Well, I have already been quite clear.

Ms Gallagher: I have answered a lot of them, but—

MR SMYTH: No, sorry—

Ms Gallagher: I am not sure what you are still not clear on.

MR SMYTH: I rang your office the day of the budget and said, "Could I please be told what percentage of the GST goes across at what point in time?" I have never had an answer back to that. I have spoken to your staff since and they said it would all be revealed. Now that it is apparently on the table, I was wondering what the arrangement was year by year in terms of the movement of the GST as we put it into a new fund. You are now saying that on 1 July next year the 47 per cent goes across?

Ms Gallagher: That is my understanding, but I will check. I think we could benefit from having Treasury advice put into this and they are not here at the moment.

THE CHAIR: Mr Smyth, what you are trying to clarify is: is it a staged system—

MR SMYTH: Yes. I was told it was staged—

THE CHAIR: or is it just going to start at a certain date?

MR SMYTH: but apparently it is not.

Ms Gallagher: My understanding is that—

THE CHAIR: It is 1 July 2013.

Ms Gallagher: It is how you treat your GST. What it means is that that component of the GST that is now allocated to health will be freed up for something else.

THE CHAIR: So you are going to clarify that information?

Ms Gallagher: Yes.

THE CHAIR: Ms Bresnan.

MR SMYTH: Sorry, before we go off that—the second part was the ratio. The ratio, therefore, changes immediately to 60-40?

Ms Gallagher: Based on that, roughly, yes. It might be 57 or 58. I just need the actual cash line and we will see the percentage. But it is to get to 60 per cent.

THE CHAIR: The issue being clarified is whether it is staged, whether it all starts on a particular date and whether that will change the ratio of commonwealth to federal funding.

Ms Gallagher: Yes, it will.

THE CHAIR: That is where you are going, Mr Smyth?

MR SMYTH: All right. Then the third question is: what is the breakdown of the supplementary payments that were made, the transitional payments—

Ms Gallagher: Yes, we have got all that. And you want that profiled over the four years?

MR SMYTH: Over whatever period they are paid in.

Ms Gallagher: Well, it is over four years.

MR SMYTH: All right.

Ms Gallagher: Okay.

MR SMYTH: The last question is the capital.

Ms Gallagher: Currently we do not get anything for capital. That is totally within the confines of the commonwealth and their decision making. We have not been given a lot of detail on the capital, but we do not make this decision based on that alone.

MR SESELJA: Is it coming out of the pool?

Ms Gallagher: We have not had 60 per cent of them meet any capital requirements.

MR SESELJA: Just on that, is the capital coming out of the pool?

THE CHAIR: To be fair, we need to move to Ms Bresnan in a minute because we

are—

Ms Gallagher: No.

MR SESELJA: It is not?

Ms Gallagher: No, not to my knowledge. But, again, it has not been subject to those discussions.

THE CHAIR: Ms Bresnan.

MR SMYTH: Do we expect these—

MR HANSON: The CADP is—

THE CHAIR: Sorry, Mr Hanson, I did not give you the call.

MR HANSON: It is a $600 million decision and we do not know?

THE CHAIR: Mr Hanson, I have not given you the call.

MR HANSON: Sixty per cent of $1 billion—

THE CHAIR: Mr Smyth, you have asked a series of questions—

Ms Gallagher: No, the $1 billion is something the ACT government had committed to, Mr Hanson.

MR HANSON: Which is planned. It is capital expenditure. And you said it is 60 per cent of planned capital expenditure.

MS BRESNAN: I did have a question.

Ms Gallagher: Planned capital that we had funded. If we get some assistance from the commonwealth, we will be greatly receiving that.

MS BRESNAN: I had a question.

THE CHAIR: Treasurer and Mr Hanson, I have not given Mr Hanson the call, so can I please go to Ms Bresnan.

MR SMYTH: Just to finish, I assume that data is readily available. If this is something we have signed up to surely there has to be someone in the department who knows. Can we get that during the break so that we might have a further discussion on this?

Ms Gallagher: We will do our best, Mr Smyth. We are back all day tomorrow.

MR SMYTH: We are. I look forward to this rolling over until tomorrow. You know how much I enjoy it.

Ms Gallagher: I know.

THE CHAIR: Ms Bresnan.

MS BRESNAN: Thank you. Ms Hunter asked about planning ahead and the 10-year plan to look at health needs to 2020. In terms of the capital which is being invested into Calvary hospital and TCH, has there been any modelling about the capacity of the two hospitals to deal with the pressures that are being put on the hospital system for that period and whether or not that will be sufficient to deal with it?

Ms Gallagher: We have done quite a bit of work around that. As long as we build up both of the hospitals to what we are planning to do under the capital asset development plan they should be sufficient for when our health needs peak in about 2018. Depending on our population growth, I believe that you could move to a third hospital at some time in future, but that would be post-2022. That is what our best data shows us. If you did build a third hospital, the best place for a third hospital would be, from memory, out on the Monaro Highway. That was one of the spots. I am looking to Megan.

MR SMYTH: Mr Kerlin of the Gungahlin Community Council would be very upset with that.

MR HARGREAVES: It wouldn't be the first time he has been upset.

Ms Gallagher: It is not Gungahlin. It did surprise me. The other area was around Yarramundi Reach. There was another block of land identified. At this point in time, if we can build up both the two hospitals as we need to there is not any need. Indeed, our workforce at the moment would not allow us to do so. Every time you build a hospital you have to build some critical care capacity. Our community could not sustain three critical care units. If you did build an elective surgery centre or something you would have to build it with an intensive care capacity. That would probably compromise the existing two units.

MS BRESNAN: In terms of the primary healthcare centres, there is Gungahlin and there is Tuggeranong. Are those centres being considered in that plan—the pressure they can take off as well—to manage the capacity that the two hospitals can cope with in that period?

Ms Gallagher: Yes, they are. The Belconnen enhanced community health centre is a very large facility. For example, you could do quite a bit of outpatient work from there. You would not need to run your outpatient clinic at the hospital. In Tuggeranong we are looking at the opportunity to do renal dialysis and, again, remove some services from the hospital. In Gungahlin, we are building that centre with the capacity for a walk-in centre or doctors' rooms as part of that facility—again trying to keep some pressure off.

MS BRESNAN: So would more of those outpatient services be considered for other areas as well, do you think, in the future to be able to decrease that pressure?

Ms Gallagher: Yes. The other area that has come up in our planning, which would be in an excellent location for another community health centre and an enhanced one like the Belconnen one, is at Phillip across the road from the hospital, probably where the temporary car parks are. Again, you could almost build a polyclinic and alongside of it what would eventually be a medi-hotel. You could potentially have some respite care opportunities. I can tell you where the doctors would probably work if they had the choice of the Belconnen or the Phillip enhanced community health centre. I think they would choose Phillip.

MR HANSON: Why?

Ms Gallagher: Because it is closer to the other work that they do. I think the doctors themselves would like an enhanced community health centre there as well. Again, you could pull out some of that work that is not essential to be done in an acute facility.

MR HANSON: To follow up on the CADP, what you said—unless my understanding is wrong—is that the federal government will fund 60 per cent of planned capital works. Given that the capital asset development plan is a plan for $1 billion, I assume it is planned works. Will they or will they not fund $600 million of that capital asset development plan?

Ms Gallagher: The details of the capital funding I do not think are resolved. They have not been clear around what planned capital means. This deal was done around the recurrent costs of health services in terms of the analysis that Treasury did about whether it was a good arrangement to enter into. We never predicated the capital asset development plan on having any funding from the commonwealth.

MR HANSON: I just find it bizarre. I assume that this is not just the ACT.

Ms Gallagher: We have to build this regardless, Mr Hanson. That is how the project started.

MR HANSON: Sure, but who funds it is a pretty key issue in terms of whose pocket that comes out of. It is a $600 million decision. I just cannot believe that we do not know the answer to that question. I find it remarkable that with something that is in the COAG agreement—and we are saying here it is 60 per cent of planned capital works—you cannot tell me whether it is going to happen or not.

Dr Brown: Essentially, there is a lot of detail yet to be worked out. We are in a series of discussions with the commonwealth government around some of those details. But it is a work in progress.

MR HANSON: How can it be a work in progress? This is a two-year reform process—

Ms Gallagher: It is—

MR HANSON: We have got to the point—

Ms Gallagher: You can throw your hands up in the air. At the moment they pay

nothing. They are saying they are going to pay 60 per cent of planned capital and we say great.

MR HANSON: You signed up to this deal, minister, and you do not know. There is a $600 million hole in what you are saying.

Ms Gallagher: We say great, well done. You are actually going to start providing money for capital, good. And they did. They started with the hospital infrastructure fund where they have given us $30 million to build our cancer centre of excellence, which flows through in this budget. So we welcome the commonwealth's—

MR HANSON: Great, but you signed up—

Ms Gallagher:—entry into this area.

MR HANSON: You signed up to a deal that said 60 per cent of planned capital works. Now we are at the table and you say, "We cannot guarantee it." $600 million is meant to be in this deal and now you are saying it is not in this deal.

Ms Gallagher: No. You are wrong. The capital asset development plan—

MR HANSON: It is not a plan.

Ms Gallagher: It was entirely designed and is to be funded through the ACT government. That is our decision about what our community needs. We now have the commonwealth saying that they are prepared to come in and invest 60 per cent of funds into planned capital, and we are working through what the detail of that means. But do you know what it means, Mr Hanson? It means more than zero, which is what we got previously—

MR HANSON: You are trying to—

Ms Gallagher:—under the Howard government.

MR HANSON: That is good. Let us go back to the Howard government, because that is the only line of defence you have.

MR SMYTH: Apart from the GST.

THE CHAIR: Mr Hanson—

MR HANSON: Madam Chair, you cannot have it both ways. If the minister sat here and said, "Sixty per cent of planned capital works is what we have signed up for; that is what we are going to do; the capital asset development plan is our plan for capital works in the territory, ipso facto," that is $600 million we should be getting from the commonwealth. That is what has been marketed by this government. This is what we have been led to believe by both the federal government and the territory government. Now we are at the table and we are being told, "We do not have an answer to that."

THE CHAIR: So what was your question?

MR HANSON: I am trying to find out what on earth is going on, to be honest.

Ms Gallagher: You do not understand.

MR HANSON: And we are not getting an answer.

THE CHAIR: On that note, we will break for afternoon tea.

Meeting adjourned from 3.33 to 4.00 pm.

THE CHAIR: Welcome back to the public hearing of the Select Committee on Estimates. Ms Bresnan, were you asking a question before we went to the break?

MS BRESNAN: No, I was not.

MR SMYTH: I have got a new one. We mentioned Calvary before the break, minister. Where is the discussion with the Little Company of Mary at in regard to Calvary hospital and its purchase?

Ms Gallagher: The discussions are ongoing; so we have not reached a final decision yet.

MR SMYTH: Is there more detail that we might be made privy to?

Ms Gallagher: Not really; nothing that I can provide at this point in time. We have had some good meetings. We have met with the archbishop. The officials have worked very closely on a new networking and operating agreement to actually look at how we provide the services across Calvary and how that feeds into Canberra. But we have not got them to a point where parties have agreed to either. So there is a little bit more work to do, including our own processes internally in government about working through and getting to cabinet where it is at and accounting advice on the options that are being considered.

MS BRESNAN: On that, are staff and key representative groups like the nurses union and health care consumers being kept up to date about how that is progressing?

Ms Gallagher: I have kept them as up to date as I can; that is, the discussions we are having at the moment are about us owning the facility and the Little Company of Mary operating the facility. And there are mixed views around that. But they are aware that that is what we are trying to negotiate. It is not our preferred outcome, as you understand, but it is the one that we have been left to pursue.

MS BRESNAN: Are the staff at Calvary being kept up to date?

Ms Gallagher: Yes. I think the Little Company of Mary have a range of consultative processes that they use to get information out to staff. I think both parties have acknowledged that we would like to reach a final point on this at some point in the near future, based on the fact that I think it has created a climate of uncertainty for staff, which I do not think is good for a hospital.

MR SMYTH: In regard to the $717 million appropriated for acute services—

MR HANSON: Can I have a follow up on Calvary?

MR SMYTH: I was going to ask: what is the breakdown to TCH and the breakdown to Calvary?

Ms Gallagher: I am sure we can provide you with that. Have you got that?

Mr Thompson: The approximate breakdown, the approximate amount of funding we provide to Calvary annually, is $120 million for operating. The next year's figure is still under negotiation and, therefore, we do not have a definitive figure of how much will be provided for the 2010-11 financial year. But it will be in the order of $120 million indexed.

MR SMYTH: What was it for the current financial year?

Ms Gallagher: I have got it here. It is projected for 2009-10, $123,165,000.

THE CHAIR: Minister, one of the reasons for the government pursuing ownership of Calvary was findings in the Auditor-General's report about transparency and accountability. There were concerns that the public hospital was subsidising the private hospital and there were disagreements about the price owed. Are there currently any disagreements about the degree to which the public hospital may be owed moneys by the private hospital or that the public hospital is effectively subsidising the private hospital?

Ms Gallagher: Yes, sure. Ian can answer the detail. I know that the Little Company of Mary have done significant work to separate their private and public hospital functions, which is in line with the Auditor-General's report and something we support. I guess the downside of it has been that it is impacting on their efficiency and their throughput in the hospital because they are having to run two different hospitals in the one hospital. Even if there was not cross-subsidisation, some of the efficiencies of running a joint list, for example, have gone.

I do not think all the medical staff have been that happy about it, because it is impacting on their work as well. They now do public lists and private lists. That has impacted on their working environment. I guess that some of the discussions with Calvary over the past year have been on actually watching the impacts of the change, the environment. Everyone agrees that changes have to be there and we have to run separate facilities, very clearly, but it is having an actual impact on their outcomes.

THE CHAIR: Have you got anything further to add to that, Mr Thompson?

Ms Gallagher: Sorry, Ian.

Mr Thompson: No, that is fine.

MR HANSON: The Calvary proposal was initially predicated on wanting to achieve

ACT government ownership and running the facility. We are going to pursue this again now because of, I guess, the budgetary argument; that is, the $145 million as it appears on the ACT books. It seems to be more about the financial aspects of it.

Ms Gallagher: $145 million?

MR HANSON: Over a 20-year period, the analysis period that was done by ACT Treasury.

Ms Gallagher: Yes.

MR HANSON: You wanted to make sure that you had ownership of it so that, as you invested additional money, an extra $200 million, that would be on your books. Given that we think that 60 per cent of that money may now be funded by the commonwealth government, although we are awaiting the detail, I think you said, does it still make sense to pursue it? It was going to be done so that we could show that $145 million in money was actually going to be on our books rather than the Little Company of Mary's. If 60 per cent of that is now going to be funded by the federal government, then the benefit to the territory in terms of budgetary sense, I imagine—these are rough figures—would be only 40 per cent of that money on the budget, that is, $58 million rather than $145 million. Are you with me?

Ms Gallagher: Yes, sort of.

MR HANSON: The point is: the deal does not make sense from a point of argument about making our budget look better if 60 per cent of it is going to be paid for by the federal government.

Ms Gallagher: It is a new style of estimates when you ask a question and then answer it yourself.

MR HANSON: Do you want to comment on that?

Ms Gallagher: Well—

THE CHAIR: What is your question, Mr Hanson?

MR HANSON: My question is: does it make sense?

Ms Gallagher: And he answered it.

MR HANSON: You were confused, minister.

Ms Gallagher: No, I am not confused—frustrated, perhaps, but not confused. The issue with the hospital is that in order to invest capital into the hospital and to enable us to capitalise that, we need to be able to have that asset on our books. That is regardless of who funds the capital, which is your point. Your point is: do not do it if the commonwealth are going to fund 60 per cent of the costs. For the investment that we as a community put in, even if, to use your example, we are going to only fund 40 per cent of that, we cannot afford for that to hit our bottom line.

For example, just before you start, this year we have got the extra money going in for the intensive care unit project—indeed, in the past, the $9.4 million for the intensive care unit. That hit our bottom line. It came off our bottom line, because we do not own that asset. So, even if we were only to invest $40 million or $50 million into Calvary, which is very modest—and we will be investing much more than that—we cannot afford to have that hit our bottom line.

MR HANSON: But Treasurer—

Ms Gallagher: Because our bottom line is already under pressure.

MR HANSON: But I am prepared to accept that you are going to spend in the order of $200 million, because that is what you have told us.

Ms Gallagher: At a minimum, I would imagine, $200 million.

MR HANSON: Sure. And that is over a number of years, but your—

Ms Gallagher: Over the next six years.

MR HANSON: Your Treasury estimates, the Treasury documents you provided us, said that that would then make a difference of $145 million, the point being that if you are only funding 40 per cent of it—

Ms Gallagher: Of the three options—that is, buy, base or—

MR HANSON: Sure, but we are talking about the buy option now, are we not, at $145 million? But if you are only funding 40 per cent of it, that figure reduces to $58 million. So your budget is going to look better by $58 million over 20 years but it is going to cost you $77 million, assuming that is still the purchase price, in order to achieve that. I will make the question very clear to you. Why are you going to spend $77 million of taxpayers' money, which over a 20-year period actually goes to $160 million, in order to make our budget look better to the tune of only $58 million? I do not understand.

Ms Gallagher: When the deal is finalised, if a deal is finalised, we will be able to show you all the details of why we think it is a good arrangement. Until the arrangements are finalised, I guess you can sit and speculate on it.

MR HANSON: Are your Treasury documents—

Ms Gallagher: We are not about to do something that costs the territory money or disadvantages the territory budget. Give me some credit. We are not going to go and enter into an arrangement where we would be disadvantaged. What we are trying to do is enable a brand new hospital to be built on the north side of Canberra in a way that the budget can afford. That is what we are trying to do.

MR HANSON: I know what you are trying to do but if your Treasury documents are still valid—

Ms Gallagher: That is what we are negotiating.

MR HANSON: I have not heard you say they are not valid—this is the Treasury analysis around purchase—then the figures that you have provided will clearly indicate now that, if the federal government does provide 60 per cent of that capital funding, the rationale that you were using to buy Calvary no longer makes sense. It actually costs you more to make the budget look better.

Ms Gallagher: No. We do not agree with that

THE CHAIR: Could I move to page—

Ms Gallagher: Your back-of-the-envelope little calculations, we do not agree with that. But the whole package will come before the Assembly for you to consider.

THE CHAIR: On page 223 of budget paper 4, on the transition of individuals from hospital to the community, last year the problem was discussed where individuals remained in hospital despite being cleared for discharge because they lacked an ISP package, for example. The Department of Disability, Housing and Community Services appropriated about $750,000 per annum for those eight or so people to go to ISPs. My question is: how many people are there currently in ACT hospitals who are in this position, that is, they have been cleared for discharge but they cannot move because they do not have an individual support package?

Ms Gallagher: The latest figure I recall seeing was four, and I think there is a new individual as part of that.

Mr Carey-Ide: There are currently four patients remaining in the hospital. At this point of time last year, there were eight patients. We have had one addition to that list of patients in the last 12 months, so the pleasing news is that we have been able to transition five of those very complex individuals to community living. That is a fairly difficult process that requires a great deal of planning and cooperation between a number of different government organisations as well as non-government organisations, families and carers as well as the patients. That complex work has led to five people being discharged.

There are two patients who will be transitioned into the community in the coming months; those patients have been patients who have presented very, very complex challenges for us to meet in respect of their discharge planning. The workforce issues for the non-government sector have been challenging in respect of transitioning those patients also.

We do have one additional patient who has been transferred back to our services in the past few months from Sydney. We think that is an exciting transition process for us, because it means that our services have become able to accept patients who have very significant injuries causing permanent or long-term disability to return to the Canberra community at a much earlier stage of their recovery or transition processes. We have already been able to commence work with DHCS in terms of discharge planning for that particular client. We anticipate a discharge time frame for that

patient within a 12-month period from transition from acute services.

So there has been very significant improvement in the processes between government departments as well as with the community.

THE CHAIR: Of the four that are in there now, how many have been there for 12 months or more?

Mr Carey-Ide: Three.

THE CHAIR: How many of them have yet to be allocated an individual support package?

Mr Carey-Ide: Of the four, there is one yet to be allocated a package. The allocation of the package, of course, is often the beginning of a process of trying to engage a number of different facets of the community as well as government departments in taking up the components of that package. The workforce issue for non-government organisations is one of the biggest challenges, as I have already alluded to. The presence of money alone does not automatically mean that you can envisage discharge to the community within a set period of weeks. It does mean that carers need to be available. And, once the carers are available, they will often require very specific training relating to the individual clients.

THE CHAIR: A final one on that: how much does it cost per day for people to remain in hospital—for these people to remain in hospital?

Mr Carey-Ide: Are you asking for a current bed day price?

THE CHAIR: Yes.

Mr Carey-Ide: It varies. We can give you a breakdown of the bed day costs, but it varies depending on the level of acuity of the patients. For a subacute patient, whom we are talking about, it is generally significantly less than the overall average bed day cost, because the bulk of the bed day costs—the more expensive patients are the acute patients, obviously; easily the most expensive are the ICU patients. We can give you the specific figure for the subacute patients we are talking about.

THE CHAIR: Thank you; I will put that on notice then.

MS BRESNAN: I want to follow up. You said that there was one additional patient. Is that the patient that was transferred from Sydney?

Mr Carey-Ide: Yes.

MS BRESNAN: Thank you.

THE CHAIR: I want to move to page 82 of budget paper 3. I note that there have been new moneys appropriated for obstetrics and gynaecology services at the Canberra Hospital. I was hoping that you could advise more specifically on what this money will be spent on and if any of it will go to increasing capacity in the birthing

centre.

Ms Gallagher: The reason this money is in the budget is from a process that started halfway through last year where the director of the unit made representations about the ongoing and sustained increase in the amount of births being done at Canberra Hospital. Over the last four years or so, there has been a 26 per cent increase in births at the hospital, including a 12 per cent increase this year. So this is essentially to pay for extra doctors and extra midwives to deliver the extra babies that we are seeing at the hospital.

THE CHAIR: Will any of that go to increasing capacity at the birthing centre?

Ms Gallagher: The birthing centre has its own capacity constraints, as you know, with only three birthing centres. There are only so many births that you can have there. But extra money is certainly going into extra midwives. I am not sure that we can create extra capacity in the community midwives program based on the structural constraints of their workplace. In the new building, of course, we will move to five birth suites; there will be significant increases in staffing and recurrent funding going in that we are planning already as part of our growth funds once that new hospital starts operating. That is to deal with the extra capacity that the new hospital will provide. That is not just in obstetrics and gynaecology; it is in the neonatal intensive care unit as well.

THE CHAIR: The government has been looking into how it can better cater for ACT Health employees and midwives who find themselves at a homebirth—not a planned homebirth but in a homebirth situation. Could you provide some update on where this issue is at?

Ms Gallagher: Yes, sure. As you know, Ms Hunter, and Ms Bresnan as well, because it is a feature of our parliamentary agreement and something that I have been working on for a few years now, we have been trying to get the situation where a woman who is on the community midwives program who has an unplanned homebirth is able to be assisted by her midwife and not excluded under our current insurance arrangements, which mean that a paramedic is insured and the midwife is not. Tom McDonald will be very unhappy that he is not here to answer this question.

THE CHAIR: Yes, I do realise that.

Ms Gallagher: I have been working on this with Tom, and Tom has been speaking with Ian and ACT Health. In fact, representations were made to our insurer. Previous advice to us had been that we would have to make a $1 million allocation a year, essentially to create a fund, to establish a $10 million fund, for the one in 10-year event that there would be a baby born in an unplanned homebirth situation that required significant ongoing medical help. That was always a difficult issue, because how you take $1 million out of the health budget to put it in an insurance fund is a very difficult thing to do.

Anyway, to cut a long story short, the outcomes of the discussion with the insurer at this stage is that we could make a couple of minor changes to our protocols—Ian, do you want to talk about that?—which would cover us off satisfactorily for that situation

to occur. It does not cater for planned homebirths, but it is one step on the journey if we are able to allow our midwives to help in an unplanned homebirth situation.

Mr Thompson: The simple changes which we have discussed with Tom, and which in principle it seems as though the insurers will be accepting, are, first, that we make it very clear within the protocols that it is only for unplanned homebirths and we are not planning any homebirth service and, second, that we clarify that an ambulance is called but the midwife, as the most senior and skilled practitioner for that clinical circumstance, remains in attendance and works with the paramedic through the period of the paramedic's attendance, transfer to hospital and/or birth at home, depending on what is most clinically appropriate and safe.

THE CHAIR: Thank you. How does the federal government's announcement about insurance assist the homebirthing matter for both public and private midwives?

Ms Gallagher: I think we are setting up a meeting with the commonwealth for Mr McDonald to go over and talk with them about their changes. Essentially, they have found a product which they are significantly underwriting, I understand, to provide a product to provide insurance to private midwives. However, it appears from what I have read that it is not to cover homebirth situations. It is for private midwives who attend a private birthing facility; they will be insured. That is a good outcome, because there was no insurance for private midwives. That in itself is good, but I do not believe it extends to allowing insured homebirth situations. Tom is going to meet with them to find out all the fine print insurance arrangements. We are watching it very closely.

THE CHAIR: Mr Smyth.

MR SMYTH: If we could just go back to Calvary, how often are you meeting with the Little Company of Mary?

Ms Gallagher: Officials are meeting pretty frequently—weekly, certainly. I have frequent contact with the chair, discussing how the negotiations are going. It is a big piece of work that is being actively actioned.

MR SMYTH: Is there a time frame for completion of the negotiations?

Ms Gallagher: There are some issues around sending the proposal off through the processes of the sisters of the Little Company of Mary and then off to the Vatican for approval—their own approval processes. I know that the Little Company of Mary were keen to get that done before the end of June, because apparently the Vatican has an eight-week holiday. They take a couple of months off in the European summer.

MR HANSON: You might be able to see them over there.

Ms Gallagher: I am not going to Rome. Are you a bit jealous of my holiday, Mr Hanson? I have heard several references to it.

MR HANSON: No. I am happy to serve the community here while you are away.

Ms Gallagher: I have been happily serving this community for 10 years, Mr Hanson, so I think I deserve a holiday. Anyway, now that I have got that off my chest—

MR SESELJA: A couple a year.

Ms Gallagher: Another one, Mr Seselja? I have not started counting your holidays yet, but if we are going to get into that game I can tell you who will win.

MR SMYTH: Yes; you may well be right in that.

MR SESELJA: I think you will win, Katy. What is it? Seven weeks? Five months?

Ms Gallagher: Going back to the issue—

THE CHAIR: Let us get back to Calvary.

MR SESELJA: That is a lot.

Ms Gallagher: I think we call you Sitting Week Seselja in our party room, which means that you are here for about nine weeks of the year.

MR SESELJA: Seven weeks in five months? If only your staff got so many holidays.

THE CHAIR: Can we get back to the issue. I believe we were talking about Calvary.

Ms Gallagher: I do not think we can meet that timetable, though. Our own cabinet processes will not allow that timetable to be met. Our own processes to finalise this proposal will take longer than one month—is my guess. So we might come back to the Vatican.

THE CHAIR: Is there a concern? The negotiations broke down last time. The archbishop played a role in that. Is there a concern that that will happen again?

MR SMYTH: I am not sure that is true.

THE CHAIR: Is the archbishop involved in this process as well?

Ms Gallagher: Yes, he is, and he is playing a very active and considered role in it. I understand, from my own meetings with him, the team from LCM Health Care, the sisters of the Little Company of Mary and Catholic Health Australia—we have involved all of those stakeholders in the key leadership meetings that we have had on this—is that he is agreeable to the proposal, subject to seeing the final detail of the networking agreement and the arrangements. He has some conditions: we must allow them to run a Catholic hospital, which is different—not hugely different, but there are some different elements—from a public hospital. He has been very clear about that. He has given in-principle support until he sees the final detail.

MR HANSON: Minister, if you are saying that the archbishop is saying that it must be a Catholic hospital in the way it is run—I think that the terms of the lease will be 88 years or something like that; I do not know what the final negotiation is going to

be—would you be able to characterise that in any way as public health in public hands? I know that that is part of it. You have to get this through the Assembly as an appropriation bill. Will you be able to characterise a Catholic hospital locked in for 88 years as public health in public hands?

Ms Gallagher: Is that a new slogan for you?

MR HANSON: No, it is not a new slogan for me, but I know that part of the support you are going to get from the Greens is predicated—

Ms Gallagher: I can see that on your election banner.

MR HANSON: It is predicated on basically that premise. I am struggling to see how locking in a hospital running on Catholic principles for 88 years meets that requirement.

MS BRESNAN: You would support that, wouldn't you, Jeremy?

Ms Gallagher: Yes.

MR HANSON: I am asking the minister.

MR SESELJA: Are you asking questions of Jeremy now? Is it your role to ask questions of the opposition, Amanda? That is interesting.

MS BRESNAN: You are asking me a question.

THE CHAIR: I believe the question has been asked by Mr Hanson.

MR HANSON: If it is not going to be answered, I have got another one.

Ms Gallagher: I have not—

THE CHAIR: I think a question has been asked, minister.

Ms Gallagher: I must say that I have raised the issue that I do not agree necessarily with not providing a full range of services at a hospital that is completely publicly funded. I have said that to the Little Company of Mary myself. However, it is the situation we have got at the moment. That is the situation. There are legal arrangements in place that give them certain entitlements. In that way, it would be no change to the current situation, although I have sought, and again this is subject to the final negotiations—there are differences between providing all the hospital services.

If there are arrangements that we can put in outside that, outside the hospital, there is some flexibility, but it would not be managed or run by the Little Company of Mary. They have made it very clear that they are guided by Catholic doctrine; that means that certain services will not be provided. But when you look at what those services are—terminations, reproductive health—you can see that a public hospital of Calvary's size would not be doing assisted reproduction in the public system, nor would we be doing late-term terminations. Terminations are done at Marie Stopes

until 14 weeks gestation. If you are doing a termination over 14 weeks, it goes to the ethics panel across at the Canberra Hospital, which manages those very complex decisions for families.

So that in itself is not an issue. The biggest issue under the current arrangements is probably that we are not able to offer contraceptive advice to families who use Calvary Public Hospital. If there is somewhere I would have liked to see improvement on the services we offer, it is in that area. The Little Company of Mary have made it clear that that is not something that they could consider.

So it is the current situation. It is not our preferred way of providing public hospital services, but we are trying to deliver the outcome that keeps the Little Company of Mary, Health Care and the archbishop satisfied and that will help us deliver the north-side hospital that the north side of Canberra needs. You do not always get what you want.

MR HANSON: But the negotiations have been quite protracted now.

Ms Gallagher: Yes.

MR HANSON: I think they have been going on for about 18 months. Are you aware of any impact that this is having on morale or concerns through the management at Calvary hospital?

Ms Gallagher: Yes, I am.

MR HANSON: Have you been approached about those concerns?

Ms Gallagher: Yes.

MR HANSON: Can you tell us who by?

Ms Gallagher: By a range of stakeholders.

MR HANSON: Does that include the medical staff council?

Ms Gallagher: Yes.

MR HANSON: Can you let us know what those concerns are?

Ms Gallagher: The medical staff council, I think, would like us to own and operate the hospital. They have indicated that to me. They are concerned about some of the management decisions of Little Company of Mary Health Care and they want some assurances about the future.

MR HANSON: How long have those concerns been going on? About the same time that you started negotiations?

Ms Gallagher: No. Indeed, some clinicians have only raised this with me personally—probably the first time was at the surgical services task force, which was

about eight weeks ago. I will check my diary, but that was the first representation I had from clinicians who actually said, "Why can't you just buy it and operate it? That is what we want." I said, "Too late." That process has been investigated, and we are not able to see that through.

THE CHAIR: We had Mr Kerlin from the Gungahlin Community Council in here on Thursday. He was putting forward a view that we should be building another hospital and it should be located in Gungahlin. Part of his reasoning was that he was concerned that, for instance, the current campus at Bruce was not going to be large enough or you were not going to be able to have the sorts of facilities and so forth that would need to be there to service Belconnen, the inner north, plus a very growing population of up to 100,000 in Gungahlin. So he was putting forward the view that Gungahlin, taking a bit of land and making sure it was master-planned right into the future, was a better option. Have you got any thoughts on that? I know you are undergoing negotiations with Calvary but is there any thought being given to that option?

Ms Gallagher: Someone can correct me if I am wrong but, if you were going to build another hospital, you would probably still look around Belconnen for land. That really goes to the proximity of the other major hospital, some of the transport routes around the city and your catchment, including the development of Molonglo, which would impact on that.

I did ask that it be an idea to be investigated in Gungahlin, which was really to have an elective surgery centre out there. You would not be offering an emergency department but you could investigate where you could quarantine your elective surgery. That was really a response to some of the pressures with the Canberra Hospital, where 53 per cent of the work every day is emergency. So I was looking at a way to relieve pressure off the Canberra Hospital.

But, again, you cannot just build standalone services without an intensive care unit, for example. If you build an intensive care unit in Gungahlin, that would compromise the one in Calvary, which, again, networks with Canberra. Everything is interlinked. If we did proceed and you did find a block in Gungahlin and if we did find a block that was better than, say, a Belconnen block, it would be the end of Calvary.

It is a large, functioning hospital. I think it would be difficult, just because we are trying to resolve these ownership and governance arrangements, to leave a hospital that size in a great location and move further out. Calvary is there for the people of Belconnen. It is not too far at all when you look at Canberra as a fairly small geographic space. We have considered all of these issues.

Calvary has an amazing amount of land. If you actually look at it, there is a lot of land that is not well utilised at the moment because of the way we used to build buildings. Some of the solution is in being creative around the design. Potentially, there could be a new private hospital built on the other side of Mary Potter Avenue, on the site of Calvary clinic, a whole new private hospital. That shows you how much land there is there.

I still think that is the preferred way to go and you would have a good state-of-the-art,

modern public hospital, our work showed us, in the best location in Canberra, close to Woden and Belconnen. But I have looked at the issue of Gungahlin pretty closely.

MR SMYTH: Still on Calvary, on page 233 of budget paper 4, there is a technical adjustment of an additional $2 million to Calvary for the intensive care unit. What is the all-up cost of the intensive care project?

Ms Gallagher: There is $9.4 million for the original capital. We have now transferred—what was it, that technical adjustment?—about $2 million for equipment to deck out the intensive care unit. What page are you on?

MR SMYTH: There are a number of pages. There is a technical adjustment on 232, 233 and 236.

Mr Foster: The $2 million adjustment Mr Smyth refers to is an increase in the cost of construction; so it takes the $9.4 million to $11.4 million for construction. The reason for that was basically escalation. The $9.4 million was arrived at several years ago and there have been some delays in building it because of different models and who would build. That is the reason.

MR SMYTH: Given that the minister has just said there is now money for equipment, is there more money on top of that?

Ms Gallagher: That was in—

Mr Foster: There was always money for equipment. At the time when—

Ms Gallagher: Yes, we were going to fund it.

Mr Foster: Two years ago we were funding $2 million worth of equipment.

Ms Gallagher: That is right.

Mr Foster: Plus money for an ICU monitoring system.

MR SMYTH: So the $11.4 million is the refurbishment plus the equipment?

Mr Foster: No, $11.4 million is the refurbishment and construction of a large facility. On top of that, there is $2 million for equipment.

MR SMYTH: Where would we find that in the papers?

Mr Foster: Two years ago in the budget papers, amongst the CADP funding.

MR SMYTH: That is what?

Mr Foster: $1.5 million for a monitoring system.

MR SMYTH: That unit is now open, minister?

Ms Gallagher: No. It is due to open in June. In fact, I went and had a look at it last week.

MR SMYTH: So that was not an opening last week?

Ms Gallagher: No. In fact, it is just in the final stages.

MR SMYTH: It is just that we open so many things so early these days.

Ms Gallagher: It is getting late, yes, but I will not bite at that one.

MR SMYTH: No, it is only 20 to five.

Ms Gallagher: No, it is due to open in mid-June, I think. Do not quote me on that mid-June—in June, I will say. It is quite a complex decanting strategy that is involved, because you have to keep the intensive care unit running as you transfer the old unit into the new unit. So there is quite a lot of planning that is going into that, including an elective surgery slowdown to reduce demand and transition over a couple of weeks. But it will be a fantastic new facility for that hospital.

MR SMYTH: In the same set of notes, on page 236, note No 2 says that an additional $7.37 million is being transferred to the women's and children's hospital. What is the reason for that?

Ms Gallagher: I am sure I have a tremendous media release that I could give to you but it was the result essentially of a review of the women's and children's hospital post my trip to Norway and Denmark, where we visited two new hospitals, and we made some changes to the women's and children's hospital based on that. There is an increased use of single rooms, better use of a range of environmental improvements, including—

MR SMYTH: So this is just the funding for that announcement you made previously?

Ms Gallagher: Yes.

MR SMYTH: Okay, no worries.

THE CHAIR: I want to go to that list of rollovers. Obviously, there is a lot of capital works going on at the Canberra Hospital campus. On page 232, there are a number around the adult mental health in-patient facility, the car park, the mental health assessment unit, the women's and children's hospital and so forth. These are rollovers. Are you concerned about the rollovers? Are we sticking to the time lines that were thought on all of this construction at Woden?

Ms Gallagher: My focus is on getting a good result at the end. Yes, some of the projects have taken longer than originally scoped, for different reasons. However, I know that Health and the project managers dealing with the CADP are working very hard on delivering this project on time. But this is a massive project. It is the government's largest infrastructure project. And we want to get it right. For some rollovers, it may be just when the money is going out. It does not mean that the

project has not started or is not going to end on time. What it may mean is that there has been a change to how the project is delivered or an invoice, for example.

The video streaming services for the NICU, we have finished that project. The NICU video streaming services are working but it is obviously just the way the cash is being spent. It is pushed out a bit. It does not mean that things are not being delivered necessarily.

MR HANSON: But some of the major ones have, though, have they not? Correct me if I am wrong but—

Ms Gallagher: In terms of delays, yes.

MR HANSON: The women's and children's hospital has been delayed, the adult mental health in-patient facility has been delayed, the secure adult mental health unit has been delayed, the—

Ms Gallagher: Yes, there are delays.

MR HANSON: The drug and alcohol Indigenous rehab facility has been delayed.

Ms Gallagher: Yes.

MR HANSON: The multistorey car park has been delayed, to name a few.

Ms Gallagher: No, I do not think the multistorey car park is delayed. I think—

MR HANSON: I think from its original start date—

Ms Gallagher: But it was a 1,100-car park on the other side of the block for a different price. We then rescoped it.

MR HANSON: It has been delayed. Even the latest delay is another three months in this budget. I think that is right.

Ms Gallagher: I think it is due to be completed in December 2010-January 2011.

MR HANSON: I just make the point—

Ms Gallagher: As I said, I have lost some sleep over the CADP and timetables of completion of construction. But I have reached a point where I think it is better—I have read all the briefs on it, read all the minutes I get around each project individually—to do our work thoroughly and get a good product at the end than to necessarily say, "It has got to be finished at this time regardless, because that was the original date."

There are some good reasons for the delays when you work through each and every one of them. It does not mean we have been lazy or we have not cared about it. There are individual reasons for each one. In regard to the women's and children's hospital, for example, we came back and basically told the architects to redraw the plans. The

friends of the birth centre were unhappy with the way the birth centre was going to be designed. That was several months working with them to get agreement on something that would meet their needs. Again, you could just charge on through, but to get a good product—

MR HANSON: Looking at the bigger picture, then, minister, when did the CADP start? Did you say it is a 10-year plan?

Ms Gallagher: It started in—

MR HANSON: What was the start date?

Ms Gallagher: It started in 2007-08. Is that the first year we started budget-funding it? Yes.

MR HANSON: So 2007-08?

MS GALLAGHER: Yes.

MR HANSON: And it is still a 10-year plan; so it is going to finish in 2017-18. Is everything going to be complete by then?

Ms Gallagher: The majority of it.

MR HANSON: It always seems to be a 10-year plan.

Ms Gallagher: We are building a massive new health infrastructure system here.

MR HANSON: Sure.

Ms Gallagher: I do not imagine we will ever finish.

MR HANSON: But it is characteristic of this $1 billion 10-year plan. When does it start and when does it finish?

Ms Gallagher: It has started, and we have delivered a lot already.

MR HANSON: Or are we just saying that Health has always got that?

Ms Gallagher: What?

MR HANSON: Or is it simply going to roll over?

Ms Gallagher: The CADP is a 10-year plan. But I imagine through that 10 years there will be plans that come after that that keep going. I cannot see the end of it.

MR HANSON: Sure, but I am just trying to understand whether it is a finite 2007 to 2017 type plan. What we are saying is that the CADP is between whatever the date is now and 10 years hence.

Ms Gallagher: No, the CADP was a 10-year plan from the start—

MR HANSON: From 2007-08.

Ms Gallagher: That is right. I imagine health ministers in 10 years time will have named it something a great deal more exciting than CADP—

MR HANSON: I will think of something imaginative, minister. I will come up with something.

Ms Gallagher: All right, you can do that. You can dream about that, while I get on with the job of delivering it.

MR HANSON: Or while you dream about Rome, yes.

Ms Gallagher: But it is a 10-year plan. There will be different stages within that 10 years, I think, as models of care change, as the needs of the community change, as the new infrastructure that was built 10 years ago suddenly needs an upgrade. It will just be an ongoing process. But we have built an awful lot already. It just has not been the big, glorious project yet. You will see the big women's and children's hospital. You will see the adult in-patient unit. You will see the car park.

But we have Australia's first IMRIS MRI neurosurgery operating suite opening in the third quarter of this year—Australia's first for our community. That is a massive piece of work. A five-tonne magnet is being put into an existing structure that is being built inside the hospital at the moment. Underneath there will be a ward of 16 extra beds that are being managed. That is all happening, and you do not even see it. But it is a massive project.

We have got the mental health assessment unit that has opened. We have got the walk-in centre that has opened. We have the new operating theatres. We have new beds throughout the hospital.

MR HANSON: Are they all working now?

Ms Gallagher: Yes, the new operating theatres are operational and have been for some time. There has been a huge amount of work done already that I think the CADP has got a lot to be proud of. But the big projects and the ones that the community will see will start proper in the next few years. The cranes are already there for the car park.

MR SMYTH: You mentioned the CADP. At the bottom of page 234, the last line shows a list of cessation of $31 million worth that have come out of the 2013-14 financial year. What is the breakdown of that and are they actually projects that have gone or have they been funded in some other place?

Ms Gallagher: Mr Foster?

Mr Foster: It is just a technical adjustment. When you roll a new year into the budget papers, they start off with the allocation for the previous year. That includes capital

works for the range of projects identified there but they actually have ended in that previous financial year. So it is just a matter of taking that $31 million out that is actually in the year before. It is the same with the recurrent. You can see the same adjustment when we introduce indexation and that for a new outyear for appropriation.

MR SMYTH: At the bottom of page 235, there is the $45 million for the new multistorey car park. Is that a firm cost now? It will not go past $45 million?

Ms Gallagher: Yes, that is our expectation. And we have reduced a level and increased the number of car parks.

MR SMYTH: And it is still on target to open in January 2011?

Ms Gallagher: Yes.

MR HANSON: Will we all have to drive smart cars now? How do you work that out?

Ms Gallagher: They are normal sized car parks. In fact, we were wanting to rebadge them as office allocation for the doctors.

MR SMYTH: The project on the car park has gone without a hitch? I had heard—

Ms Gallagher: Hindmarsh have been great.

MR SMYTH: I had heard there was a complaint, an OH&S investigation, on the fencing around the demolition.

Ms Gallagher: I have not heard that but I am sure—does someone know? No. Megan, are you aware of anything?

Ms Cahill: In relation to the fencing around the car park site, we have been working very closely with the staff in the psychiatric services unit to make sure that we can create a secure facility so that the clients in the mental health facility cannot get into the site, as well as ensuring that the building site is maintained.

MR SMYTH: Thank you for that. I understand there may have been a complaint about the degree of safety, that the original fence that was put around the building was inadequate and had to be replaced, necessitating the site to be shut down for some time.

Ms Cahill: No. As far as I am aware, there was some initial fencing that was put in place that was appropriate for the works that were going on on the site at that point in time, for example, when the demolition was going on. Now that we have moved into the construction phase, a different type of fencing has been erected.

MS BRESNAN: On the walk-in centre, has that actually started or—

Ms Gallagher: Tomorrow.

MS BRESNAN: Starting tomorrow?

Ms Gallagher: At 7 am.

MS BRESNAN: Wonderful.

Ms Gallagher: Do you know anyone who is sick? I think there will be a *Canberra Times* journalist down there to take a photo of it.

MS BRESNAN: It is fully staffed?

Ms Gallagher: Yes, more than fully staffed. I think they had a huge amount of interest in those positions.

MS BRESNAN: That is fantastic. Is it a 12-month review process?

Ms Gallagher: Yes.

MR HANSON: Is that an internal review? Can you clarify that?

Ms Gallagher: No, it is an external review, and with stakeholder involvement, the division and the AMA. Everyone will be involved with that review. I think it is a very important part of the process of getting permanent endorsement for this new way of doing things. At the moment, we have got conditional support from the AMA and the division. But they will be watching it very closely and their national bodies will be watching it very closely.

I explained to the staff last week when I met with them that there is no pressure on them. They are very excited about being the first public nurse-led clinic, and there are a lot of expectations on it. I think they feel that they could do a lot more than they are being asked to do but small steps do encourage them. For example, you cannot see children under two at the walk-in centre, which I think some families will find a bit annoying. But there are good reasons why, for babies under two, we would be sending them off for medical assessment.

MS BRESNAN: Was that through feedback from clinicians and doctors?

Ms Gallagher: It was, yes. I do not know whether Brenda wants to come up—this is her baby that is going to be born tomorrow morning—but there was a lot of work done on scope of practice. It was probably the most contentious part of the walk-in centre discussions. I am not sure everyone still fully agrees with everything the nurses are going to do but they are accepting it. Do you want to add anything to that?

Ms Ainsworth: Yes. We made a conscious decision not to see children under the age of two years, as you would know, in consultation with our clinicians. Children under two years, even if they present with a minor illness, can actually deteriorate quite rapidly. So it was seen as a safety concern that in the initial period of our commencing the best place for children under two was still to see their GP or to go to the emergency department if it was something of an urgent nature. We still recognise that GPs have an ongoing relationship with a family over time and, if a child is presenting with something and they have the potential to deteriorate, when they are young it is

best that their GP still sees them first.

THE CHAIR: I have seen the ads on TV and I am wondering: what percentage of the load is it designed to take off the ED? What do you think it will do?

Ms Ainsworth: I would have to say it is probably our best guess at the moment. Certainly, after reviewing the walk-in centres in the UK, which we did a scoping study some time ago on, as you would remember, there was a belief there—I think we have seen the same thing here—that there are certain people that have got a GP but may cut their finger when they are doing the vegetables. To get into a GP to see a cut finger and have a couple of sutures or glue, you are probably not going to get into your GP. To actually turn up to the emergency department for something like that, you are going to wait a long time because it is not seen as urgent.

For that particular patient, though, it is urgent when you need something for your finger but you have not got a lot of alternatives. Those people would either try to bandage it themselves and just hope for the best, which may deteriorate or may not, or they could go to the walk-in centre. So it is trying to capture those people that actually fall between the gaps at the moment. We recognise that, for some things, GPs are still the best place to go and, for urgent matters, the ED still may be the best place to go.

With category 4s and 5s, there are a proportion within the ACT that do tend to use the ED that fall into that minor injury, minor illness category. However, there still are a number of category 4 and 5 patients that are appropriate emergency patients as well. Teasing out which ones would best be in the ED and which ones will be in the walk-in centre is what we are designed to do. The cut finger is a good example of that. It still would be a category 5 patient. They probably would wait too long, and they could actually turn up as a did-not-wait because, for them, seeing a busy emergency waiting room, it would be like: "I'm probably not that sick. I'll go elsewhere." Now the walk-in centre gives them an alternative to go to.

MS BRESNAN: I know, from reading about the walk-in centre, there will be referral to the ED, where that is needed. Will there also be referrals from the ED to the walk-in centre possibly?

Ms Ainsworth: Yes, that is right. There are redirection protocols actually built into the model of care for both the emergency department and general practitioners. And there can be referrals to areas like sexual health so that, if you are presenting with something, our approach to the model of care is to redirect appropriately and to ensure people are given the information that they require to make further decisions about their care.

The ED has been part of the development about a redirection policy to the EDs. And that redirection policy works both ways. If someone—again, using the example of the cut finger—actually turns up at triage, the triage nurse can offer them the choice of attending the walk-in centre or, if they choose not to use the walk-in centre, they can stay and wait within the emergency department. But the alternative will be there for them.

Ms Gallagher: To add to Brenda's comment there, a fair few of the nurses who have

successfully won positions at the walk-in centre are former emergency department nurses. So they have got that good background in what the emergency department does and should do and that good link to the hospital. But it is something we will watch pretty closely, the referrals to and from, both ways. But we are putting posters up and stuff, are we not, in the ED?

MR HANSON: In regard to the no children under two years—it is probably a question more for the minister—is ACT Health imposing similar requirements on the community walk-in centre that has opened in a pharmacy in Tuggeranong or can they do whatever they like? How does that work?

Ms Gallagher: There is a—

Dr Brown: That is the Revive Clinic, which is a private operation. Our role in that is to approve the creation of nurse practitioner positions, and we do that according to criteria that are published in the regulations.

MR HANSON: That is the only requirement that you have in terms of setting protocols?

Dr Brown: That is right.

MR HANSON: Assuming that this is a success—and I wish you every luck—do we then move to Calvary or do we move to the community? What is your plan?

Ms Gallagher: The idea is to move to the community, indeed Gungahlin and potentially Tuggeranong.

MR HANSON: Why not Calvary?

Ms Gallagher: The reason we are at the hospital in the first instance is that was what stakeholders sought, in terms of some control under a broader governance for the first one. Although it has worked out very well, it would not necessarily have been our first choice. From the beginning, when I started speaking with stakeholders, it was very clear they wanted it as part of the hospital in order to see it go.

I guess part of what we are trying to do with the CADP is reduce people coming to the hospital and treat them in community settings closer to their homes. The idea around the walk-in centres in the UK is along those lines. However, it is at the hospital. I think it is probably best we just wait and see what the review tells us in 12 months before we move out anywhere else.

MR HANSON: But at this stage, you do not have a plan for a walk-in centre at Calvary?

Ms Gallagher: No, that is not in our plans at the moment. We will just see how it goes. It will be a lot more contentious to go to the community than the hospital. So we will just see how it goes.

THE CHAIR: Ms Bresnan, did you have one on e-health?

MS BRESNAN: Yes, I did, a clarification on some of the funding. In budget paper 2, there is a summary of e-health and the national partnership agreement. I want to check this. Apologies if I have not found this in the budget papers. It has got $0.5 million funding over four years as the ACT contribution. But the commonwealth was not making a contribution towards that? It is on page 28, budget paper 2. I understand the commonwealth have put a lot of money into NEHTA and developing the language and all that infrastructure for a—

Ms Gallagher: Since the budget, the commonwealth have put in some money, I think $457-odd million in their budget, for the development of an electronic health record.

MS BRESNAN: Is that specific $0.5 million anything particularly to do with the national—obviously, in relation to it, yes.

Ms Gallagher: Yes. Mr Smalley.

Mr Smalley: You referred to the national partnership agreement. I believe this relates to the commonwealth contribution to the national program and ACT having to contribute to its payment as well. It is effectively NEHTA.

MS BRESNAN: So that is for NEHTA; okay. Is there any particular aspect—is it for the patient identifier or is it to go towards the privacy blueprint—

Mr Smalley: Yes, it covers all those basic components. Effectively it is the NEHTA program excluding the shared electronic health record; so it is the IHI provider indexes and all that sort of stuff. That is our contribution.

MS BRESNAN: The $90 million that was in last year's budget, what has that gone towards? Has there been progress with that?

Ms Gallagher: Your time starts from now.

Mr Smalley: I will look at my notes.

THE CHAIR: Do you want to take that back, Amanda?

MS BRESNAN: I retract.

MR SMYTH: Do not go away.

MR HANSON: He will be back.

Mr Smalley: I just need to put some context to this. The $90 million program was a major contribution to the e-health program but there were also a number of e-health programs running simultaneous to this. We have now considered all these to be part of an e-health program; so there is the $90 million-plus and a couple of others.

Walking through those programs, as I mentioned last year, they are broken into three broad categories. One is focused around the clinical systems, one is around support

services and one is around the actual IT aspects to be called the digital health enterprise. There are roughly around 50-plus projects in the list. I can walk you through the highlights of each of those programs.

THE CHAIR: The highlights.

Mr Smalley: I will try to keep it relatively short. I will start with some of the major ones. The big one, of course, is the shared electronic health record. As part of the current focus on the electronic health record, we had Orion Health come through and do an assessment of how to approach the electronic health record. They brought with them a lot of international experience, particularly from Canada and from Spain.

They have recommended that we first need to sort out our governance issues around electronic health records, particularly because it has such a large community aspect. People would also be aware of the material happening in the national forum, particularly around NEHTA.

To that end, we are also in the process of formalising an agreement with NEHTA to assist in the development of the policies and legislation that we also need to think about. As you can guess, there are a lot of privacy issues around that, as well as engaging NEHTA to support the architectural aspects of it. In other words, whatever we build should be able to connect to the national program.

MS BRESNAN: On the privacy, I understand that was being built into the review that was occurring around privacy legislation; so that is—

Mr Smalley: That is all part of that process but we recognise that this needs to be done on a national level because the reality is that this information is going to be shared beyond the ACT boundaries.

MR HANSON: Can I ask a question while we are there? Orion provided the scope of work that told you that this is what we need as a system for personal health records and for all of the e-health for the $90 million or was it just for the personal health records?

Mr Smalley: No, they focused on the shared electronic health record. What they provided us with was the approach. They suggested that, given what we have currently got in situ—for example, the maturity of our pathology systems, radiology systems, GP communications systems, discharge summary systems et cetera—and based upon that maturity and also based upon the demand of chronic disease sufferers, diabetics et cetera, they came up with profiles saying that we should target these groups first using these systems and then go from there.

MR HANSON: Have they then been excluded from bidding to provide those systems?

Mr Smalley: They will not be excluded as such. When we develop our final tender specifications, it will be an open market tender process.

MR HANSON: Will it? So you might have a situation where an organisation that has

said that this is the way to do your system—the different systems can vary and there are different approaches to them—is then the one that might say that that actually matches our product identically?

Mr Smalley: It is unlikely because we have not actually talked about product. What we have talked about is approaches and population.

MR HANSON: Approach and design and so on. Is it appropriate to have someone that is potentially the recipient of the final contract being the person that does the scoping and essentially the design of the whole approach? Do you understand what I mean?

Mr Smalley: I know where you are coming from.

MR HANSON: I would have thought that from a probity sense there is a risk there. Other people who are bidding for that contract down the track would say that that approach was specifically designed to favour the person that got it. I am not saying that that is the case at all and I make that very clear. But often when people are engaged at that sort of scoping end of the project, they are excluded from bidding for that very purpose.

Mr Smalley: This is always a risk when you bring experts on to give you this information. The process that we go through is that we do an industry consultation before we actually go out; so part of the process is that we will develop up our own business requirements, which will then go out to the market. This is prior to going to tender. The industry will have an opportunity then to critique what we are asking for to make sure there is no bias or implication of bias—that it is actually open and fair play. Typically what happens in that process is that industry players come back to try to lobby to get their products and requirements into our business requirements.

We often see that; so it is a very open and transparent process. Following that, we actually then change the tender specifications based upon the industry consultation. Then we go out again to the market. So we go through a two-stage process which is quite open and transparent. There would probably be at least, I would imagine, a 12-month, maybe an 18-month, gap between the two. At the same time, we have NEHTA on board going through and critiquing our requirements as well. So there is going to be a fair bit of input into it before we go out to market for the product itself. But you are quite right. There is that risk and the best way to mitigate the risk is to be open and transparent with what we have got and the material they have produced.

MR HANSON: We have seen everything then that Orion has produced in terms of all the specifications and design? That has been open and provided to everybody that is going to bid for these tenders?

Mr Smalley: No, it has been provided to the steering committee but when we get down to creating the actual tender specifications, that is the material that actually goes out.

MR SMYTH: The people that are bidding for the tender will be provided with everything that Orion has got?

Mr Smalley: I cannot say categorically. I am just looking at material that is there. Most of the material should be okay to go out. It is not product-specific, it is not IT-ish. It is more based upon their experience and expertise and it was presented in a fairly open forum to the TCH group as well as to consumer groups. So the material they have produced has actually been presented in a fairly public forum.

MR HANSON: Right; have we got copies of that? Can we get provided with that?

Mr Smalley: I cannot see a problem with—look, I have to go back and pull it out and have a look but I cannot see it being a big issue.

MR HANSON: Thanks.

THE CHAIR: Ms Bresnan, any more questions on health?

MS BRESNAN: I think Mr Smalley was still—

THE CHAIR: Sorry, we are still on the highlights.

Mr Smalley: I was. We are still on the first project, but it is the biggest project. In all fairness, shared electronic health is probably the main game. Moving through, the next one is electronic medical records. That project is primarily focused around replacing our legacy scanned electronic record system with a more modern system that can take both paper-based information and scanned information as well as being integrated with electronic systems.

The current system is based upon a document management system. It dates back to 1985, which was pretty modern 20 years ago. It is now due for replacement. It is in the technical requirements gathering phase at this point in time. We are also at the same time developing an electronic medical records strategy. We are doing two things at once. That should be going out to market within the next few months.

The provider index is an interesting and complex product. In this definition, the provider index is an index of providers that we use to electronically communicate with. It is not a service directory. It is what we might call the white pages of providers as opposed to the other-pages providers. What makes this one more complex is that it links into the national provider index system, which is still in development mode—that is, NEHTA work. At the same time, we want to integrate this with our electronic transmission systems. That one there is really in consultation with NEHTA. We do not want to move too much until we are sure of NEHTA's design work, which I believe they will be shoring up in the next few months.

The clinical portal is a major project for the clinicians. It is to provide them with a single point of entry into all our e-health systems. It was implemented already as part of the discharge summary project but what we are proposing to do now is expand its functionality. The clinical portal at the moment provides discharge summary and pathology. It will soon provide access to radiology, which is effectively the medical imaging systems, and pass through into images such as PACS. Effectively, it is a Siemens product set that we implemented previously.

Because it is such a big project, a clinical advisory committee has been established to develop, effectively, a priority list which runs at around about 80 or so projects. The intent here is to progressively work our way through the list bringing on those applications so that clinicians have a single point of entry to all our clinical systems. As well, new clinical systems coming on board will automatically be integrated with it. That is part of that game plan. It will contain things like the e-referral processes. We talked about access to pathology, radiology and connecting into medication systems when it comes on board as well.

The next big ticket item is electronic medicines management. This is probably our most complex project. It effectively is the management of medication, administration, prescribing—more administration than prescribing medications to patients at the bedside. A key issue in the health sector is the management of medications, particularly when patients come in from the community with group medications and health treatments and then we need to prescribe again.

The scope of the medications management program will also extend beyond just the hospital. We are also looking at extending into areas such as nursing homes as well because that is where a lot of the benefits would occur and also there will be significant in-patient safety.

The meds management not only just tracks the meds; it also provides clinical advice around possible drug interactions. That project is currently in tender specification phase. We are just doing the tender specs. Those specs were sent to NEHTA last month for them to go through and review. Meds management also is a key part of what we call the ETP project—the electronic transfer of prescriptions project—which is being run by NEHTA.

The next clinical system is the order entry system. At the moment, clinicians either fill in bits of paper or they log onto an electronic ordering system, say, in radiology. The plan here is to move to a single system where clinicians can record their requests for tests in a single system. Those tests can then be tracked and will be a single integrated system with the portal. It is a single point of entry where clinicians can get in there, place the order and also can see previous results, as opposed to, at the moment, it being a fragmented arrangement.

That one has moved on. It is into the implementation planning study phase. I have got the design specifications and I have got signed off agreement by the clinical leads. We now need to move into implementation. Implementation is expected to be complete by November or December this year for the first phase, which we expect to be radiology ordering. That has got a major benefit to clinicians as well as being a patient safety issue. Hopefully, it will also reduce things such as duplicate ordering.

E-referrals are electronic referrals between GPs into the health system. This has been running now for some months. It has 41 GPs and seven practices involved. Early indications are that it has been quite a successful program. However, it has unearthed a certain number of issues with the GP practice software. The problem we have at the moment is that the GP practice software—things like medical director and MedTec—are not up to the same level of specifications that we need to meet NEHTA standards.

This is not unexpected because we are leading Australia in this work. It is ourselves and Queensland that are the two national leaders in e-referrals. There is a group actually meeting next week to discuss the management of the practice software to get that tighter integration and reduce the number of key strokes required by the clinicians. That is part of the process.

Mr HANSON: Can I just ask you a question on GP stuff while we are there?

Mr Smalley: Yes.

Mr HANSON: When this rolls out, if you are a GP practice, how do you access this? Do you have to buy a licence from ACT Health or—

Mr Smalley: No.

Mr HANSON: is it delivered free or—

Mr Smalley: ACT Health covers the cost of the rollout. What we do from that perspective is that we provide the training to the GP as part of our cost. We do the installation. In this case with the GP practice software, we used Health Link as the service provider. They actually do the integration of the software into the GP practice software. Health Link has an arrangement around Australia where they provide pathology results to most of the GPs in Australia. So they would have a good understanding of the GP practice software and their workload.

From that perspective, ACT Health provides both the funding for the integration and if there is a gap in the GP software, which has been the case, we also provide that as well. For example, recently for e-referrals to work, we need GPs to have a copy of MS Word to fill in the actual referral. Not all GPs have that. So we provide that as part of the program because that gives us a surety of connectivity between the points.

MS BRESNAN: I just want to clarify one point too. Earlier on, you spoke about the initial rollout and said that the recommendation was that it would focus on diabetes as one area. Is that right?

Mr Smalley: The shared electronic health record?

MS BRESNAN: Yes.

Mr Smalley: Yes. The target groups for shared electronic health records are what we might refer to as our frequent flyers, because that is where the benefit of electronic health records is—where you have a person with a chronic condition and there is a lot of information that needs to be shared by a number of providers.

MS BRESNAN: Would it be other chronic conditions? I know that in the trials they ran with HealthConnect, diabetes was a focus.

Mr Smalley: Yes.

MS BRESNAN: Would it be beyond diabetes and take in other groups?

Mr Smalley: Yes, it does. It talks about most of the chronic conditions where we have systems in place already to manage those chronic conditions. That is what I meant before when I said that it looked at what systems we already had in place. There was no point putting in shared electronic health records if we could not feed it with our existing electronic systems. They said, "What have you got and where are your needs?" And they drew a matrix up and said, "This is where you need to focus first and that is where you will grow to."

MS BRESNAN: Yes.

Mr Smalley: Community-based services are the next project—community-based services primarily focused around community health and rehab services. The intent here is to provide a complete electronic record for those services—home-based care et cetera. It is currently at the implementation planning study stage. We have done product review. The steering committee has gone through the first round of demonstration of the product, which they rejected because of a need for further inter-operability. They want the community-based systems to work tightly with our patient administration system. A new version of that demonstration is being produced, I think in the next week or two. We are quite positive about this one, so we expect to see the integration. Once we have confidence that it is good, tight integration, that project will roll into implementation.

The renal medicine project—there are a couple like this—is primarily focusing on making the complete service fully electronic. That is both home-based dialysis and also internally within the renal service. Renal is quite an interesting one, because they are quite frequent consumers of the services. It is a great benefit having full electronic information here as well as electronic information communication with their GPs and the carers. It is a really big-ticket item here. It is one of our flagship projects to try to get full electronic communications and coordinated care occurring in the community. It is one that we are closely watching.

At this point in time, the business requirement for renal systems is in draft mode. It is basically planned to spend the next 14 days—it is just completing. On 19 May, which is in a couple of days time, it completes what we call the industry consultation phase. We basically send out the tender before we go to tender. Have we forgotten something or should we focus on something else? That is due to come back in two days time. Then we will take that feedback—usually a couple of weeks—tune up our tender and then go out to formal tender. That is where that project is currently up to.

The cancer information system project is focused around providing an electronic system across cancer so that we get coordination of cancer patients. It is in the final phase of contract negotiation; we will then move into implementation.

Like renal, with ICU the intent is to make a full electronic system for ICU. This one also includes Calvary. The ICU system will cover both TCH initially and then roll across to Calvary—one system across both ICUs—which will give both groups visibility on both sides.

THE CHAIR: Is this the first time we have had one system across both hospitals?

Mr Smalley: Yes and no. We have other systems that run across—

MR SMYTH: Mr Smalley, there is a five-minute rule on answers. I am having a great time listening to this, because I think it is very important, but so far you are winning. Ms Cahill got it last year; you have the award as we stand at this stage.

Mr Smalley: I am only on day one.

MR SMYTH: It is day 3 for some of us.

Ms Gallagher: He has got his recall folder ready, too.

MR SMYTH: Recall? Keep going; you can always come back on the last day. Thank you, minister. Recall day. Of course.

Mr Smalley: The answer to your question is that at the moment we have a mental health system that runs across both TCH—it actually runs across the whole service, including Calvary. Our pathology service runs across both sites as well. And the more recent one was the RIS-PACS system we rolled out. That was a single system rolled across both sites. So we have got three systems in place.

I suppose mental health is in the acute sector, but the ICU is a very complex project, because we are integrating with the machines and the ICU as well. The plan is that, as I said, we roll out to TCH first and then—which we plan to be this year—go across to Calvary. The complications of rolling these products out to Calvary are the identifier and the PAS, which I will talk on soon. Effectively, to make these systems roll across to Calvary, they must get the common patient administration system there and the common patient identifier. So they are two other projects which are down my list.

THE CHAIR: How many more projects do we have?

MR SESELJA: Are you trying to get to 5.30 with just e-health?

Mr Smalley: We will be about halfway.

THE CHAIR: As you said, this is a major piece of work and considerable amounts of money are going into these projects. Because I am conscious of the time, without wanting to cut you off, I am wondering whether there are specific things that you want to raise here.

Ms Gallagher: It is all going very well. It is all on track.

Mr Smalley: There probably is one point—

MR SESELJA: There will be the opportunity to put some of this on notice as well, in addition.

Ms Gallagher: I am sure we could give a breakdown of the projects.

Mr Smalley: We could give them disks. That is fine. I suppose I should just note that we did engage a consultant to come through and review the program.

THE CHAIR: Yes.

Mr Smalley: That is probably where you are going to. They have gone through and viewed what we are doing, where we are doing it and the timing of our whole program on the $90 million projects. They have come back with a number of recommendations. The long and short of the recommendations are that with a couple of our programs we need to start sooner rather than later, which we have done. They are around things like identity management access and that sort of stuff—basically around staff identification. And with some of the projects they suggested we extend the time frame. The one they referred to there is the meds management project. They said that it is too ambitious to do in the two years. They have given us a tick, saying, "You're doing the right thing, and you need to spend more time on this one," so that was pretty good.

THE CHAIR: Mr Smalley, are you happy to provide that list of projects and a bit of an update for the committee?

Mr Smalley: Yes.

THE CHAIR: Thank you very much. I have one last general one: I know that there is a desire of the committee to move to some questions around strategic indicators, but I just have one around organ donation before we move there. That was around whether organ donations are performed in the ACT, and, if not, where they are performed.

Mr Thompson: Organ donation has been established for some time in the ACT. We are participating in the national organ donation program that is being run nationally and has resulted in additional commonwealth funding being provided to assist the organ donation processes within the ACT. What the commonwealth funding has enabled us to do is to increase the medical input. We now have a director of organ donation. We have additional nursing staff to assist. The intent there is to improve the frequency with which organs are collected for donation.

THE CHAIR: When organs are received in the ACT, where do they go? Is it just the Canberra Hospital?

Mr Thompson: No. With the one exception of corneal transplants—the lens of the eye—we do not actually provide organ transplant surgery within the ACT. This is one of the reasons why it is a national organ donation program. Organs from people within the ACT are made available based on the national parameters. We work most closely with New South Wales, and most of our organs are transplanted within New South Wales, but it is a national scheme and at times they will go elsewhere.

THE CHAIR: Does that mean that if someone needs an organ transplant of some sort and they are an ACT resident, they need to go to New South Wales to receive that organ?

Mr Thompson: Yes. ACT residents participate on waiting lists—

Ms Gallagher: National waiting lists for organ donation.

Mr Thompson: Yes.

THE CHAIR: Is there a reason why we cannot do that here in the ACT?

Mr Thompson: It is the frequency. It is the issue with super-specialised services. That is the case across a number of areas. In order to provide a viable service, we need to have a certain frequency of the procedure for people to keep their skills up to be able to employ and attract the skilled staff. It is simply not frequent enough within the ACT to make that sort of service viable.

THE CHAIR: Thank you. Did you want to go to the next part? We do not have too much longer, but we can make a start on it.

MR SESELJA: Yes. We can start, and we can get back to it. Before I do, I just make a comment: last year Ms Cahill was given the award for the most comprehensive answer. Ms Cahill, you have got a day and a half to catch up to Mr Smalley this year.

Ms Gallagher: I think Megan did it without notes, though.

MR SESELJA: Maybe we will have to have a weighting system.

MR SMYTH: Degree of difficulty of presentation.

MR SESELJA: We will see how we go. I want to move to strategic indicators. I think we will have to come back to them tomorrow, but we will start. Some are good; some are not as good. Strategic indicator 10, improving hospital access times for persons aged over 75 years—target 30 per cent; estimated outcome 39 per cent. Why are we still quite a significant way outside?

Ms Gallagher: What page is that?

MR SESELJA: Page 216 of BP4.

Ms Gallagher: This figure, as I understand it, is still heading down. It was very high a few years ago. Indeed, one of our responses to it was to open the medical assessment and planning unit particularly for this age group. The reason this age group often spends longer in the emergency department or waiting for a bed is that they often have a range of conditions that involve a range of clinicians responding to their care and then choosing a treatment pathway. The MAPU has allowed us to provide a fairly quick admission to the hospital and then the assessment is done in the hospital. However, they still are over-represented in our access block figures. They are coming down.

MR HANSON: It has got one per cent worse since last year, hasn't it?

Ms Gallagher: They are coming down over the last few years. I remember it being in

the high 40s; it did get down to 38 and then is back up to 39.

MR SESELJA: Why has that happened this year? Why have we not improved from last year?

Ms Gallagher: It is one per cent.

MR SESELJA: But obviously we are still outside; and if anything, we have gone just a little bit backwards in the last year. Why is that? Why are we not moving closer to that target of 30 per cent?

Ms Gallagher: This year it is impacting on our access block figures. An issue was identified with Calvary's data collection around this particular indicator. That has been fixed this year. It has changed, in a negative way, some of our access block figures—

MR SESELJA: What is that split between Calvary and Canberra on this measure?

Ms Gallagher: We can certainly provide you with that. Essentially, it was how they utilised their CDU within their emergency department.

Mr Thompson: The clinical decision unit within the emergency department.

MR HANSON: When we go to emergency at Calvary, there is a new series of beds there. Is it ward 12B or something? Is that what that is?

Ms Gallagher: No; that is TCH.

Mr Thompson: The clinical decision unit at Calvary has been in place for some time. I think it goes back to about 2003.

MR HANSON: And they are beds that people go into whilst you are waiting to work out what you do with them. Is that right?

Mr Thompson: It has a mixed role. It is a combination of—as the name implies, it is a clinical decision unit, where further investigations and further diagnosis can take place to inform the decision as to whether they need to be admitted. It can be for observation or it can be after the decision has been made that they should be admitted while a bed elsewhere in the hospital becomes available. The issue that has arisen with Calvary—as you will appreciate from the description, the different uses of the CDU have different implications for whether or not someone can be considered to be an admitted patient. Access block is a measure of the time it takes for someone to become an admitted patient, not for the decision to be made to admit them. There was—

MR HANSON: So they are accounting for persons at CDU as admitted when you actually have to wait till they are transferred to a ward before they are admitted? Is that right?

Mr Thompson: No. CDU is an admitted unit, but it is really the question of when

physically someone got into the CDU that has caused the problems in the data collection at Calvary.

MR HANSON: But isn't that—

THE CHAIR: Sorry, Mr Hanson; I am just aware that Mr Carey-Ide got up to, I think, respond to Mr Seselja's question around the split between TCH and Calvary.

Mr Carey-Ide: No; it was actually to add to the information that the minister provided around the older persons access block figure.

THE CHAIR: Certainly.

Mr Carey-Ide: Whilst the performance that is predicted as the outcome for this financial year is expected to be at 39 per cent, we do need to note that considerably more people who are aged over 75 years have presented to our emergency departments in the last 12 months. We are in the last nine months, and we expect that pattern to continue to 30 June—to the effect that our predicted outcome is that we will have 1,680 people access blocked this current financial year compared to 1,725 in the last financial year. I would also note that in 2005-06 we had a 46 per cent figure. That figure has actually dropped to 39 per cent as the predicted outcome for this financial year, despite a year on year increase in the number of older people presenting to our emergency departments.

THE CHAIR: Thank you.

MR HANSON: I appreciate the time; maybe tomorrow we can get back to this issue of the CDU and ward 12B or whatever it is at TCH. I just want to make sure about the way that we—

Mr Thompson: It is 7B—the MAPU.

MR HANSON: MAPU, is it?

Ms Gallagher: MAPU is different. MAPU is admitted patients.

MR HANSON: I just want to make sure that what we are doing with access block is not putting people in a holding pattern and saying that they are admitted when they are actually not.

Ms Gallagher: There is some question around that at Calvary that has been unearthed in the last year and that we have sought to rectify. That is the issue—

MR HANSON: That is part of this, is it?

Ms Gallagher: But MAPU is different. The decision has been made to admit, and it is a short stay for three days—72 hours; I think the length of stay is a bit longer—

MR HANSON: Okay; and that is a bit different from CDU?

Ms Gallagher: Yes.

MR HANSON: Perhaps we can get back to CDU in the morning, if that is all right.

Mr Thompson: Yes, I am happy to. But I emphasise what the minister said: the issue has been to be very clear that people are actually admitted as opposed to being, as you say, in a holding pattern.

MR SMYTH: Just before—

THE CHAIR: Could we just get some numbers that Mr Smyth wants to clarify?

Ms Gallagher: Yes. I spoke with Treasury and Health in the break. I will have that information tonight, and I will provide it to you in the morning. There are some changes that occurred in the federal budget, and indeed some reprofiling of the work post COAG. I want to make sure it is absolutely 100 per cent correct before I give it to you. I will get it at about 8 o'clock tonight, and I will get it for you first thing in the morning.

THE CHAIR: As mentioned at the commencement of the hearing today, there is a time frame of five working days for the return of answers to questions taken on notice at this hearing. On behalf of the committee, I would like to thank the Minister for Health and officials from ACT Health. The committee will continue with ACT Health tomorrow, and will be continuing with its examination of output class 1, acute services, until the morning tea break. That will be followed by output classes 1.2, mental health services; 1.3, community health; and 1.4, public health services.

The committee adjourned at 5.34 pm.