LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Annual and financial reports 2008-09)

Members:

MS C LE COUTEUR (The Chair)
MR B SMYTH (The Deputy Chair)
MR J HARGREAVES

TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 26 NOVEMBER 2009

Secretary to the committee:
Mr G Ryall (Ph: 6205 0142)

By authority of the Legislative Assembly for the Australian Capital Territory

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

APPEARANCES

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Amended 21 January 2009

The committee met at 9.02 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
Broughton, Mr Roger, Executive Director, Investment and Economics Division
McAuliffe, Mr Patrick, Director, Investment Branch, Investment and Economics Division
McDonald, Mr Tom, Director, Legal and Insurance Policy, Investment and Economics Division
Read, Mr David, Acting Commissioner, Revenue Management Division
Marina, Mr Angel, Manager, Revenue Accounts, Revenue Management Division
Bulless, Mr Neil, Executive Director, Finance and Budget Division
Ms Kirsten Thompson, Director, Office of the Under Treasurer

ACT Insurance Authority
Fletcher, Mr John, General Manager

THE CHAIR: Good morning, everybody. I would like to declare open and welcome everyone to this hearing of the Standing Committee on Public Accounts inquiry into the 2008-09 annual and financial reports. Today we are looking at Treasury. Given that we are looking at Treasury, I expect that everyone has already seen the privilege card and has no interest in my reading it to them. Before the committee starts asking questions, is there an opening statement?

Ms Gallagher: No, I will not make an opening statement today, chair. We are happy to use the committee's two hours by answering questions and being as helpful as we can.

THE CHAIR: Thank you, Ms Gallagher. I will start off with a question which I am sure someone is expecting me to ask, about ethical investment.

Ms Gallagher: Yes, we were.

THE CHAIR: You could probably ask the question for me. Firstly, I would like to say that there is a much better account of what you are doing from an ESG point of view in the annual report, and I am very pleased about that. But I will ask the standard question that I ask every time: are there any changes that you have made in our investments as a result of the application of the UN principles or ESG considerations?

Mr McAuliffe: By changes, I assume you mean have we divested any investments?

THE CHAIR: Divested or invested. They could be positive changes.

Mr McAuliffe: We are continuing to implement the ongoing dialogue with our funds managers that actually make the investment decisions. We are continually using some software and database information from the Centre of Australian Ethical Research and EIRIS. We go through a regular process of screening our portfolio against that database, which has a number of ethical-related type outcomes in it, where we identify companies that may not be quite stacking up in terms of a risk rating, in accordance with that software. We contact our funds managers and ask them to justify the holdings of the investments they have got. So there is ongoing work in process to make sure they are looking at these issues.

As we have said before, the policy we have is not about divesting investments directly. The investment portfolio is turned over all the time. Stocks turn over, and those stocks turn over on a number of things. It is pretty much impossible to pinpoint and say a stock has been divested by a manager for a particular ESG issue. Investments get analysed on a whole range of criteria and, accordingly, investment decisions are made on the overall risk return analysis.

THE CHAIR: So, in short, the answer is probably no.

Mr McAuliffe: I think it is an ongoing thing. If you look at all of the funds that are involved in this type of approach, you are not going to be able to find anyone who will be able to say that the portfolio has changed from X to Y specifically as a result of these things. It is a long-term process to try to improve value in companies by ongoing engagement with companies, trying to make behavioural change, and those things will be reflected ultimately in share prices.

THE CHAIR: Are you still on track with a report by the end of the year on this issue?

Mr McAuliffe: There is a review that has been agreed to be undertaken in terms of looking at how we are applying the principles for responsible investment in our overall processes. That will not be completed by December. There has been a process of setting out the terms of reference and those sorts of things.

Ms Gallagher: Yes, on which we have been liaising with you.

THE CHAIR: Yes. When is it likely to be completed?

Mr McAuliffe: We have gone out to tender for a consultant to undertake the review. That tender closes on Monday. We have had to pick an external consultant to do the review.

THE CHAIR: Obviously, yes.

Mr McAuliffe: That tender closes on Monday.

THE CHAIR: When is the report likely to be produced by?

Mr McAuliffe: Given the Christmas period, and by the time we evaluate the tenders next week or the week after, and go through that process, I am guessing it would not be before February, at the earliest.

THE CHAIR: Okay, thank you. Mr Smyth?

MR SMYTH: Thank you, Madam Chair. Treasurer, on page 15, under "Policy/Service Area Reviews", it states:

> PCD assisted in developing the Budget Plan which sets out a long term strategy … The plan recognises the magnitude of the task, sets out clear strategies for action …

What are the clear strategies for action?

Ms Gallagher: I am just having a look at what you quoted.

MR SMYTH: It is on page 15. The second bolded point is "Policy/Service Area Reviews". The last dot point talks about setting out "clear strategies for action". Could you tell the committee what the clear strategies for action are?

Ms Gallagher: The budget plan which we have discussed in this place a number of times sets out a seven-year recovery strategy for our budget, in that it has a combination of wage restraint, expenditure restraint and a savings task in order to return the budget to surplus over that seven-year period. Of course, the policy coordination division had a lot of input into the strategy that advised the cabinet on a reasonable recovery strategy, considering the impacts that world events had on our budget. That dot point probably goes to that point.

MR SMYTH: Sure, but it says that the plan "sets out clear strategies for action".

Ms Gallagher: It does.

MR SMYTH: What are the clear strategies for action?

Ms Gallagher: The strategies for action—you can correct me if I am wrong—are around recovering the budget, which is around expenditure restraint, wage restraint and the savings task which is clearly outlined in the budget documents, and which we are all busily beavering away on as we speak, in terms of putting next year's budget together.

MR SMYTH: If they are so clearly set out, can you tell us what the actions are?

Ms Gallagher: I think I have outlined them. We have a section in the budget paper called "budget planning". I think it has got a heading.

MR SMYTH: Page 19, budget paper 3.

Ms Gallagher: And allocations against those strategies are identified.

MR SMYTH: So you cannot outline what the clear strategies for action are?

Ms Gallagher: I have. I do not know what we are talking about here; we have.

MR SMYTH: What is the action plan? How do you achieve this? Apart from just saying, "We're going to restrain expenditure, restrain wages, return to surplus," what are the actions to achieve that?

Ms Gallagher: How are we implementing those strategies that we have outlined in the budget plan, as opposed to the strategies themselves? We have EREC—the Expenditure Review and Evaluation Committee.

MR SMYTH: I was wondering which one was Eric!

THE CHAIR: I was looking for Eric, too!

Ms Gallagher: It sounds friendly but it is not. That is headed up by the Under Treasurer and the Chief Executive of the Chief Minister's Department. They have been working with chief executives through management council on looking very broadly across government expenditure—looking for painless savings that can be returned to the budget.

MR SMYTH: Painless savings?

Ms Gallagher: Painless savings, but there will be some pain, I think, as well. In the first instance we have asked that EREC look at areas which do not result in job losses or the cutting back of services from agencies. So EREC is meeting, and it reports to cabinet. Budget cabinet is meeting. I am meeting with the chief financial officers once a month. I have met with unions, and unions are meeting with individual ministers as well, around wage restraint.

We have gone out for a community consultation process around submissions for the budget. That did not generate a lot of interest in savings or expenditure restraint, but I have to say that the budget submissions were more restrained than they have been in past years, which I think is a sign that people understand that we are not in a position where there are just endless rivers of gold. There is the efficiency dividend which has been levied on agencies and which is to start next year—a one per cent efficiency dividend. That work has been finalised across agencies for consideration by budget cabinet. So there has been a lot of work done against those strategies.

MR SMYTH: And is a lot of work that has been done included in the third-last dot point on page 15 where it says, under "Future Directions"—obviously it has been going on for at least five months of this year:

> - undertaking a series of expenditure and evaluation reviews in order to advise Government on options to achieve the savings adjustment task …

What options have been put to the government so far?

Ms Gallagher: They are all subject to cabinet consideration, but essentially options are a report from EREC which cabinet will be considering shortly, and individual ministers are managing their one per cent efficiency dividend. We have asked agencies to come up with two per cent, so that ministers have some ability to look through that two per cent and, out of that two per cent, agree on what the one per cent should consist of. That has been handled at individual ministerial level but coordinated through Treasury.

MR SMYTH: The sixth paragraph on page 14 talks about the 2009-10 budget as being underpinned by the budget plan. The second line talks about priority services being maintained. What are you considering to be priority services?

Ms Gallagher: I think that goes to what I have said in answer to your previous question: it is government service delivery, the service delivery end. I am not saying it is health or education or TAMS. I am not going to pick necessarily any government department, but, essentially, it is government services. What is priority for one person will not be a priority for another, but it is around—

MR SMYTH: But you are the Treasurer and this is your document, and you say that priority services are maintained.

Ms Gallagher: That is right.

MR SMYTH: Which are the priority services?

Ms Gallagher: The priority services are all services government delivers. I would list them—

MR SMYTH: All the services are priority? Therefore there would be—

Ms Gallagher: What we have asked—

MR SMYTH: Minister, that is illogical. If all priority services are government services and all are maintained—

MR HARGREAVES: Madam Chair, can we please just have them one at a time?

Ms Gallagher: Well, what we have asked—

MR SMYTH: Then there is no saving.

MR HARGREAVES: I cannot hear myself think.

MR SMYTH: Well, you should try harder.

Ms Gallagher: What we have asked is that the savings in the initial response to the initial request from government to deliver a one per cent saving, let alone our unallocated savings, be from areas that do not impact on service delivery to the community. I think that is a reasonable request from the government.

We believe that there are savings that can be returned to the budget without causing unnecessary concern to the community. That is in relation to the one per cent. In terms of the unallocated savings, that is a bigger task, and we have set ourselves a longer time for that to work through these issues. Part of that budget plan is responding to concerns around the 2006 budget where we instigated a whole range of savings measures, and we did it very quickly and the community was very concerned.

The government has taken a different position with this, where we are saying we want to protect priority services. I am not going to get into a listing or ranking of what I think a priority service is—

MR SMYTH: With all due respect—

Ms Gallagher: But what I am saying to you is that in the initial response, what we are asking from agencies is that their ideas around savings be done in a way that minimises any impact to the community—that is, looking at back-end stuff. That is what we have asked them to do.

MR SMYTH: But with all due respect, if you are not going to define what a priority service is, and you have said all government services are priority services, there are no savings to be had.

Ms Gallagher: Well, that is not true. You did not listen to what I said.

MR SMYTH: No, no, by your own definition. If you cannot define what you are looking at—

Ms Gallagher: I know what I am looking at and they are all—

MR SMYTH: All right, you tell us what you are looking at. What are priority services?

Ms Gallagher: They are all matters that are currently before the cabinet, and I am not going to sit here and list from one to 10 what I think a priority service is. I do not think it is useful at this point in time. The government has a very big job ahead of it. We have asked agencies to provide us with a list of efficiencies. They are in the process of finalising that, and it will be considered by budget cabinet. But the very strong view of the government is that we can find one per cent without impacting on government services, and that is what we are trying to do. Then, of course, we have the next task, which is the unallocated savings task.

MR SMYTH: But if you have got a plan that has no clear strategies and you will not define what priority services are, what is the point of that?

Ms Gallagher: Brendan, we have been arguing about this for six or seven months, and I think we have just got to agree to disagree on it.

MR SMYTH: And it is still no clearer, Treasurer.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Thanks very much, Madam Chair. On page 15 that Brendan addressed, I think we would not mind hearing about that. If you go to the bottom of the page, the second-last dot point refers to refining the budget process to facilitate strong community engagement and options to achieve the savings adjustment task. I am aware, as all colleagues in the Assembly are, that the government is looking at the one per cent achievement thing, but of course, picking up on what you were saying before, it is not going to be without pain. Would you like to tell us a little bit about how that community engagement is going to occur and what is different about it from previous times?

Ms Gallagher: The major change is that we went out very early in the financial year to start the conversation. We had a website, which was not well utilised, from memory, so we will have to have a look at that, but we did create a website for feedback. I sent out letters I think very early in August or July—very early. We sent 300 letters in July, and, as I said, the response we got showed that people did understand that there is a job for the government. Many of the budget submissions responded by saying less about wanting more money and more about not cutting services. Then there were a few that came with extra expenditure suggestions.

Individual ministers also—and the Chief Minister has been doing this in TAMS—have been holding roundtables with their constituents around areas where expenditure restraint can be shown. Again, I am yet to see a very substantial response from the community about "this is an area we think you could cut back your service". I guess we live in hope, and this goes to the point of the discussion with Mr Smyth—that is, what is a priority service for some is not one for another. Whilst you will have individuals that are prepared to forgo something, there are others that feel just as strongly about that not being cut.

My sense of the community consultation process is that this is an issue that we are having to manage whilst all the national conversations around recovery are going on and the economy is moving along very nicely considering last year's events. It is trying to make sure that the community understands that just because there are some good signs of recovery, our budget is still under stress and we still need to implement some changes. I get the sense that there is an understanding in the community about that, but this is still going to be a very hard budget to put together, despite all the work that we have done in that regard.

MR HARGREAVES: In terms of the community response, particularly the non-government sector, is it still the case that that sector believe they need to be quarantined from some of the GFC pain we as a community had to wear, whether it is the private sector or the government sector? Are they still of the view that they are behind and therefore should be quarantined from that sort of pain?

Ms Gallagher: Yes, I think it is fair to say that that is something the non-government sector believes, and that is certainly something that we have agreed to in relation to the one per cent savings. I do not think we can exempt anything from the unallocated savings. We are mindful of the data coming through for the community sector in relation to increases in the work that they are having to do because of some of the impacts of the GFC, and we are mindful that it will be tough to wind back spending in the community sector or to look for savings in the community sector.

I am still hopeful that there are ways to deliver savings across that sector. It is a very diverse sector with a lot of very small organisations, some with very high overheads. I think there are opportunities for efficiencies, and we are moving through some of that with our community hubs that we are establishing where we are colocating a number of organisations together.

But in relation to the community sector, I think there is going to be additional pressure on government to respond. We have had a very significant wage case in Queensland that has been won by the ASU which will result in very significant increases in community sector salaries. At the moment, under the parliamentary agreement, there is a review being done into the industrial relations needs of the community sector. I expect that will return, no doubt, with a price tag that we will have to manage as well. The initial part of that work will finish in February, which will probably be in time to feed into the budget. So, in relation to the community sector, whilst I think there are probably some efficiencies we could find, I think the pressures on government there are considerable.

MR HARGREAVES: Thank you.

THE CHAIR: Can we now move to page 10 and community insurance. Specifically, some community councils have said to me that they are having problems with accessing this. Also, how far has it gone past the community councils? There are hundreds of community groups out there which could, if the scheme was working well, access it, I would hope.

Mr McDonald: I am pleased to say that, in relation to the community councils themselves—that is, the seven community councils, including the old Narrabundah council—we have done a deal through an insurance broker to provide them with a combined public liability insurance policy, a single policy covering all of them. The cost of that per council will be $600.

Given that the previous premium that some of them were paying was around $3,500, and they were purchasing a product that had a check-box system involved, where there were areas of product availability that they felt they should tick or felt they should be advised to accept, such as libel and slander insurance, for instance, which they do not need because of their function, that will be quite cheap. We have also negotiated a volunteer insurance package with them which covers 100 volunteers. Of course, there are nowhere near 100 volunteers within that cohort. The premium for that is $1,430 and that will be split among the seven.

So we are at the point now where the binding of the policy has been agreed by the insurer, but we are anxious for them, of course, to avail themselves of the stamp duty exemption that was extended to community insurance as a result of the insurance crisis. That requires a process through the Revenue Office whereby their constitutions have to be validated by that body in order for that exemption to be provided. Several of them have provided their constitutions but there are a couple of them who are busily searching for those constitutions.

Once that happens, we will press the button and that will be put into place and, when that happens, we will see the success of that particular entity or item of insurance. But we need the policy to be issued before we can claim victory. So this is a very long steeplechase, Ms Le Couteur, and we are right at the end of it. I am not much of a jockey, Mr Smyth; I do not think that my horse would be anywhere near the front at this stage of the race.

MR SMYTH: Steeplechasing is a long event, not a fast event.

Mr McDonald: Yes, indeed.

MR HARGREAVES: You can go for the high-jump event, if you're very careful.

Mr McDonald: I do not think that is my gig either, Mr Hargreaves. In relation to that, we will take that particular success and seek to convene a series of meetings with other community organisations that have similar risk profiles. We will invite them to respond to that particular initiative because we know that we can extend it. We have already been told by the insurer that we can extend it. The further it gets extended to groups of similar risk, the cheaper the per-capita policy will be. This is not a process that happens in two weeks. I got agreement from the councils in relatively short order, and then one of the councils decided it needed particular insurance because it had an old tennis court. That was a different set of risks, so they had to be considered in a different way.

THE CHAIR: You are waiting now, as you said, for a couple of constitutions so that they can get stamp duty exemptions. How much is the stamp duty exemption? Given the considerable savings that the scheme will produce, how long should you wait?

Mr McDonald: I do not think we are going to have to wait for too long. We sent out the correspondence three weeks ago, I think it was. Several constitutions came back straightaway. But may I say this: in relation to the community sector, the office—and meaning no disrespect to those at the table—that rotates the most often is that of Treasurer. It is the Treasurer who is the repository of the documents, under normal circumstances, because it is the Treasurer who has got the chequebook, it is the Treasurer who has got the constitution and it is the Treasurer who has all of the minutes, the records and the history of the organisation. When that transition takes place, it does not always take place in the way that we would hope, in terms of how a standard transition would take place. When I took over as treasurer of the University of Virginia graduate law students association, I was given a shoebox with a chequebook in it—no minutes, nothing. That is just an example.

I can give you some breaking news: exemptions have now come through from Revenue; the hurdle has now been jumped and they have all gone over the finish line. Hopefully, we will now be able to expedite the finalisation by next week—that being the case, in the new year, because December is also hard for community sector involvement because of school holidays. We have to respect their needs, so on the first of the year we will be writing to groups of them.

What we are looking for, if I may say so, is for members who have connections with community organisations that would wish to avail themselves of this to communicate that to the Treasurer's office so that we have an easy way of identifying who these people are, rather than sending out blanket correspondence or simply doing advertisements or using the databases that we already have, because we want to address the immediate needs first. We do understand that there are limited funds. You have already talked about that. We do understand that we are in a position to help here. Saving $1,000 is—

THE CHAIR: Thousands.

Mr McDonald: Yes, exactly. So now we can do it, we are in the process of doing it, and we cannot wait to do more of it.

THE CHIAR: That sounds really positive. Can I ask you about another insurance issue, involving midwives. Has there been any advance on that?

Mr McDonald: Can I defer to the Treasurer in relation to—

Ms Gallagher: This is a matter that crosses both of my portfolios, and it is one that I have been working on for a number of years. The advice we have from ACTIA is that it will cost $1 million a year to self-insure, essentially. That is for our own midwives; we are not talking about private midwives. Interestingly, private midwives can deliver babies uninsured at the moment, as long as they tell the mother that they do not carry insurance, under the national arrangements. I do not believe we have any private midwives working in the ACT—not that I am aware of, anyway.

So this is in relation particularly to the midwives who work in our community midwives program. I must say that I find it unacceptable—not unacceptable, because paramedics are very highly trained professionals as well, but in the instance that a woman is to deliver at home and a midwife is in the room, they have to defer to the paramedic for the delivery of the baby because the paramedics are insured and the midwives are not. I do find that odd. That is probably a better word than unacceptable—it is odd that we could have that situation.

It does not happen very often in the territory—only a couple of times a year. I know it is something that the community midwives would be very pleased about, if we could insure them. We have looked at everything, including international insurance, to provide that coverage and we are unable to get it. Really, the only option is to self-insure. The advice is that we would need to fully fund that scheme to $10 million over 10 years and it would cost $1 million a year.

In the last couple of days, and knowing Mr McDonald's deep and abiding interest in all matters relating to insurance, I bumped into him and put this job on his desk to go back and have a look at all aspects of it, including the $1 million a year. I have to say, as health minister and as Treasurer, when you have to look at how you spend $1 million, there are a lot of other pressures for that $1 million that would compete with setting up an insurance scheme for midwives who deal with two or three births a year. I want further examination of the costs and how we fund a scheme like that.

THE CHAIR: Have you talked to your state counterparts about this—

Ms Gallagher: Yes, I have.

THE CHAIR: because they must all be in the same boat. All the states do self-insurance together?

Ms Gallagher: The majority of them self-insure so—

THE CHAIR: Could you join in with one of—

Ms Gallagher: They won't have us. We have looked at it, and they will not have us because it is what they call in the insurance world "high cost, low risk". Even though it would only involve a couple of babies, if something goes wrong, it costs a lot of money. I think that individual jurisdictions have enough issues with funding their own liability. Even if we, of course, would pay for it, they are just not prepared to take on any additional risk. So we have explored that and I am sure Mr McDonald will re-examine all of those options.

Mr McDonald: Yes. May I say that I am deeply gratified by the minister giving me this assignment. It could not be more pleasing, may I say. It has only been in the last couple of days. May I also say that I have actually begun discussions with two of my interstate colleagues who were trapped with me on a bus to Geelong yesterday and had no way of escaping, so I am trying to re-establish contact in relation to the interstate option. I have been asked to look at basically just about anything and everything in order to assist this. I intend to do that. I have assured the minister that I will do that.

MS HUNTER: Is it intended with that scheme that it would just be in the case of those one or two cases a year or is it intended that it could be a community of midwives delivering babies at home, so that it could be more than the one or two that happen by accident?

Ms Gallagher: Yes, there is potential for that. It would be based on whatever outcome we can get on the insurance—what the strings attached to that would be. I certainly accept that there is a category of women who, if they meet certain criteria and have all the other plans in place, would be very able to birth at home with the support of a midwife. That has considerable cost benefits to the health system in relation to using the health services and coming into the hospital. That is certainly on the table. My immediate priority is to see if we can get coverage for the accidental ones that occur—the speedy deliveries.

MR SMYTH: On another insurance question. I am sure you will have plenty of time for the midwives, given you have solved the problems with the CTP, but can you give us an update on where the CTP is—the implementation, how many new players have entered the field and whether the computer systems are working properly?

Mr McDonald: Yes. I am quite happy to answer that question, Mr Smyth—in fact, a lot happier than I would have been at this time last year. With respect to the changes in the rego.act system that were required in order to permit new insurers to come in and be paid, for the premiums to be paid to them, given that, as you know, the ACT government provides the whole service for CTP insurers, that was completed on schedule on 30 June. It was completed with all of the regression testing done et cetera. That is a tremendous outcome. So we were ready to receive new insurers as of 1 July.

One of the insurers—and I have been asked not to identify them—sent us their financial credentials in March 2009, an additional one, of course. Immediately after we were certain that the IT was rock solid, I wrote to them and invited them to apply for a licence. I was then advised that the matter was before their board and had gone up the line. Insurance companies are actually more bureaucratic than governments, as you probably know.

With respect to the next step that was taken, it was not due to any delay on the part of our department; it was to do with school holidays and getting insurers in the same room at the same time. We had a meeting with all of the insurers who offer product in New South Wales and Queensland—other than RACQ, of course, which can only offer product in Queensland—on 23 October this year, in Sydney. We put to them a series of documents which are the necessary bits of paper that need to be approved and agreed by the insurers before they would contemplate coming into a particular market—that is, the industry deed and the sharing agreement by which multiple accidents involving multiple insurers would be dealt with without the insurers having to sue one another. That saves time, money and processing material.

The business rules for accessing the rego.act system were approved by the insurers. Draft premium guidelines and things of that nature and other peripheral documentation were put to them. We also put to them a risk premium, which is the necessary trigger by which they could make a decision as to what their raw risk per claim would be in terms of what a baseline premium should be in the ACT. But because we could not use any of NRMA's old scheme data, because it is proprietary to them, we had to use nominal defendant data and comparative data. Also, because the new scheme is too new—we have had claims under the new scheme but not enough of them to get a proper cohort where you could risk-price that—we were not able to give them the most accurate of risk premiums. We gave them a pretty broad parameter and they have asked us to go back and refine that.

In order to make that a little easier, I have obtained a series of case notes of the 400 personal injury cases involving CTP from 2007 back, that have been decided by the ACT Supreme Court. I will be providing those to the insurers. They can get a picture at least of the litigation profile. It is the settlement profile that they want, obviously; we will be able to give them the litigation profile. We will be getting our actuary to rework the risk premium based upon that and based upon some other information that I have been able to get NRMA to allow to be released. I have been in pretty tight negotiations with NRMA since 23 October to try and get this logjam broken so that I can give a more detailed risk premium.

There is an element, Mr Smyth, obviously, of brinkmanship with inbound insurers. We know, for instance, that one insurer has poached the general insurance and floor plan business for the two largest car dealers in Canberra from another insurer that had it. There is another insurer that wants to come in who has got contracts with 17 other new car dealers. So we know that they are posturing. We know that another insurer has done extensive markets surveys in the ACT and they have all come back very positively in relation to that. The atmospherics are very good, and they will be quarantined, of course, from old scheme claims, obviously, because there will only be new scheme entrants. But the risk that was posed by the old scheme was so volatile that there is still a little bit of reticence.

MR SMYTH: So to date we have had one organisation present their documents.

Mr McDonald: Yes. They were approved and we have issued the invitation and it is getting—

MR SMYTH: All right. But the actual licence has not been issued?

Mr McDonald: No, we cannot do it until they file their final application.

MR SMYTH: When would you expect there to be competition in CTP in the ACT?

Mr McDonald: If I am looking at it as optimistically as I possibly could, I would be looking at the first quarter of 2010; if I was being a realist—the same conversations that I am having with you I have had with the Under Treasurer, and I hold to those—it would be towards the middle of the year of 2010. I think that would be more realistic.

MR SMYTH: Thank you.

THE CHAIR: Are there any other insurance questions while we have Mr McDonald at the table?

MR SMYTH: I am assuming you are not handling Totalcare?

Mr McDonald: Yes, sir, I am.

MR SMYTH: Then let us go through the list. I note that the next dot point says "managed the verification and settlements of employee superannuation entitlements, for Totalcare". Have the Totalcare entitlements been resolved yet?

MS HUNTER: Sit back, Mr Smyth.

MR SMYTH: Certainly.

THE CHAIR: We have got Totalcare some other time.

MR SMYTH: That is true.

Mr McDonald: Yes. Totalcare is next week. I can give you a brief overview, because I know you are pressed for time; okay?

MS HUNTER: It should be very brief, because—

Mr McDonald: Okay. The position is that settlements are now running at 150; 150 settlements have been effected. Payouts exceed $3.5 million. There has been an acceleration of the settlement process. Many delays were brought about purely by federal government bureaucratic requirements—Comsuper and things of that nature. We had to get tax concessions from the Australian tax office.

All of those things were done. We are on a roll now. We expect to get everything finished by the end of the financial year in terms of settlements. We were audited externally in regard to our settlement processes earlier this year—we did not commission the audit, obviously—just to see what was happening in relation to the settlements. The audit result came back that it was best practice as it stood, so we turned it into a business improvement audit so that we have now got a settlement template. Should other misfortunes arise of a similar nature, they can, just like McDonald’s hamburgers, be cookie-cuttered into that particular process. So we are quite happy with how things are going.

MR SMYTH: Thank you.

MR HARGREAVES: I am blown away by Mr McDonald. I am just sitting here in abject shock. I think he has done such a wonderful job that we should keep him here all morning.

THE CHAIR: No more questions?

MR HARGREAVES: No, I can wait for the insurance questions with ACTIA.

THE CHAIR: Yes. But you are next in turn for questions in general.

MR HARGREAVES: I will just jump in a little later on and I will pick up my credits later on, if you do not mind, Madam Chair. I will just put this one down as a credit.

THE CHAIR: I do not think it quite works like that, Mr Hargreaves.

MS HUNTER: I would just like to go to page 15, under “Future Directions”. In the last three dot points, Treasury have outlined a number of measures they will be taking around improving the ACT economic outlook. Could you take us through what you are doing in relation to the measures outlined and the proposed time frames for those measures?

THE CHAIR: Ms Hunter, Mr Smyth effectively—

MS HUNTER: There was a very long answer. I did hear from Mr Hargreaves that Mr Smyth asked a very detailed question earlier.

THE CHAIR: Yes, he did actually ask that question.

MS HUNTER: I will catch up on the *Hansard*. Thank you.

THE CHAIR: Is there another question?

MS HUNTER: Okay. The second last dot point is about the legislation to formalise election commitment costings. Treasurer, do you envisage doing this and how do you see it operating?

Ms Gallagher: Cabinet has considered legislation around this and the intention was to introduce it as an exposure draft in the December sittings. I have just recently talked—I think last Friday—with Treasury about this and I have held it back a little bit because the devil is in the detail. The draft bill refers to guidelines: “this will be done in accordance with the guidelines”. I do not think you can consult comprehensively on the exposure draft without the guidelines to accompany it and those have not been finalised yet.

My feeling is that, because it is an exposure draft and we do not need to table it in the Assembly, I can distribute it at whatever time that work is finalised. We are better off getting the whole package together and then releasing the exposure draft and the guidelines for people to comment on.

MS HUNTER: So those guidelines would sit outside of the legislation?

Ms Gallagher: They would be mentioned in the legislation; there would be a requirement that there were guidelines. The detail is in the guidelines, so I think that is probably a very important document to have with it.

MS HUNTER: Have you had any discussions about how those guidelines might be changed—if it came in and we had those guidelines in place, how they might be changed—because obviously that would be an important issue?

Ms Gallagher: They would be able to be changed through the administrative process and I guess that is some of the stuff that we can get through the consultation on the bill about—how that is actually done, whether it is done through formal instrument in the Assembly or in a less formal way. My hope with this is that it sets a clear framework for how costings are to be done and that everybody understands Treasury’s role. That is really the aim of the legislation and to ensure that our public service is not put in any difficult positions by anybody during an election period.

That is not to say that that has happened, but it is around ensuring that it does not happen in the future. Election times are very heated times, with high pressure for everybody. When I look at the agencies that are under pressure, the costings area is probably the biggest area. Treasury can be put under enormous pressure, either by the media or by individual candidates, and this legislation is about ensuring that there is a very clear way. It does happen in a number of other jurisdictions as well where they have a formal process.

I guess it is not time critical. That is what I said to Treasury in my discussions with them when we were looking at having the bill introduced in December as an exposure draft. Because the election is a couple of years away, thankfully, in 2012, it will not matter enormously if this is not dealt with until through the body of next year.

THE CHAIR: Okay. At the top of page 10 there are four dot points, which all relate to the gaming and racing industries. Can you tell us the progress on that and what impact is any progress on this likely to have on, first, the community and, second, Treasury’s bottom line, that is, cost to the government?

Ms Gallagher: Sure. This probably crosses over portfolios because Andrew Barr has racing and gaming now, but I can certainly give you a bit of an update, having been involved in this piece of work. The reallocation of gaming machines in the ACT: we have been out for consultation on that and it is a matter of coming back to government now to determine a way forward, around the issue of the cap.

THE CHAIR: And reallocation? I just read the paper today and saw—

MS GALLAGHER: And a potential reallocation—exactly—of a machine scheme of some type. There were mixed views. I think I provided you with the submissions that we got to that, didn't I, from industry? The funding arrangements for the local race—that has got to come back to government, around the nature of a scheme that we put in place, the cap and whether there are reductions in the overall cap of 5,200. That has not come back to government yet, but it is almost there.

THE CHAIR: You have no idea whether the cap is likely to go down? Is that the direction you are thinking you will be moving? Obviously that is what we—

Ms Gallagher: That was what we put out to industry, that there should be a reduction in the cap. That was not warmly embraced by industry. There was support for maintaining the cap, I think it would be fair to say, in the submissions—not increasing it, but maintaining it, in acknowledgement that there are large growth areas in Canberra that are going to require machines in the future. Whatever our view on gaming machines, at Molonglo there will be a need for a club, and with that club will come poker machines. I think the industry view would be to keep the cap where it is but then reallocate within the cap to fit growth areas across the ACT.

The government have not formed a final position on that. We certainly put the idea out of reducing the cap. In relation to the funding arrangements for the local racing industry, a submission has been put by the racing club essentially saying that they do not want to be dependent on ACTTAB's turnover for their own funding; that it is not a secure enough funding arrangement. We have accepted that argument and given them a quick commitment that they will be budget funded from next budget. What that will mean essentially is that the government will take more of ACTTAB's dividend than we currently take at the moment. I think we take 50 per cent at the moment.

There will still be pressure, despite the move to budget funding. Once we made that decision, I certainly got some letters pretty quickly saying, "That's very nice and now we would like some more money on top of that budget funding." That is going to be a challenge for government. At the moment our commitment is to fund them as they have been funded, to an equal level but to give them that certainty. There are some more issues. We will get to ACTTAB, I think, next week. We had the ACTTAB AGM yesterday and certainly national developments in racing are impacting on our local TAB. So there will be further issues in racing. And in gaming, of course, there is also the Productivity Commission's report into gambling that governments will need to consider, which will have an impact here locally.

MR SMYTH: This is perhaps a question for the Under Treasurer. Could you please outline what peer review process was used on the financial analysis behind the decision to purchase Calvary hospital?

Ms Gallagher: I can answer that. That peer review has been done, as I understand, at my request, based on some outrageous cynicism of the opposition. I wanted to ensure that we protected Treasury's reputation. I had 100 per cent faith in their work and that has been independently reviewed. I have not seen the final report yet, but as soon as I do I will be making that available to all those cynics out there.

MR SMYTH: Who did the review?

Ms Smithies: It was Ernst and Young.

MR SMYTH: Ernst and Young?

Ms Smithies: Yes.

MR SMYTH: And when was that initiated?

Ms Gallagher: I think it was initiated after—it was I think about a month ago; maybe six weeks ago. I did not realise the extent of the cynicism that would exist around Treasury's reputation in their financial analysis; so in the initial sense, I did not believe that it needed to be done. But once I picked up on a general theme coming through the political airwaves, I felt that it did need to be done and asked that it be done.

Ms Smithies: I should also add that it went through a rigorous process internal to Treasury in terms of the different branches that had a look at it and were involved in putting the documents together; so there was separation through the process of the review internally as well.

MR SMYTH: So when do you expect to get that report?

Ms Gallagher: Shortly, I would imagine.

Ms Smithies: Yes, in next few weeks.

MR SMYTH: Next few weeks?

Ms Smithies: Yes.

MR SMYTH: So we will have that—

Ms Smithies: This year.

MR SMYTH: And that will be public before perhaps an approp bill appears in the next sitting week?

Ms Gallagher: Yes.

MR SMYTH: Given that a number of commentators have made negative comments and there have not been any publicly in support of Treasury's analysis—and there has been some quite technical and detailed commentary provided—are you concerned, minister, and that is why you have gone out to Ernst and Young, that the analysis was not accurate?

Ms Gallagher: No, not at all. I have worked very closely with Treasury in terms of having a detailed briefing on their financial analysis at a number of points through the discussions around Calvary. I am not worried about the financial analysis at all. I know it adds up.

I think the criticisms that have come, and I have gone to this in the Assembly—if you look at it from a cash point of view, yes, the impact in a cash sense is greater because we are buying a hospital. But if you look at it overall in terms of our asset base and in terms of how we finance essentially a new north-side hospital, the analysis adds up.

But I note that none of the people who have criticised the analysis have come up with a solution about what they—if I go to, say, Andrew Podger; I think he said, "This is just a silly counting thing and, you know, the government should just work it out." He did not offer a solution. He did not say how he believes we could conform with all of the standards that we are required to in our budget and not make this a problem for the government.

I think Dr Dwyer was the same. He looked at it solely from a cash point of view and he did not analyse it from other points of view, which you have to. I go over this again: I cannot believe that you cannot see the big picture here in relation to how we make these decisions. I can sort of understand other members of the opposition but I cannot believe that you can ignore the balance sheet impact or how we finance an asset that we do not own.

It would just never, ever have been done or considered to give essentially $200 million to a third party to rebuild an asset that we do not own. It is not something our budget can afford and it is something that is driving the changed arrangements.

MR SMYTH: You raised the impact on the cash. Page 5 of the Treasury analysis notes, "In summary, while generally the focus of financial analysis is on the cash impacts, in this case impacts on the operating budget and the balance sheets are important to consider." What is different in this case that you have taken this approach rather than concentrating on the cash?

Ms Gallagher: I think because we need a hospital on the north side. Whatever happens we are going to have to build up this hospital on the north side of Canberra. So we know that we are going to have to make this expenditure. We know that all of the options cost money and of those, what is the better way forward, really? The analysis tries to look at the balance sheet impact, the operating impact, because that will be different under the different scenarios and, of course, the cash point of view.

I think you cannot just look at it from a cash point of view because to look at it just from a cash point of view ignores the fact that we have a very significant asset return to our balance sheet which we do not currently have at the moment. In terms of the operating result, because we are going to have to expend $200 million minimum over the next few years, the impact on our operating result will be significant and it will be different under the different scenarios.

So I guess this has tried to look at not just the purchase of the asset but also the ongoing responsibilities that we have around public hospital service delivery on the north side of Canberra. That does affect the whole of our budget, not just our cash. I have not heard anyone criticise the fact that we have looked at it from different angles in terms of financial analysis. I have not heard that criticism myself.

MR SMYTH: In this instance, the Treasury analysis shows that the government will have to outlay an extra $160 million over the next 20 years to purchase the hospital, yet your analysis shows that the operational expenditure will not increase in any of the scenarios, therefore suggesting that health outcomes will not change. How will the ACT budget be better off, because does not this mean that other programs will have to be cut to fund this increased expenditure?

Ms Gallagher: No, I do not think so. I do not have the document with me; I did not bring my Calvary folder with me but the—

MR SMYTH: Well, it is a Treasury document. I can lend you mine.

Ms Gallagher: It is, and I should have guessed. No, it is fine. I do know it quite well. It is $110 million in net present value terms—the outlay—and that does include the cost of the hospital, the $77 million.

MR SMYTH: But that is 160 over the 20 years.

Ms Gallagher: Well, it is 110 over 20 years, I think, if you look at the analysis.

MR SMYTH: So it is not 160 over the 20 years?

Ms Gallagher: No.

MR SMYTH: Okay.

Ms Gallagher: Again, I do not have it in front of me but I know the figures, and you know this too, Mr Smyth. You are just trying to be cute.

MR SMYTH: Well, is it 160 or 110? What is the cash outlay?

Ms Gallagher: Now you have lost me on what your question was. I have got it back. The operating costs have not been included. I think Treasury will go to that again in their analysis because this has not been—the Treasury analysis looks at the ownership and governance arrangements of the Calvary Public Hospital. It does not look at the operating costs of the annual health service delivery aspects.

The reason it does not look at that is that we expect those costs will remain the same under either model. Also, I have not come at this from a point of wanting to say that this is about cutting costs in terms of health delivery. Whilst we expect and are hoping that there will be some efficiencies—I can see a media release already—through the coordination of hospitals over time, this decision by government has not commenced with that as the first issue for consideration.

Really, the issue driving it has been how do we build a north-side hospital—if we do not own it, how can our budget manage that? That has been the start of this discussion. It has always been the factor, I think, that has weighed mostly heavily on the government's mind. The expectation is that the operating costs of the hospital will increase over time because as we are building up those services, we are going to be delivering more out of the north side hospital, and then it is going to cost more.

The Treasury analysis has not looked at that. It has looked at the proposal as it stands, which is really the ownership of the building. I think the $110 million is around the cost—the $77 million and the financing costs of that over time.

MR SMYTH: Sorry, you just mentioned efficiencies. How much do you expect to save?

Ms Gallagher: I know this is an issue for the opposition in terms of their opposition to this but we have not done any detailed work on efficiencies. It is not being driven by efficiencies in terms of—

MR SMYTH: But you just said you expect efficiencies.

Ms Gallagher: Well, we do expect efficiencies. For example—

MR SMYTH: How much?

Ms Gallagher: We have not costed them and it has not been driven by this.

MR SMYTH: But why have you not costed them?

Ms Gallagher: Because it has not been driven by this; we have not costed it and the full realisation of that cannot be—

MR SMYTH: You are not going to answer that. She cannot answer it.

Ms Gallagher: The full outcome cannot be realised until a decision is taken about whether or not this goes ahead. That is still—

MR SMYTH: But surely you should do that work before then?

Ms Gallagher: That is still a subject of consideration by this Assembly. No, we should have done it—look, my argument on this is that this is not about saving dollars in the health operating budget. If I had gone out with that as the key factor in this, this would have created considerable concern amongst Calvary staff based on the fact that this was about cost cutting and government cutting services on the north side of Canberra.

That is not what this is about. But we do expect efficiencies and those efficiencies will be rolled straight back into the health system. I know that before I even say it. But for example, we do not—

MR SMYTH: But you expect it; why can't you detail it?

Ms Gallagher: I have gone to this before—what do you say, "Why don't we do that now?"

MR SMYTH: If you expect them, why can't you detail them? Why hasn't that work been done? In a way it would strengthen your case, would it not?

Ms Gallagher: I have explained that. You are trying to justify your opposition to this proposal when you know you do not have a leg to stand on financially on it.

MR SMYTH: You cannot make the case.

MR HARGREAVES: Let us not have an argument here; how about we just have a discussion, one person at a time.

THE CHAIR: Mr Smyth, she has answered as much as I think she is going to. Mr Hargreaves.

MR HARGREAVES: Yes.

MR SMYTH: Well, no. The Treasurer just said they expect efficiencies and I have asked how much and she cannot detail them.

THE CHAIR: Yes.

MR SMYTH: How can you expect something if you cannot detail it?

THE CHAIR: Exactly, that is the answer, like it or not—

MR SMYTH: The answer is she cannot detail it.

THE CHAIR: and so we are now going to Mr Hargreaves's questions.

Ms Gallagher: The answer is that we have not done that detailed work because at this point in time we do not know if this proposal is going to go ahead. If it goes ahead, then, of course, there will be work done around how those two hospitals work. But again it is not driven by any cost-cutting mechanism or desire by the government. It is about the most efficient and effective use of our public hospital system.

If that means that our two hospitals can talk to each other electronically, that actually might cost money but it will make our hospitals safer and more efficient. These are some of the changes that you will see if this proposal goes ahead. But at this point in time it is not clear that it will and at this point in time I am working on trying to deliver the outcome the government wants.

MR SMYTH: So at this point in time you cannot detail how it will be more effective and more efficient?

THE CHAIR: Mr Smyth, she—

Ms Gallagher: I think I have answered your question, Mr Smyth.

MR SMYTH: But you cannot detail—

THE CHAIR: Mr Smyth!

MR HARGREAVES: Can I have a question just before our tea break, which is scheduled at 10.15? I turn your attention to page 17 in the key achievements, section 8. There are a couple of questions I have about that. The second dot point there refers to the land rent scheme, which commenced on 1 July 2008. Can you tell me what sort of an update there has been since then?

Ms Gallagher: Yes.

Ms Smithies: We have had two last financial year, another five this financial year and there are a number of applications—90 in the pipeline.

Ms Gallagher: Ninety-one contracts have been exchanged and 10 contracts have been settled as of 16 November.

MR HARGREAVES: Fantastic; top scheme, that. The dot points related to the home buyer concession scheme and the pensioner duty concession scheme talks about the property thresholds being updated on 1 July 2008 and 1 January 2009 to reflect market prices. Updated to what?

Mr Read: The thresholds are updated to reflect market prices every six months. They are based on the sales in the last six months. Your question was whether they were updated—

MR HARGREAVES: To what?

Mr Read: I will just grab that. Under the pensioner duty concession scheme there is a full concession for all properties valued below $415,000.

MR HARGREAVES: 415, right.

Mr Read: The duty on that is $20. There is a reducing concession for properties valued up to $510,000 where the concession scheme peters out.

MR HARGREAVES: Does that threshold apply the same figure to the home buyer concession scheme as well?

Mr Read: No, there is a different threshold applied to the home buyer concession scheme. For the home buyer concession scheme figures for the period from 1 January 2009 to 30 June, there was full concession where a duty of $20 is payable for properties valued up to $340,000 or less and a reducing concession up to $422,000.

MR HARGREAVES: This is the last question I have, I would hope, before the tea break. It relates to the second last dot point, which refers to the continuation of drought relief for rural leases through a waiver of rates. There is a love fest going on here—you know, all kissy-kissy. They will get over it; one of them will get a cold sore in a minute.

I refer to the second last dot point in that waiver. Can you tell me what period going forward? You have continued the drought relief now. Is the waiver for the whole of the financial year or is it for a different period? While you are at it, what is the expected cost to the territory for that relief?

Mr Read: The amount granted for waivers in 2008-09 is roughly $83,000. The continuation of the relief for that, I guess, will obviously depend on how the climate goes in terms of whether the drought continues to be an ongoing issue—

MR HARGREAVES: Is that an open-ended one, Mr Read—until it rains?

Mr Read: I do not think there has been any specific end date put on it. I think it has been reviewed on an annual basis depending on the need.

MR HARGREAVES: About this time every year you would have another look at it?

Mr Read: Correct.

MR HARGREAVES: That is fine with me. I am ready for a cup of tea.

THE CHAIR: Mr Smyth?

MR SMYTH: A very simple question: how much is the Ernst and Young review of the Treasury analysis of the purchase of Calvary hospital costing?

Ms Gallagher: I understand it is in the order of $13,000.

Meeting adjourned from 10.15 to 10.34 am.

THE CHAIR: Mr Hargreaves did you have another question?

MR HARGREAVES: No, I had concluded, Madam Chair, just before the break.

THE CHAIR: Mr Smyth.

MR SMYTH: Treasurer, the blow-out of the construction costs of the Cotter Dam from $120 million to $363 million, what analysis has been done by Treasury of the effect of that blow-out on the budget bottom line?

Ms Gallagher: Obviously Treasury have been very involved with Actew through the work they have been doing on the costs of the Cotter Dam and have certainly been a part of all of the discussions. The expectation is that we may need to borrow some additional money in 2011, is that right?

Ms Smithies: Yes.

Ms Gallagher: But the envelope Actew has at this point in time is sufficient. They have an envelope to borrow $300 million—

MR SMYTH: I am sorry, when you say “we may have to borrow,” is that ACT Treasury—

Ms Gallagher: Yes, well, ACT Treasury borrows for Actew.

MR SMYTH: On behalf of, yes?

Ms Gallagher: Yes, that is right.

MR SMYTH: Just for clarity, yes. You said Treasury has been very involved. So Treasury has been aware of the escalating costs throughout the entire period from the announcement of $120 million in April 2005 until the 3 September announcement that it was now $363 million?

Ms Gallagher: Certainly Treasury have been involved through the extent of the project. Certainly in my time as minister in the last 12 months I have been briefed verbally and probably in written form as well that the costs were increasing. I was certainly briefed that Actew was undertaking the Deloitte's review of their costings, and Treasury have certainly indicated to me that they were very happy that that independent review was being done to analyse the cost increases.

MR SMYTH: On 3 September, the CEO of Actew announced that the final turnout cost was expected to be $363 million. When did you first find out that it was $363 million?

Ms Gallagher: We have got a time line on this; it is just not before me. The shareholders were given an indication a couple of days before the cabinet met, and that was in the week of 20 August, around 21 August from memory. There was also an approach to my office in July from Actew chief executive, Mark Sullivan, just indicating that the Deloitte's work was underway, that it was being finalised but that there had been a cost increase in the Cotter Dam. In relation to the actual figure, my memory is that became known to me as a shareholder in August.

MR SMYTH: In August?

Ms Gallagher: Yes.

MR SMYTH: The time line that the Treasury has prepared, can the committee have a copy of that time line?

Ms Gallagher: I am not sure it is the time line that Treasury prepared, but certainly. I have no problem with that.

MR SMYTH: So what work is being done by Treasury to validate the figures of Actew?

Ms Smithies: What work is being done—

MR SMYTH: Or has been done and is being done?

Ms Smithies: The cost estimates that were done through the alliance have actually been validated by Deloitte as part of the independent review, and so we have had access to that. We have gone through that work. The work done by Actew has already been reviewed.

MR SMYTH: Is Treasury concerned by the blow-out of $120 million to $363 million?

Ms Smithies: The events that have transpired have been that, through the development of a very, very large and major complex engineering project, estimates have been given quite clearly on the basis that they will be subject to further development, technical advice, geotechnical engineering et cetera. Through the process, the costs will need to be firmed up et cetera. There is no doubt that through the development of any large complex project, those costs are going to change. It has certainly been made public through a number of instances that the costs were sort of plus 30 per cent, plus 50 per cent, and those statements have been made publicly. So, yes, we were aware of all of that, and that is an issue of fact that costs of labour were going up, the cost of concrete et cetera.

MR SMYTH: But they have not gone up 200 per cent in two years?

Ms Gallagher: I think Treasury's role, certainly in providing advice to me, has been around whether the $363 million is a reasonable cost for a project of this size. I have not been given any indication by Treasury that it is not a reasonable cost for a project of this size and that the numbers do not add up.

When we reviewed the way we have moved forward with this project back from April 2005 to now, as the Under Treasurer has said, cabinet had given agreement in principle for work to proceed subject to final costs being determined, and that really was not determined until August this year, and there were caveats on the estimates.

In time, when we go back and have a look at how the public narrative of this project has worked through, there are lessons to be learnt about giving estimates and having that translated as the final cost when that was never the case. There are certainly lessons for all of us to learn through that. But in terms of the final costs and the project that is underway, the advice from Treasury to me is that this is a reasonable cost for a project of this size, that the numbers add up, and that the review that was done by Deloitte was welcomed by Treasury and has been reviewed by Treasury.

MR SMYTH: Did Treasury ever express concern to Actew about the escalating cost?

Ms Gallagher: I think they probably did at different points in times. From discussions I have had with Treasury and in my weekly briefings with them, we have certainly discussed the Cotter Dam when that work was underway. I guess there was concern in terms of the discussion from Actew to Treasury that costs were escalating. Treasury was very keen to make sure that we were not getting a gold-plated dam or that these costs were reasonable escalations in costs for a project of this size. That is what I am saying to you: Treasury was very happy that Actew commissioned the Deloitte's work to run a ruler over their own work and then reviewed that work itself. Treasury is satisfied that it is a fair and reasonable cost.

MR SMYTH: Under Treasurer, do you remember when you first raised concerns with Actew about the growing costs?

Ms Smithies: We have been told throughout the project—and it is publicly outlined—

around potential out-turn costs. It has always been a standing item in discussion that those costs would be finally crystallised and properly reviewed. It is all part of the review process of a large project. There was a time when Actew itself was undergoing the finalisation of the outturn costs. There were an awful lot of moving parts to the project, not the least in terms of finalising the final specifications of the project itself and the dam engineering itself. So there was a significant amount of time that Actew spent in ensuring that they had specified the project and detailed the costs. So while those parts are moving, there is only so much you can do until you get relatively clear estimates out of the end of the project specification. Yes, we had a number of conversations around it over many months, but we got final out-turn costs and they were sent to final review.

MR SMYTH: Just to go back to the budget bottom line, we may have to borrow more money on behalf of Actew. But if Actew is paying off more capital and more interest, does that not affect its dividend, and what work has been done on the dividend in the outyears?

Ms Gallagher: We are actually reviewing the dividend at the moment, I think at the request of the Actew board, around their 100 per cent payment of their dividend.

Ms Smithies: That is right.

Ms Gallagher: That work, to my understanding, has not been finalised. I have not seen the results of that work. That was generated not specifically around the Cotter Dam but around all of the costings in the future.

MR SMYTH: So Actew is asking to pay a lesser dividend?

Ms Gallagher: Actew asks that every year. The Actew board, as it would have to you, Mr Smyth, would like to pay less of a dividend. What I said is that I am happy to review it and look at it sensibly. I gave that commitment to the board at its AGM, and Treasury is doing that work. It has not come back to me at this point.

Ms Smithies: But the cost of capital—

MR SMYTH: So are there specific numbers?

Ms Gallagher: Sorry?

MR SMYTH: Are there specific numbers because, of course, that is additional money you would have to find somewhere else?

Ms Gallagher: No, all I have said is we are reviewing it. I have not seen the work that has come back.

MR SMYTH: Ms Smithies, are there specific numbers?

Ms Smithies: I was going to add to what the Treasurer said that the cost of capital and the interest costs will also be part of what the regulator looks at when he sets the pricing path moving forwards. So those will, in principle, be an issue that will be largely put into the regulator price path and recovered. So, over time, there should not be an adjustment to the dividend report just if you looked at this by itself.

MR SMYTH: So if it is not coming out of the dividend, then it is coming out taxpayers' pockets through increased charges?

Ms Smithies: It is a regulated asset and the cost is moved back onto the consumer.

MR SMYTH: So taxpayers will pay more?

Ms Gallagher: I think we have established that, through their cost increase in the dam, the review will occur in 2012. Again, if they are not reasonable costs, the regulator will have a view on that.

MR SMYTH: Just to finish, the alliance model that is being used, how efficient is the alliance model at delivering relatively simple capital works projects, and is it appropriate for this project?

Ms Smithies: The theory around alliance modelling, alliance delivery, works well. My understanding is it works well on large, complex engineering projects such as this, and, in particular, in times where you have got a large supply chain and input costs that have a tendency to escalate et cetera. The evidence would suggest that the alliance model is entirely appropriate for this type of construction.

THE CHAIR: On a totally different subject, pages 88 and 89, ecological and sustainable development, my first thing is a comment and a request for more information. At least some other departments have managed to do a comparison with the year before. While this is really nicely set out, the absence of any comparative data makes it hard to work out whether you have done brilliantly or whether it was the same or a disaster.

Ms Gallagher: Yes, even a variance.

THE CHAIR: Next year, can you at least put in two years worth? Other departments have managed to.

Ms Smithies: Sure, yes.

Ms Gallagher: Well, we have got this year.

THE CHAIR: So it should be easy.

Ms Smithies: Yes, yes.

THE CHAIR: You have listed a number of things that you have done that you think will impact on energy usage positively. Ms Gallagher, you would be aware that the Clerk sent us an email about temperatures in this building. What sort of temperatures do you run Treasury at?

MR SMYTH: It depends how hard she is working them!

Ms Smithies: They are all laughing about a lot of hot air comments.

THE CHAIR: I appreciate that you probably do not—

MR HARGREAVES: I have noticed them to be really cold at times!

THE CHAIR: Yes, maybe you do not require a lot of heating.

Ms Gallagher: Yes, other agencies would have a view on that as well.

THE CHAIR: You do that internally and it is very good to see, if that is the case, but do you have any—

Ms Gallagher: Do you know what it is? Twenty-one degrees?

Ms Smithies: 22. Except for yesterday, when it was not working.

THE CHAIR: How hot did it get yesterday?

Ms Smithies: Someone was saying 30, on level 1.

THE CHAIR: Have you done any actual experimentation with higher temperatures? With this building, the Clerk's email suggested that we would possibly be going to 24. Have you experimented, from the point of view of both energy savings and the staff reaction, with changing temperature settings, both summer and winter?

Ms Smithies: No, we have not done that yet. We share a building with Chief Minister's and facilities management is done out of the Chief Minister's area. They are really proactive in terms of looking at different options for energy saving and recycling. So we have not yet but I suspect that we will be. If yesterday was some type of indication, I can tell you that it did not go well.

THE CHAIR: It does not have to go quite as high as 30 degrees but there might be a point between 21 and 30 which would be acceptable. I notice on page 90 you have got the percentage of paper recycled. I hope that I am just not understanding this—that you get 14 per cent of your paper recycled. I would have hoped that you would manage to recycle fairly close to 100 per cent. I hope I am going to be enlightened as to why the figure is so low.

Ms Thompson: The 14 per cent is low at the moment. We conducted a waste and recycling audit of the Nara Centre last year. We actually had someone get a little swimming pool, jump in, fill it with our waste and pull it out with tongs and gloves. We realised that—

MR HARGREAVES: It was a volunteer, that person?

Ms Thompson: We got a uni student to do it, so—

MR HARGREAVES: Who now glows in the dark!

Ms Thompson: Our results from that were terrible. We realised that 80 per cent of our waste could have been recycled, so that is where our 14 per cent comes from. We used that as our baseline from the first audit. From that, we have had conversations with our cleaners because we realise that things like our paper waste from our hand towels from all our bathrooms was going straight into waste. So that is what is contributing to that 14 per cent. Hopefully, next year it will be significantly higher, with the initiatives that we are doing within the building.

THE CHAIR: Congratulations on doing a proper audit. I certainly hope that the figure is a lot higher than that next year.

Ms Thompson: We needed to know where we were at, yes.

MR HARGREAVES: I want to ask a question around the home loan portfolio. There was an announcement this morning that the shared equity scheme is up and running and going gangbusters, as at today. Congratulations on getting that up and running; it is a fantastic idea. I understood also that now there is an opportunity for public housing tenants to access 30 per cent of the value of the home. Is that by way of an interest-free loan and is that going to be funded from the home loan portfolio?

Ms Smithies: There has been no discussion around using the equity in the home loan portfolio to reinvest in any other way. The equity that is in the home loan portfolio is largely held against the accumulated liability that is owed to the commonwealth over time. That capitalisation is reviewed every two years under an MOU between Treasury and the department of disability and housing, at which point we have a look at whether there is an incremental level of capital that can be taken prudently out of the home loan portfolio and used for other housing-related activities. That review is not due to occur again until the next financial year. So until that occurs, we do need to keep a prudent level of assets in the portfolio to cover the liabilities.

MR HARGREAVES: With respect to the funding source for people that are accessing that 30 per cent loan from the ACT government, given that it is interest free, do you know how that is going to work?

Ms Smithies: No, I do not have the details of that with me.

MR HARGREAVES: I might pursue it later on, possibly with the minister for housing. I am not sure whether it is a funding thing or how it works. On page 20, it talks about the administrative cost per managed home loan going down. Quite clearly, the more loans you have got, the lower the figure will be. You indicate there that it is due to a greater number of outstanding loans than expected. What sort of figure are we talking about? What did you expect and what actually happened?

Mr Read: The number of loans has been gradually reducing over a number of years. I think at the end of last year we were down to about 230 loans. As the loans gradually reduce, we are getting into the loans that are probably more difficult types of loans, under the old commissioner for housing loans scheme. Where their income was a set amount and their repayments exceeded 27 per cent of their income, there was a deferred amount—they could defer the difference between 27 per cent and the other figure.

So the people that are left with those loans are probably people who are receiving a greater level of assistance in the form of deferred assistance. The reduction has essentially come about because, as interest rates dropped, there were more people who were able to refinance their loans. But there is that core of people who are on lower incomes who are still in that deferred assistance bracket, and who are probably finding it more difficult to obtain external finance.

MR HARGREAVES: Mr Read, did you expect there would be a greater number of loans paid out than actually did happen? Is that why we have got a less cost per loan management cost?

Mr Read: The management fees are based—

MR HARGREAVES: They are spread over the whole number of loans you are managing?

Mr Read: That is right, divided by the number of loans. So as the loan numbers diminish, the costs of administering them increase.

MR HARGREAVES: That is a fairly significant drop, from 1,700 to 1,400. That would indicate to me there would be considerably fewer loans paid out than you had anticipated might be the case. Is that right?

Mr Read: I am not sure what we had originally estimated or anticipated would be paid out.

MR HARGREAVES: I think you have answered the other one. I was after how many there were—230 or thereabouts?

MR SMYTH: There are 225, as shown on the previous page.

MR HARGREAVES: Thank you very much, Mr Smyth. What page number was that?

MR SMYTH: That would be the one before 20.

MR HARGREAVES: And volume 1?

MR SMYTH: Just on that, I note that on page 58 of budget paper 4 it said there were 230 loans. The annual report says there are 225 loans. What is the difference—people paying their loans out?

Mr Read: Sorry, the difference between—

MR SMYTH: Why is there a difference in the numbers in the various documents? I assume all these numbers are as at 30 June 2009?

Ms Gallagher: I think the difference is between the estimated outcome and the actual outcome.

Ms Smithies: We had 53 loans paid against an expected 60. So we expected that 60 loans would be finalised during the last financial year and we had 53 being finalised, against the 60. The answer to the other question is just the difference between an estimated outcome and an actual.

MR SMYTH: In volume 2 on page 132, the net assets totalled $30 million at 30 June 2009—an increase of $8 million or 36 per cent. Is there a reason for this strong increase in the net asset value?

Ms Smithies: Sorry, your question is around net assets?

MR SMYTH: Yes.

Ms Smithies: The actual?

MR SMYTH: Yes, why the increase?

Ms Smithies: Basically, it is the investments coming back—the cash coming in from the people paying off loans and it is being invested and basically accumulated.

MR SMYTH: Is there a reason that the funds are being accumulated? Is there a purpose for it or is it just the way the portfolio operates?

Ms Smithies: The liability is paid off to the commonwealth over a longer term, but also that we have had a fairly strong return on the investment balance for this financial year as part of the actual cash-enhanced funds.

Mr McAuliffe: With respect to the home loan account, I do not have the numbers here. In terms of its assets, there is $120-odd million. We do not leave those moneys sitting around in a bank account. They actually get invested as part of the overall territory's investment portfolios, and there is a large component of that which is in our general government bond portfolio. The bond portfolio over the last financial year returned—I do not have the numbers but it was 11 or 12 per cent for the year. That translated to about an $8 million gain on the investments for that portfolio. That has resulted in the increased equity.

MR SMYTH: Is there an optimum level of net assets that you should be holding or could hold?

Ms Smithies: That is what we get reviewed every second financial year—the capital adequacy. In the past it has been between $25 million to $30 million of assets in excess of the liabilities, and part of the review is around a prudential setting of capital.

MR SMYTH: So it is approximately where it should be?

Ms Smithies: Yes, that is right.

MR SMYTH: Okay, thank you.

THE CHAIR: Could I ask about page 78—a quick one on Ernst and Young again. We had a very cost-effective review of the Cotter, it sounds like, because there is half a million dollars shown there. “Modelling health for the future, phase 1 and phase 2—professional services”, for half a million dollars. What was that? What did we get for half a million dollars?

Ms Smithies: As part of the health planning, the capital asset development plan, a series of work was done around developing the asset requirements into the future and then a series of review was done of that particular plan. So what you see here is the review around the health modelling for the capital asset development plan.

Ms Gallagher: It was just making sure that Health were not trying to take off with too much cash without Treasury having a long, hard look at it. As Meg said, it is essentially to review the work that Health has done around the expected growth in demand for services and the costs associated with that. So it is running the ruler over it to check that it held.

MR SMYTH: I read the notes on page 81. Is Ernst and Young really the only firm that can actually deliver that service?

Ms Smithies: In this instance, Ernst and Young had some particular expertise in this area and some particular expertise based on other jurisdictions and backgrounds. So given the time frame for doing this and their expertise, it was viewed as appropriate.

MR SMYTH: When is the report due? It was let in August.

Ms Smithies: We have a draft of it. It is currently under review again by the department of health, basically so that we ensure that we have a common understanding of the variables and the modelling and the projections on which the modellings are done, and that we understand the concerns that are being raised or how they have been addressed et cetera. It is just going through what is a usual, normal process.

MR SMYTH: Will that be made available when it is received by the government?

Ms Gallagher: I have not seen it. I imagine elements of it can be. It will be used for budget consideration about future decisions to be made, but I am certainly happy to look at making public whatever we can make public.

THE CHAIR: Unless there are any burning questions, I note that it is past 11 o’clock.

MR HARGREAVES: Put them on notice.

THE CHAIR: I was about to say that I certainly have more questions, so we will obviously send you some questions on notice. Thank you very much, Treasurer and Treasury staff, for your attendance.

Ms Gallagher: So you do not want ACTIA or—

THE CHAIR: Yes, we are going to the Insurance Authority. Treasurer, you can stay if you like.

Ms Gallagher: I had better stay.

THE CHAIR: We will start again. I welcome back the Treasurer and officials. Ms Gallagher, do you have an opening statement?

Ms Gallagher: No, thank you, Madam Chair. I am happy to just proceed.

THE CHAIR: Okay. On the top of page 6 you have indicated that one of the risks that you are looking at is inadequate cash potential, inadequate cash reserves, to meet future insurance claims. Is this an imminent risk? Should we be worrying about it? How secure are you in your ability to pay for everything? How worried should I be?

Ms Smithies: If I could just put this in context, the risk management sections of the way these statements are designed are about trying to identify all of the things that as responsible financial managers we ought to be worried about. So it is about putting up those risks and then working through and addressing them one by one. The fact that it appears here means that it is a really good question to ask how concerned we really ought to be. But it is a logical thing that ought to be here when you look at the business of an insurance authority as well. I just thought I would give that introduction on it before I hand over to Roger.

THE CHAIR: So the answer is that it is there because you have got to write a risk management statement, but you are not actually concerned about it. Is that what—

Ms Smithies: Yes, when we need to look at our operating environment, what is our big concern? Our big concern around the insurance areas is that we are accumulating a lot of liabilities that are based on claims made during financial years and we are putting aside financial assets to actually cover those claims off. Ultimately, the question around insurance is: will our money be there to pay out the claims when they are finally crystallised? So, yes, that is a risk that we always need to keep an absolute eye on. Are we really concerned about it? Given the state of the balance sheet for the Insurance Authority, I think that the assets are reasonably well over the actual liabilities. It is something that we look at each budget process. It is something that we look at at the end of the financial year. No, we are not concerned at this point. But, yes, we should review it all the time, which is why we see it as a managed risk.

MR SMYTH: What is the current ratio of assets to liability? And what is the industry standard?

Mr Broughton: It is in the report. I think our ratio is fractionally above one. We have got positive net assets. There are probably two things you need to consider. One is that we account according to insurance industry standards, but we are not an insurer and we do have the government standing behind us. The other thing is that most of our large claims will be of public liability or medical malpractice type claims and they do take quite a long time to settle, so, if we had those on our books, we do have a fair period of time in which to build up assets, if necessary, to cover the cash payments.

Ms Smithies: I think the final answer on that is that a lot of those catastrophes are actually reinsured in any case, over a certain level.

MR HARGREAVES: On that question of catastrophe insurance, once upon a time that used to be a figure of $400,000, if my memory serves me correctly. I can remember a couple of schools half burning down and they had to carry the cost unless it was over $400,000 worth of damage, in which case it was picked up by the catastrophe insurance. Do you have a figure that we are applying to catastrophe insurance now?

Mr Broughton: All of the departments that we write insurance and policies for have some sort of excess, if you like, where they retain the initial cost of a loss. I cannot tell you off the top of my head, but I am happy to take on notice exactly what the self-insured retention is for the education department in relation to schools.

Mr Fletcher: Those excesses are set fairly low, but I think in terms of the education department it is about $250,000.

Ms Smithies: No.

Mr Fletcher: Sorry, $25,000.

Mr Broughton: They absorb the $25,000 loss themselves. Once it gets over that, the policy kicks in, and we look after the rest.

THE CHAIR: Looking down this list, you have got escalating claims due to poor risk management in agencies. Is this just here because you felt it was a risk or have you actually any concerns about poor risk management in agencies?

Mr Broughton: Once again, this is a risk that we should pay attention to all of the time, but right at the moment we are working very closely with all of the agencies that have the larger exposures to risk and we are fairly comfortable that they are managing them reasonably. We do not see any reason to be alarmed, but we are on a continual improvement cycle with the agencies. We work closely on special events. One of ACTIA's officers spent two or three weeks on site at the Stromlo Forest Park as part of the lead-up to the mountain bike championships just to be sure that we covered off all of the significant risks, and that seems to have worked extremely well.

THE CHAIR: Do you cover all the risks in the hospitals? Are the midwives who are employed by ACT Health effectively insured by you guys?

Ms Gallagher: They are not insured at the moment for home births, but for their other work, yes.

Mr Broughton: Inside the hospital.

THE CHAIR: Yes, inside the hospital. You still have risks of births, so you guys insure that as well in hospital?

Mr Broughton: That is correct.

Ms Gallagher: If we do set up a self-insurance scheme, it would be managed through ACTIA, and it is on their advice that we are basing the costs of funding a scheme like that, which Tom McDonald is going to work through again.

MR HARGREAVES: You advise agencies on their risk management from time to time from an insurance perspective. I have a memory of some advice some years ago in relation to dead and dying trees in the urban parts of Canberra because of the drought. It was post bushfires, actually, but there is the continuing drought. Have you given advice on whether there is a continuing or an increased risk due to the age and condition of the urban trees?

Mr Broughton: We have not given any specific advice. We know that TAMS have a tree replacement program and that has been reviewed by us some time ago. We are comfortable that their policies in relation to that are adequate from an insurance perspective. The issue is that, when something goes wrong, the courts look to see if there is any policy covering the event and whether or not you are adhering to that policy. We are satisfied there is a policy there. We are reasonably satisfied, without doing an audit, that they are adhering to that policy.

MR SMYTH: On page 2 in the overview the first paragraph says "despite significant increases in incident numbers due to better reporting by agencies". What has the increase been and what changed to cause this significant increase in reporting?

Mr Fletcher: That reference is to the fact that the authorities worked hard in the last few years to have better contact with agencies and to try and educate them about the importance of reporting what are possible incidents that might then eventuate in a claim. We provide that information and the claims information to our actuaries and to our reinsurers, so, despite that we might be presenting a picture to those people that seems to indicate that there are more claims and there are more incidents than we thought previously, the premiums and the reinsurance costs have not increased. They are more comfortable that we have those processes and risk management structures in place.

Ms Smithies: The number of increasing claims or incident numbers does not necessarily indicate that things are getting worse. I think we have talked about this before. It is a relatively new insurance authority. If you compare it to lot of states that have had decades of claims histories and processes put in place, the work that has been happening over the last few years is really about encouraging agencies, as soon as something happens, to notify us and then we will work through the details of whether it is an insurable issue, whether it is an issue at all, and, if so, what policy does it go against and all that sort of stuff. So we have actually been encouraging a really good disclosure of incidents so that we can manage those proactively and go through a triage system—which ones do hit our financials, hit our insurance policies, and which ones get set aside.

MR SMYTH: On page 3 under "outlook", the first line says:

> It appears that the long anticipated plateau for claims liabilities may have finally been reached.

Is that what we have done—finally shaken all the potential liabilities out of the departmental trees, and you guys have now tallied them up?

Mr Fletcher: I think we have got to a point with the quantum of work that we have done with those agencies that the way those incidents are reported will plateau. That is not to say that the liabilities necessarily have changed.

MR SMYTH: So what has it done to our liabilities?

Mr Fletcher: I suppose it depends on how we analyse those incidents when they are recorded. We have a triaging system and, I suppose, a claims review process that happens every quarter, so we make decisions about whether or not an incident might need to be closed off. Each of those has a reserve associated with it and that is obviously totalled into our total liability. So we go through a process of looking at each of the claims and deciding which category they fall into, and then that generates the total liability. With health, for example, we do that on an even more frequent basis—I think it is a monthly meeting—to look at what the status of their claims or their profile is and what the appropriate reserves are against each of those claims.

THE CHAIR: Can I just talk about another possible claim which you have actually mentioned on page 7 in future tech trends. What if we have another bushfire like in 2003?

Mr Fletcher: I think the simple answer to that is that if we have another bushfire we have adequate reinsurance arrangements in place. The structure of the program today is fairly much the same as it was in 2003, so we have a general liability policy and a property policy in place. If there was that type of catastrophe again, we would probably fairly quickly reach the primary layer of reinsurance and those reinsurers would then become liable for those costs.

THE CHAIR: And there is no limit to that reinsurance? If we had something bigger than 2003, which is conceivable with the—

Mr Broughton: There are limits. Our property loss is limited to $1 billion. The total claimable loss from 2003 was a little over $60 million, so I think we have got more than enough coverage for an event of that particular type.

THE CHAIR: And if someone sued the ACT government—I am talking about loss of life here, that the ACT government was felt to be responsible—would that be a separate bit of money, not in the billion dollars?

Mr Broughton: The billion dollars was property, and then we have got public liability, which is injury to individuals. We have a policy in place which I think goes as high as $300 million. Our thinking behind that was: what is an incident that would be particularly catastrophic in terms of injuring people? Our thought was that perhaps a busload of school kids being badly damaged might push us on towards that level. But individually the biggest awards in Australia have been around the $14 million or $15 million mark.

MR SMYTH: Bushfires are also mentioned in the second paragraph of the overview, and it says that the estimate on these outstanding claims has been significantly increased. Why is that so?

Mr Broughton: That is prudential accounting treatment by our reinsurers. I would like to make it quite clear that the legal advice that we have received in relation to our exposure for public liability for the bushfires is that we are not liable and nothing has changed in relation to that. However, under the current statute of limitations, people had until January 2009 to put in a claim in relation to the bushfires, that having happened in January 2003. A lot of claims, mostly property-related claims, were listed in the courts a matter of a week prior to that six-year period being up. Our reinsurers, who are now the ones who are actually carrying the risk in terms of the financial loss out of this, deemed it appropriate that they should show a higher amount on their books, which means that we should be showing a corresponding entry on our books, bearing in mind that the increase in liability is matched by an increase in recoveries from our reinsurance, so the impact on the bottom line of ACTIA is zero.

MR SMYTH: On page 5, the third last paragraph, there is a line that says, "The government is also committed to future capital injections." What is the need for those capital injections, and how much is expected?

Mr Broughton: The way the Insurance Authority covers its costs is to impose premiums on departments. Being such a small operation, there is a high degree of volatility, I guess, in the Insurance Authority's exposure to events. Rather than necessarily pass the full costs of those things on to the agencies themselves, who would have difficulty budgeting through something like that, the government has agreed that, if necessary, it would provide a capital injection to ACTIA to maintain ACTIA's net assets instead of having substantial increases to the premiums. It is a smoothing-out technique if you like.

MR SMYTH: On page 18 in the financials I notice your cash and cash equivalents at the end of 2008 were $129 million, yet this year they were $173 million, an increase of $45 million or about 35 per cent. What has caused that?

Mr Broughton: The reason our cash position has improved is that we do get income of roughly $40 million in insurance premiums from the agencies. Every year, some part of that is used to pay out claims. This particular financial year our cash payout on claims has been relatively low, which meant we have actually built up our bank balance accordingly, plus, as Patrick McAuliffe said earlier, this money is invested while it is not being used and we have had a very good result on the investment in this area.

MR SMYTH: On page 19, under total equity, can you explain the turnaround from the budgeted deficit of $17 million to the surplus of $8 million? I note there is a capital injection of $10 million.

Mr Broughton: Yes, which was in the budget anyway. It is partially due to a better operating performance. I will have to go back to this, but it looks to be that the actual outcome for 2008 was considerably better than we anticipated. I do not have the 2008 annual report here, but you will see that we budgeted for an equity position of negative $26 million and what we actually got was negative $3.5 million, so there is a $23 million improvement in 2008, which has been carrying forward as our starting position for 2008-09. That, plus a slightly better operating performance, explains most of it.

MR SMYTH: On page 57 in the statement of performance I notice there is a chart of the number of active claims. The original target was 5,000. The actual result is 9,136, an increase of 83 per cent. How can that be so wildly out?

Mr Fletcher: I think that is a slight misrepresentation of the two numbers there. The first number there, the number of active claims, was an original target. The 9,000 is in fact the number of claims that have been dealt with by ACTIA if you read the comment there about the triaging of new claims. Further back in the report you can add two numbers together about the closing off of our outstanding claims that total 9,000. I am just not sure which—

MR SMYTH: So they are different numbers?

Mr Fletcher: Yes.

MR SMYTH: Why would you have different numbers in there to compare?

Mr Fletcher: I am not sure. I did not head up ACTIA at that point in time. I assume that it was just a misinterpretation of what that measure is. I am trying to find—

MR SMYTH: Perhaps you can give us a written reconciliation of where you started and what the two numbers mean, rather than do it now?

THE CHAIR: On that note, I note it is 11.30. Do you have any questions to be placed on notice, Mr Smyth?

MR SMYTH: I will go through my list here and see which ones—

Ms Gallagher: I am sure there will be.

THE CHAIR: Thank you, Treasurer and remaining Treasury or ACTIA staff, for your attendance.

Meeting adjourned from 11.30 am to 2.01 pm.

Appearances:

Barr, Mr Andrew, Minister for Education and Training, Minister for Planning, Minister for Tourism, Sport and Recreation and Minister for Gaming and Racing

Department of Territory and Municipal Services
Byles, Mr Gary, Chief Executive
Dever, Ms Sue, Acting Executive Director, Territory Services Division
Shepherd, Ms Simonne, General Manager, Australian Capital Tourism
Kalogeropoulos, Director, Finance

Exhibition Park Corporation
Sadler, Mr Tony, General Manager, Exhibition Park in Canberra

ACT Gambling and Racing Commission
Jones, Mr Greg, Chief Executive

THE CHAIR: Good afternoon, and welcome to this public hearing of the Standing Committee on Public Accounts and its inquiry into the 2008-09 annual and financial reports. I am sure you have all read the privilege card and do not wish to hear me recite it. I am sure you are also all well aware of the etiquette of turning off your mobiles and speaking into the microphone and identifying who you are when you first speak. Minister, do you have an opening statement?

Mr Barr: Madam Chair, thank you very much. It is nice to be here with a different committee on a different day talking about another important area of ACT government. Just broadly, it has been a significant year of achievement within the tourism portfolio given some pretty dramatic external challenges that the sector has faced over the 2008-09 annual report period.

If you look at the bigger picture for tourism in Australia, it has been a very tough year and one that has seen decline in tourism numbers across the country, somewhere in the order of seven to 10 per cent. We have not escaped that in the ACT, but the impact here has been more in the order of a one to two per cent downturn in our total tourism numbers from the latest statistics. That equates to around 23,000 fewer visitors. I think it dropped from about 1.922 million to 1.899 million. When you delve a little bit further into the detail of those figures, one of the most pleasing elements has been some growth in the leisure category—that is, people actually coming to the ACT for a holiday—as opposed to the business figures and the visiting friends and relatives figures that have been impacted by the global financial crisis.

Overall, in very tough circumstances, it has been a strong year for tourism. Some particularly good and effective campaigns were run, tactically switching our marketing strategy to areas closer to the ACT, responding initially at the beginning of the financial year to the very high petrol prices that impacted on people's travel decisions. In the second half of the financial year, clearly the global financial crisis had a significant impact, most particularly in the business area. Overall, I think we can be fairly pleased with the year for tourism.

We are now a week out from perhaps the biggest single tourism event we have seen this decade, with the commencement next week of the Masterpieces from Paris exhibition at the National Gallery. Canberra is one of only three cities in the world that will experience this fantastic event. It commences next week and runs through until the beginning of April. We are the first city in the world to have the opportunity to host this major exhibition. It is the first time these works have ever gone outside France. The anticipation is something in the order of a quarter of a million visitors to the ACT over the period and an economic impact of around $50 million for the local economy. It is very significant, and we are very much looking forward to that commencing next week. With that, Madam Chair, I will wrap up and look forward to the committee's questions.

THE CHAIR: Thank you, Mr Barr. I am also looking forward to seeing that exhibition, but how much did the ACT government contribute to that?

Mr Barr: Our contribution, Madam Chair, is in the order of $500,000 towards the marketing of the event and the Canberra region over the duration of the exhibition.

THE CHAIR: So it is just in the marketing? We are not actually supporting the gallery itself?

Mr Barr: No. The Australian government, through the art indemnity fund and the gallery itself, together with all of their commercial sponsors, are bringing the exhibition to Canberra. Our contribution relates to the marketing of the event to bring more visitors to the city, and that is the direct tourism benefit that we will see.

THE CHAIR: I suppose you may not be able to answer this given what you have just said, but does the gallery think it will be a profitable exercise from its point of view?

Mr Barr: As I understand it, they are on the public record as saying their expectation will be to break even. Events of this scale obviously involve an enormous amount of cost for them as well, and they want to keep the ticket prices as affordable as possible to maximise the number of people who get to see the exhibition. Clearly in their charter is providing the opportunity for as many Australians and, indeed, as many visitors as possible to experience this. So it will, as I understand it from the gallery, not be an exercise in making money, but I understand their aim is to break even.

THE CHAIR: Mr Smyth.

MR SMYTH: Am I right in understanding that this is the autumn event—that is, the money for the masters is coming from the money promised for the new autumn event?

Mr Barr: No, they are separate allocations. There was a distinct budget allocation as part of the overall package in the 2009-10 budget. I think about $1.8 million was made available this financial year for this, and a proportion of that was the marketing. As I am sure you would be aware, our election commitment was a combination of enhanced marketing and the autumn event. I will make some announcements commencing this evening at the tourism awards in relation to the autumn event. That will obviously commence in 2010 but, as I indicated at the time of making that announcement, it will start small and our goal is to grow it over time. Obviously it is a significant year in 2013 with the centenary of the city, but a long-term aspiration for the autumn event is that in 20 years it will be equivalent to Floriade in terms of it being a signature event for the city at another time of the year.

MR SMYTH: So the new autumn event will commence next year?

Mr Barr: In 2010, yes, that is right.

MR SMYTH: It will be the same event then in 2011 and 2012?

Mr Barr: It will not always be the same. Obviously in 2010, given it will overlap with this major exhibition, it will pick up on the themes associated with this exhibition, but I will make some further announcements in relation to the 2020 event, as I said, starting tonight at the tourism awards. I will not pre-empt my speech tonight. I will make some further announcements over the course of tonight and beyond.

MR SMYTH: So the money for the masters exhibition is new money and it is not coming out of the $5 million promised for the autumn—

Mr Barr: No, which I think was slightly more than $5 million allocated—

MR SMYTH: $5.3 million.

Mr Barr: Yes, in the 2009-10 budget.

MR SMYTH: The committee does not have regard to what might happen tonight, so the announcement tonight will be what the new event is and what is likely to happen?

Mr Barr: I will be making some comment. I have already made some public comment, and I will make some further comment in due course, starting tonight.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Minister, thank you very much for your time this afternoon.

Mr Barr: It is a pleasure.

MR HARGREAVES: You know this term, “wrapt in winter”?

Mr Barr: Indeed.

MR HARGREAVES: Could you give us a bit of an idea of why, how did it go and what do you see it going forward as?

Mr Barr: Through the second appropriation for 2009-10, so this financial year—

MR HARGREAVES: That is this year; it would have been last year.

Mr Barr: Yes, it was last year. We provided an additional boost for domestic marketing as a response to the global financial crisis. That led to the wrapt in winter campaign, which, as I indicated in my opening remarks, was a change in tactical focus for us looking at particularly targeting those market segments that were within fairly close proximity. So it was a real focus on short breaks over that winter period to try and turn what have traditionally been negative perceptions about Canberra in winter into tourism positives.

There was a particularly innovative online campaign that involved partnerships with a number of tourism industry players—that is, the accommodation providers as well as a number of the attractions. The National Portrait Gallery had recently opened and it had a major exhibition, the *Vanity Fair* exhibition, so that was one of many partnerships that was formed there.

I might get Simonne to outline some of the outcomes from that, but, just as an overall position, every tourism industry partner who participated with the government in this campaign has indicated very positively that they more than made their money back in their co-contributions. I think it has been one of the best winters we have seen for Canberra tourism. I will get Simonne—

MR HARGREAVES: Just before Simonne does, though, minister, with the federal government's stimulus package, we saw activity in terms of residential building. We talk about jobs being created and sustaining us over this GFC crisis. Did you see this particular initiative being the ACT's contribution to keeping people in jobs over this particular rough patch?

Mr Barr: It certainly was important, particularly to maintain some of that casual and seasonal work that tends to peak for the Canberra tourism industry around spring and autumn that is associated with a number of major activities. There tends to be a little bit of a drop off over the middle of January in the height of summer as the tourism focus has shifted. So the winter period had also been a time where we had noticed a particular downturn in visitor nights to the territory, particularly during the period that federal parliament was not sitting. So it was important to be in the marketplace with a new product, some differentiated marketing, to ensure that there was that continuity.

When we think about the tourism industry we are talking about an industry that the most recent tourism satellite account data from the ABS shows generates just a tick over $1.3 billion for the local economy and directly and indirectly employs something like 13,000 Canberrans. There was an important employment focus obviously in this, and we will get data in due course on employment in the industry over that period. Again, anecdotally, all of the businesses that were involved in this campaign ran very positive feedback.

MR HARGREAVES: So what we are seeing actually happen then is that with the GFC, across the nation, one of the industries which was savagely hit by the reticence of people to part with money to travel and come to town—

Mr Barr: Certainly, expenditure on tourism is high in the discretionary dollar that households expend. Clearly, it is suffering from competition not only from domestic tourism but from overseas tourism destinations. In recent times the strength of the Australian dollar clearly has made overseas holidays relatively cheaper. There has been a most significant change in the level of competition for share of wallet from other forms of entertainment and activities. We have seen, for example, a massive explosion in household expenditure on audiovisual and home entertainment goods, for example, and that has been a substitute directly away from tourism and those sorts of active experiences as opposed to sitting in your lounge room watching your widescreen plasma television.

I think it would be fair to say, however, that there does come a time when there are only so many plasma screens that can be in people's houses before you have got enough televisions, although it would appear in the Australian context that stopping at two or three does not appear to be the end of that. So there are those multiple challenges that the industry faces. It then puts added pressure on marketing bodies to find new ways to communicate with people and to get effective tourism messages out.

Just while I am on that subject, one of the most significant campaigns that Tourism Australia has run in partnership with the states and territories has been the no leave, no life campaign, which has been focused very strongly on unlocking something like 33 million days of unused recreation leave that have been accumulated by Australian workers. There are a number of different facets to this campaign.

Ms Shepherd: I thought we had some examples of that; I am sorry.

Mr Barr: In terms of wrapt in winter, I will now hand over to Simonne.

MR HARGREAVES: Simonne, did you bring us a show bag?

Ms Shepherd: I did. We have information for you.

Good afternoon, everyone. You will have to excuse me; my voice has been a bit croaky for the last few days. Just to follow on from comments on the wrapt in winter campaign, as the minister has outlined, winter at the end of last year was shaping up to be a low visitation period. Traditionally, it is quiet. We had a very long stretch with no federal parliamentary sittings, and we also had no major events in terms of blockbusters. We had one, which was the *Vanity Fair* exhibition, so we were concerned anyway, but then, when the global financial crisis heated up and we started to understand some of the implications, we became even more concerned.

With the additional funds, we were able to leverage around $164K in industry contributions. We have been very pleased with wrapt in winter as a model. It built on a previous campaign in summer which was more modest called culture shock, with the national institutions. We basically made it a more sophisticated model, included accommodation partners, and all up we had six attractions and 12 hotels. In terms of results, CRVC, the Canberra Regional Visitors Centre, reported that bookings were up 15 per cent for that winter period.

MR HARGREAVES: Sorry, what was that figure?

Ms Shepherd: Fifteen per cent on 2008, and our web bookings through the wrapt in winter site for those packages were up some 61 per cent. That also aligns with our e-strategy. The new micro-site which was built was actually tailored to drive that traffic through to that call to action.

The National Portrait Gallery were probably one of the standout performers in terms of attractions. With the *Vanity Fair* exhibition over winter, they certainly exceeded all of their targets. Partners like the AHA have gone on the record as saying they were very pleased with how the campaign ran, and certainly our hotel partners are reporting that their occupancies were all up; they well and truly made back their investment, and more.

We had 600 calls to a dedicated 1300 number, which was also the call to action through our CRVC. There were 1,700 bookings. These figures are not definitive because we rely on our partners to give us back all the data and sometimes some partners do not report within the period. But 1,700 bookings were reported during the winter period, with 262 that we can specifically attribute to wrapt in winter. However, our partners tell us that they quite often up-sold or on-sold from that initial call for the winter period. So it was quite a strong response. We are now using that model as the basis to go out for our further cooperative tactical campaigns, given the feedback that we have had from our industry partners.

MR HARGREAVES: Obviously, you consider this to be a successful event on two levels—selling Canberra, which we can always try to do, and also with respect to the GFC issue. Does it look like this is going to be a regular feature?

Mr Barr: I think the model is working well. One of the more pleasing aspects is the strong industry buy-in. Word of mouth, and obviously industry feedback from this, from culture shock and wrapt in winter, will ably demonstrate to industry that there is value in them contributing and that they will make their money back.

There is always an interesting tension in this area of public policy regarding what is the appropriate level of taxpayer-funded contribution to address two issues: market failure, in that there is not necessarily an incentive for certain tourism businesses to contribute because they feel their dollars will in fact be promoting their competitors' businesses; and the overarching role of the territory tourism authority around promoting the destination as opposed to promoting individual businesses. There is always that tension.

It is my view that there is a diminishing marginal return from government investment in this area. Frankly, if the tourism industry are not going to co-invest then they must not have much faith in the capacity of the particular programs to deliver the outcomes, because they are the risk-takers here. They are the ones who are running their businesses day to day, and if they do not believe in promoting their businesses in a joint and collective way then we would have a problem.

Fortunately, by and large across the industry, there is not that attitude. There was a willingness, and we are seeing an increasing willingness as we move through these campaigns, for industry to partner with government. My hope is that in the longer term we will see an even greater industry contribution, because there are always limits to how much money taxpayers should legitimately be spending on promoting private sector businesses.

There is a balance, and I recognise the market failure, and I recognise the overarching destination marketing role. Equally, I am very conscious of the call on taxpayer dollars for a litany of other services. In the end, all of the money that we spend on marketing effectively lines the pockets of multinational media companies. That is all very nice, but we have to balance that, clearly, in making decisions about financial allocations in this area.

MR HARGREAVES: I have a question on something that has been of interest to me for some years—that is, how you differentiate between local consumers and visitor consumers. With the interstate and internationals, how do we actually do that? We can have a really successful party for ourselves or we can sell the town to somebody else. I am interested in how you go about that.

Mr Barr: Indeed. These sorts of tensions have been the subject of considerable community debate over the years. Some new initiatives in tourism events that have been put forward have been very popularly received by locals; others less so. We could all think of examples of particular events that interstate visitors love and locals hate. There are others that are universally accepted. Clearly, Floriade falls into the category of being universally accepted. I would argue and accept that Summernats perhaps falls into the former category. Clearly, the V8 supercar race was well and truly in the category of having some very strong local opposition, but equally some keen interest from interstate visitors.

In seeking to strike that balance, it is important that we allocate our tourism dollars to events that will attract tourists to the city. This is often a tension we see through our events assistance program, for example—that there are some fantastic, very worthy and great local events that are fantastic for the Canberra community but, frankly, do not bring many, if any, tourists to the city. And that can be a challenge. We have seen that with the Rally of Canberra, for example. There have been a range of these sorts of events where we have had to make some difficult decisions. Ultimately, we have a limited tourism budget and we have to direct our resources to where we get the greatest tourism outcome.

MR RATTENBURY: On that topic, can you go into a bit more detail on the financial model on the wrapt in winter campaign—the government contribution versus the private sector contribution?

Mr Barr: Sure. I am happy for Simonne to go into the measurement issues. Can I say initially that the government contribution was $450,000 and we were then able to leverage $164,000 or $165,000, thereabouts, from—

Ms Shepherd: Yes, $164,000.

Mr Barr: industry, so roughly about a quarter of the total then came from industry. Going forward, I would love to see that industry contribution increase. Fifty-fifty would be fantastic. We would love to get to that point. Certainly, that would be a target to work towards for future campaigns. Simonne, do you have anything else that you want to add?

Ms Shepherd: In answer to Mr Hargreaves's question, the answer on the measurement is that, from a tourism perspective, a tourist is counted as residing more than 40 kilometres away. So we basically focus our activity only on interstate or, to a lesser degree, international activity, and that is measured—

MR HARGREAVES: So someone coming from Braidwood is fine; someone coming from Bungendore is not?

Ms Shepherd: The 40-kilometre radius is what we count.

MR HARGREAVES: Good.

Mr Barr: That is the national—

Ms Shepherd: That is the nationally accepted definition.

Mr Barr: But in the bigger jurisdictions such as, for example, New South Wales, it has a lot of internal tourism, clearly.

Ms Shepherd: Fundamentally, we are looking at new dollars into the economy, so that is our focus; it is not about circulating the existing money. That is why we do not count in any of our measures the local expenditure. So the national visitors survey, the international visitors survey and the tourism satellite account only actually account for those dollars that are outside the territory coming in as new dollars. For Floriade, as an example, when we talk about the direct spend that we measure, it is only for the interstate or international visitors that are coming specifically for the event. So while local attendance obviously creates a little bit of expenditure during the event—they might buy food, ice creams et cetera—we do not measure that when we do our reporting.

MR HARGREAVES: You do that by survey, obviously, somehow. You do not necessarily count bed days?

Ms Shepherd: Ernst and Young do the—

MR HARGREAVES: Yes.

MR RATTENBURY: Could I change the topic to the issue of low-cost accommodation. This obviously cuts across EPIC, who are coming on next, and TVE, who we heard from the other day, but they are all with you.

Mr Barr: Yes, that is correct.

MR RATTENBURY: There is obviously a clear identification of the shortage of low-cost accommodation. I know there are discussions going on. Can you tell us where that discussion is up to and when are we going to see the results of it?

Mr Barr: We have identified a number of sites for low-cost accommodation—Stromlo Forest Park, Exhibition Park and part of a block adjacent to Exhibition Park, as well as another block on the other side of the Federal Highway that is also zoned for this sort of accommodation, on the Watson side. There is provision in the Lyneham sports precinct master plan for low-cost accommodation; there are some blocks available there. They are the primary sites that we are looking at.

A variety of different models are being explored to cater for different subsets of the low-cost accommodation market. For example, Stromlo Forest Park will have different low-cost accommodation needs that are more tailored to the sorts of activities that will occur there rather than necessarily meeting the education tourism low-cost accommodation—the dormitory, hostel-style that the Y run in O'Connor, for example. The Y have been interested particularly in the Lyneham site and have expressed some interest there.

There are different models that are being looked at around Exhibition Park, from upgrading the camping and caravan options to looking at accommodation where people can bring pets with them. There is already some of that at EPIC. Also, two to three-star motel style as well as the school group style accommodation are being looked at. Equally, we have had approaches from some other private sector caravan park cabin-style operators—Big 4, that style of tourist park accommodation.

There are different stages of progression depending on the individual site, and the particular circumstances and type of accommodation that we are looking to provide. Cabinet will get some submissions early in the new year in relation to progressing some of the sites that require either changes to territory planning rules or some changes to ownership or leases over particular blocks or parts thereof. Some of the other ones are able, through the LDA, to go to market at some point either in this financial year or early in the next one.

MR RATTENBURY: Does the government intend to develop any of that accommodation itself?

Mr Barr: I have not completely ruled that out. Certainly there is no way that we would be owner-operators but it is possible that we could be involved in the construction and then seek management of a facility. That, of course, means going through a budget round, though, and going into a fairly competitive process. Whilst I believe it is a priority, when I compared it to other priorities just within my portfolios, I am not sure it would be in my top two or three, but it is still important and we will look at a variety of different delivery models.

Clearly, there is private sector or community sector interest through a variety of organisations across that spectrum. The thing that has become very clear through the roundtable we held earlier this year and the ongoing industry consultations is that under the banner of low cost there is a very diverse range of accommodation types.

That said, I am conscious that, particularly opposite the Lyneham precinct—both of those motels, I think it is the City Gate and the Lyneham Motor Inn, that sit opposite that precinct that are generally being used as accommodation for sporting groups such as for netball, hockey and all of the various events that occur in that precinct—in the not-too-distant future those sites are going to be transformed. I think one already has a development application approved to become residential accommodation—the one on the corner of Mouat and Northbourne Avenue. The other one, I understand, might well be, in the medium term, undergoing a change of use as well. So there will be a need to move ahead at Lyneham in particular fairly quickly.

MR RATTENBURY: So when would you expect to see the first new low-cost accommodation being opened in the ACT?

Mr Barr: Realistically, the earliest will be the end of next year, but even that might be ambitious. It will depend a little bit on private sector finance and development assessment procedures and processes. I would imagine that would be the earliest. That said, I am still waiting on some final advice and we have to get some final submissions from a couple of the areas that are, for example, directly within Stromlo Forest Park and Exhibition Park that need to go through some internal processes within those organisations before they make it to me and then on to cabinet.

MR RATTENBURY: This is a change of topic. Perhaps I just cannot find it, but where are the figures on the marketing budget of Australian Capital Tourism in the annual report?

Mr Barr: They may not be reported in that level of detail in the annual report. I would certainly have no problem with providing a breakdown of how tourism allocates its total budget. We can do that.

MR RATTENBURY: That would be helpful. Is it possible to have a bit of a time series on that—say, the last three years?

Mr Barr: Yes, certainly.

MR RATTENBURY: Thank you.

MR SMYTH: Following up on that point, on page 29 of volume 2 of the annual report for the department, it has got the operating statement for the output class. I notice that there is a thing called "gains", and "other gains" represents $19,513,000. What are those gains, and what does it mean?

Mr Barr: Is that for enterprise services overall?

MR SMYTH: How much of that, if any, is applicable to tourism?

Mr Byles: I might call to the table the chief financial officer, if the committee permits. If we are not able to get that at short notice, I will take it on notice, Mr Smyth, if that is okay.

Mr Barr: Certainly, that relates to the entire enterprise services stream, so it is—

Mr Byles: We can provide that information, Mr Smyth. We will get it and come back to you.

THE CHAIR: We will go to another question. If the answer here is—

MR SMYTH: While he is looking at it, can I just follow up on what Mr Rattenbury was saying? I think people accord tourism a lot of interest, as it is due. Sport and rec and TV are probably the same. It would be useful to have the breakdown before we start these discussions. I am sure the department can provide it afterwards, but in terms of having a reasonable and informed discussion about tourism, it is impossible just using the budget figures.

THE CHAIR: Do you wish to come and give us a breakdown?

Mr Kalogeropoulos: Yes.

THE CHAIR: We would be delighted.

Mr Kalogeropoulos: Other gains have been split between the two output classes that we have, output class 1 and output class 2. The actual detail of the gains is identified on page 61; so it is under note 9, "Other gains", page 61 of volume 2 of the TAMS annual report.

MR SMYTH: Which is not cross-referenced or footnoted?

Mr Byles: No, and that is a fair point, Mr Smyth.

Mr Kalogeropoulos: Just with regard to those gains, as you will see with most of the categories they relate to transactions where the department has actually received assets, gifted assets if you, like free of charge. As a result of that, we recognise that as a gain on the operating statement. Specifically with output class 2, those gains relate to the property group's portfolio. There are not any gains that relate to tourism at all.

MR SMYTH: That is fine. I raised that one as an example. It is impossible to know from the statements that you provide how tourism actually operates. From just any read of this document, you cannot work that out.

Mr Kalogeropoulos: Generally, the annual report is prepared on the basis of output classes which we have. Obviously, the operating statement is prepared on a consolidated basis for the whole of department. I think it does become in some instances a bit difficult because of the nature of the business of TAMS where we in effect have very discrete business units that perform different services. It is often difficult to flow that through the way the report is structured, because we work off the model that is prepared by Treasury.

MR SMYTH: But it has been done in the past where operating statements for individual businesses have been prepared and published in the annual reports. There is nothing to stop you from doing it. We can argue the toss for a long time.

Mr Kalogeropoulos: Sure. Just with marketing, for example, we do have a breakdown in the annual report, volume 2, on marketing for the department as a whole. But it is not split by every business unit as to their contribution to the marketing budget.

MR SMYTH: This is not the first time we have asked these questions or made this point.

Mr Barr: Sure; all right.

MR SMYTH: Just moving along, I understand Tourism has asked Ernst and Young to do a number of reports. I understand there might be a report coming or you probably have it on the autumn event. Is there a business case for the autumn event? If so, can the committee see the copy of that business case?

Mr Barr: In relation to the 2010 one or the future planning for the autumn event?

MR SMYTH: Well, both, if there is a report for both.

Mr Barr: Ernst and Young have not undertaken a piece of work on the 2010 one, have they? No. So there is no Ernst and Young work on the 2010 event, but there has been some research done towards themes, concepts and future development of the event beyond 2010.

MR SMYTH: But there is no Ernst and Young work for the 2010 event?

Mr Barr: No. Ernst and Young are not doing that work for us, no.

MR SMYTH: I have an email here from one Joe Barton to Simonne Shepherd, saying, "The attachment is autumn event brief for Ernst and Young.doc. Could you please run your eyes over this and confirm you are comfortable with the content and information contained prior to me sending this to Ernst and Young for economic modelling?"

Mr Barr: That would be for 2011 and beyond, yes.

MR SMYTH: All right. And what is it that you are asking Ernst and Young to do?

Ms Shepherd: It is just some projections around possible visitation scenarios based on the concept that was presented to Ernst and Young; so they have been asked to do some economic modelling around high-low scenarios around visitation, expenditure—those sorts of figures.

MR SMYTH: Did Ernst and Young do any modelling for your evaluation for you on other events like the Folk Festival, the marathon and the music festival?

Ms Shepherd: They have been commissioned to under the EAP process for last year.

MR SMYTH: And how much is that consultancy for?

Mr Barr: $13,000.

MR SMYTH: $13,000; all right.

Ms Shepherd: But hold on; I think that is not for the whole lot of the work. I think that is just for the—

Mr Barr: EAP work. $13,000 for the EAP work. And we will take the rest of it—

Ms Shepherd: Sorry, can we take that on notice, please? I just do not want there to be any discrepancy around that figure.

MR SMYTH: No, that is all right. When do you expect that report or do you have it?

Ms Shepherd: We are just waiting for the final report. We had expected it earlier, but one of the particular events could not provide some information. So I anticipate we will probably have that within the next week or two in terms of the completed report.

MR SMYTH: And the purpose of the consultancy was to determine what?

Ms Shepherd: To undertake evaluations around events that are funded through the EAP process. We wanted to have a look at certain events that have multi-year funding under a standardised methodology. As EAP had previously existed, events provide acquittals but they are quite often not always apples with apples. You may have events that are measuring in different ways. We wanted to be able to have a look at the events in a consistent way so we could compare the evaluations and have a look at an independent third party audit, if you like, of those results.

THE CHAIR: Getting back to page 46, you have got email up the top—two targeted promotions to nearly 60,000 addresses. How did you get those addresses? I am referring to the top of page 46.

Mr Barr: People who access the Visit Canberra website and who engage with Australian Capital Tourism over any extended period of time through any of the calls and all the rest sign up to receive information. Obviously, we are not spamming. It is a voluntary process, but one of the key elements of our e-strategy was to seek to engage as many people as possible through that medium, because it is clearly much more cost-effective. People directly asked to receive the information and we are then able to deliver that in a much more cost-effective way.

THE CHAIR: I see, but you have no purchased addresses in there or internally-generated—

Mr Barr: No. In addition to that there are purchased addresses.

Ms Shepherd: Yes, it is part of our online and digital marketing strategy; so we use a third party provider that owns very targeted lists. We provide them with the campaign objectives, the demographics we are after et cetera and they provide us with a match based on what the actual campaign is.

That would be a combination, I would say, of those purchased promotions. As well, as Minister Barr outlined, we do collect via an opt-in system on our own database where people have elected to be part of our information online.

THE CHAIR: How do you know how successful relatively the purchased addresses versus your own addresses are?

Ms Shepherd: I would have to take that one on notice. I know we certainly do measure all sorts of things like the click-through rates and opening rates, but I cannot tell you off the top of my head the comparative differences between those two databases. Certainly I can ask our digital team to look at that.

MR HARGREAVES: Minister, at the bottom of page 54 in the last paragraph reference is made to the redevelopment of the tourism website through online bookings. I notice when we were talking about the wrapt in winter campaign, we talked about 61 per cent being web bookings, which is phenomenal when you think about how people make their bookings to go on their trips and all the rest of it. You have redeveloped the website. Can you tell us a little about that upgrade and how it is going to improve revenue generation?

Mr Barr: The upgrade was funded one budget ago to effectively do two things: firstly, to improve the functionality of the site and its physical appearance. It was ageing.

MR HARGREAVES: I can understand that.

Mr Barr: When compared with other state and territory tourism websites, it was in need of a significant revamp. The second element of it was to improve the functionality behind the scene—to be able to take online bookings, for example, and to improve a number of other areas that are not immediately visible to the casual user but I am told by those in this area were much needed and significant improvements to the overall platform.

Simonne can give you the data in terms of how we are tracking the impact of that change but to put it in perspective I think we report on this each year in the budget papers. Previously we have attracted somewhere between 600,000 to 700,000 unique visitors each year. So it is one of the more effective ways to communicate your tourism message and to make it easy for people to access information about their destination.

The other clear trend in tourism over the last decade is that there has been a massive shift, particularly for the independent traveller to do their research online. That clearly is a demographic that we are interested in targeting. So we have got now a very sound investment to improve. I have just been advised it is hits, not unique visitors. Nonetheless, it does not detract from the overall point that clearly more and more people are accessing that site. It is working for us 24 hours a day, seven days a week and is accessible all around the world. So it has a domestic and international focus.

MR HARGREAVES: I can remember a couple of years ago when we started opening up some of our campsites that TAMS were actually running. I know that there was some idea that we could go and do online bookings for campsites. This presumably integrates not only the public sector tourism opportunities that you need to book in advance but also the private sector bit as well?

Mr Barr: Yes, that is correct.

MR HARGREAVES: That is a huge challenge to get those other applications online.

Mr Barr: Yes, indeed. Obviously, it generates revenue capacity, being part of the site. Yes, this is a challenge for a number of small businesses. It is an area of the national long-term tourism strategy that state, territory and commonwealth tourism ministers are working on. It is around how to support and get tourism small businesses actively engaged in that online environment.

I would just say as a general observation for Canberra operators, given the accessibility of high speed broadband internet in the ACT as opposed to some other parts of the country, we do pretty well here and our tourism businesses have responded. Nonetheless, with the rollout of a national broadband network, you are only going to see a further exponential increase in activity online. Much as it might be to the annoyance of some of the traditional media—

MR HARGREAVES: Well, they can suck it up.

Mr Barr: you are just going to see a further segmentation of markets. Gone are the days when three million Australians on a Sunday night would watch one of the movies on one of the commercial TV networks and you would have that very captive market that you could advertise in.

MR RATTENBURY: *Heathers*, for example.

Mr Barr: Yes, *Heathers*, for example, back in the 80s—great film, *Heathers*. I am pleased with your interest in 80s cult movies, Mr Rattenbury. Your sense of humour does not go unnoticed. Nonetheless, that clearly creates an entirely different marketing environment for tourism operators, as it does for anyone selling—

MR HARGREAVES: Can you tell us a little bit also about how the revenue generation actually occurs? Who gets it? Does the private sector get it? Do we get it?

Ms Shepherd: The short answer is that the private sector receive the bulk of the funds. Through the visitor centre we get a commission and that covers part of our cost of the listings and obviously resourcing, but the money goes to the private sector.

In terms of the actual overall development, I think it is an important point to understand that the e-strategy is about not just the website that you see, as the minister pointed out, but also the back of operations, and it is also around the digital strategy that goes with that. So it is almost like there have been three sections to this project. There is the actual strategy, then we have looked at the marketing components—the back-of-house systems, if you like—and the actual physical what you see. The old website was five to six years old; it was very static. If you look at it now, it is very clean, very clear. The functionality has increased, I would say, tenfold, if not more.

Some of the highlights of the website redevelopment have included new content management, customer relationship management systems and a real-time accommodation booking service. The new system is BookEasy. The old system was book right. It was very cumbersome from a consumer perspective and also sometimes did not have inventory online, so you had to go in and request a booking. In this day and age, that does not work. You need to make the sale then and that is that, so that system was terminated. We now have BookEasy and that has assisted again in our revenue generation. As we alluded to earlier, bookings were up over the winter period online by 61 per cent. So that ease of functionality has certainly improved.

There are a few other important things. We talked about getting our industry online. All Australian tourism websites are run off a central database called the Australian tourism data warehouse. That effectively lists all the records for tourism companies. It is a free service. It is run jointly by all the states and territories, but it actually does require the operator to actively list their booking and then maintain their information; there is no other way to get it. Since we implemented our new strategy, just over the last four months, because we have somebody who is actually working one on one with industry to get them to list, we have increased our listings on ATDW from 300 to 650, so 350 more ACT businesses, properties, are now exposed and have that distribution online. There is no cost to the industry to do that. You might ask: why doesn't everybody do it? It is a problem around the country; it is not just the ACT, and every state and territory is working very hard to get their operators online.

We feel this has been one of the most successful projects we have embarked upon, and we are looking at a phase 2. Our team are working on that and it will have things like interactive mapping and very much more integrated social media tools. Just to give you an idea, we launched in August. Unique visitors for September—so it is already a busy time for us—compared to 2008 were up 31 per cent from 2008. All of the measures are showing us that the new website is far more engaging. The information is much deeper and richer and it really is connecting, literally, with audiences in a much more efficient and effective way.

MR RATTENBURY: The report makes reference to the five-year Floriade strategic plan. When I read that document I do not recall there being any benchmarks for Floriade. The document has a lot about direction but not a lot about benchmarks, standards, numbers you hope to achieve. Why was that the case?

Mr Barr: The scope of the project was not around that sort of a report. It may well have been that some people had an expectation that that was what was going to be contained in it, but that certainly was not the intent. It was a broader statement than drilling down to that level of detail. Certainly it does inform some broader thinking within Australian Capital Tourism around the event, but there are other pieces of work that need to be complete before we can embark on that next stage, through the level of detail. Just one of those clearly is the conclusion of the work on permanent site options for Floriade. We have obviously engaged consultants to undertake some assessments and they will give their final report to government, then we will give that due consideration and cabinet will make a decision in due course.

MR RATTENBURY: The other area I want to ask about is the Convention Centre. I understand there is a study being put together in partnership between the government and the Canberra Business Council?

Mr Barr: Yes.

MR RATTENBURY: Can you tell us where that is up to—in what sort of time line can we expect that to come through?

Mr Barr: Not particularly. I had a very informal briefing from one of the representatives on the Canberra Business Council in relation to some work that they were doing. It is not complete. One of the issues has been getting federal government engagement and then settling with the business community on at least preferred sites, narrowing it down a little more. Clearly, the site that perhaps has the majority appeal is currently a swimming pool and is subject to its own long-term planning study through the Sport and Recreation portfolio. There are also heritage considerations.

Certainly, the latest I have heard is that that piece of work is nowhere near conclusion. That said, the carriage of it does not sit primarily with me; they have been working largely through the Chief Minister, so it is sitting through CMD as it has become a little bit broader than just the tourism industry and largely involves engagement with the federal government now for it to proceed in any significant way.

I do not want to suggest that the project will never happen, but it certainly is not going to happen in time for Canberra's centenary, and I think everyone has accepted that now. So the wisdom of upgrading the existing centre when we did—it will clearly have a longer life span than perhaps some in industry might have hoped.

MR RATTENBURY: I understand that it was a joint funding commitment from the government and the business community to look at that.

Mr Barr: Yes, there was a certain amount of government money. I think the initial objective was to get buy-in from three parties, the ACT government, the Canberra business community and the federal government. That process with the federal government involved commenced prior to the election of the Rudd government, was unsuccessful under John Howard and does not appear to be any more successful at this point with the new commonwealth government. However, they have another budget coming up. We will see what happens from there. But I do not have direct carriage of that project, so I am not really in a position to comment other than what I have heard third-hand.

MR RATTENBURY: Okay. Thank you.

MR SMYTH: Of the new $5.3 million, how much will be spent this financial year, 2009-10?

Mr Barr: It is $1.8 million in 2009-10, and then $1.5 million in 2010-11, and then $1 million and $1 million.

MR SMYTH: Is it possible to get a reconciliation of the spending in 2009-10?

Mr Barr: It will be at the end of the 2009-10 financial year, yes.

MR SMYTH: But surely a fair amount has been apportioned already?

Mr Barr: Yes, $500,000 for the National Gallery exhibition, $600,000 for domestic marketing, about $600,000 towards Floriade and NightFest, and $100,000 towards event development for the 2011 event. They are broad figures—obviously, there might be a few dollars either way, but that is the broad allocation.

MR SMYTH: All right. What is the expected budget for the autumn event next year?

Mr Barr: I do not have it for 2010-11. We have not made final decisions on that, but $1.5 million is available next year for autumn event and domestic marketing. Obviously, once we get some final reports back and some final concepts determined, we will then make a decision as to how we split the $1.5 million between the event and marketing.

MR SMYTH: For Floriade this year the numbers were down. Obviously a report is being done. When do you expect to get the report?

Mr Barr: I think it is traditionally around Christmas. It is delivered by Christmas. I think last year there was a hiccup and so it came in early January, but, yes, around Christmas, so December/January.

MR SMYTH: And it will be made public then?

Mr Barr: It is generally made public within a few days of receipt. Will it be this time? I am going to be on leave for a part of January so it will depend on when it arrives. I will be at work between Christmas and new year, so if I release it on 29 December will you accuse me of—

THE CHAIR: We will be on leave, so we will not be accusing you—

Mr Barr: So suffice it to say that certainly by the time people return from holidays in January it will have been released. It is a matter of timing as to when I receive a briefing on it and when I am available to release it. But I will absolutely guarantee that it will be released by the end of January next, 2010.

MR SMYTH: The closure of the Singapore office: can you give the committee more detail on why that decision was taken?

Mr Barr: We made a cost-benefit analysis in relation to that investment. Clearly, we are looking to allocate money most efficiently. As I understand, Tourism Australia were not going to be undertaking any further additional marketing in those areas. The other factors that we are considering particularly relate to future international flights out of Canberra airport once that redevelopment is complete. Stephen Byron gave a speech, I think only a couple of days ago, indicating that New Zealand might in fact be the target of the first new flight. So I think our international marketing in the future will need to very closely follow that direct air link.

We plugged away in that Singapore market for some time, hoping that if we got in there the airlines would follow. It is only for so long that you can sustain that without a direct flight. Again, it is clearly a difficult decision. On balance, we decided, particularly given the new information around New Zealand, that it would be strategic at this point to withdraw that. I think it was $200,000 worth or thereabouts—$167,000 worth of in-market support. Effectively, it was really having a couple of agents for us co-located with Tourism New South Wales.

MR SMYTH: So what will happen to the money that is now being not spent on Singapore? And are you therefore flagging that there might be an ACT Tourism presence in New Zealand?

Mr Barr: Potentially, in the future, yes. I imagine for the next financial year that that would be a quite effective way to meet an efficiency dividend for the agency. Then we will look at what might occur down the track.

MR SMYTH: Since you raise it, what is the efficiency dividend for tourism?

Mr Barr: All departments that have a GPO over—

Mr Byles: It is—

Mr Barr: It is one per cent.

Mr Byles: It is $2.2 million for TAMS, and Tourism has that share of one per cent.

MR SMYTH: So Tourism will give up one per cent consistently?

Mr Barr: Yes.

MR SMYTH: So it will be spread equally across the department?

Mr Byles: Certainly that is the intent. Whether or not it is spread equally across the department is something we are still looking at but we are committed to providing the efficiency dividend as government has directed.

THE CHAIR: What is the general break-down with Tourism between, basically, cultural and sporting? I suppose there is political as well. Maybe there is not a lot of political tourism. Are you talking about family, personal-type things or any other categories?

Mr Barr: In terms of?

THE CHAIR: In terms of numbers of people, dollars, whatever.

Mr Barr: The data—

THE CHAIR: Whichever you can measure it by.

Mr Barr: Sure. The data that we collect breaks our domestic and international visitations into four categories. They are the holiday leisure market, the business market, the visiting friends and relatives market and the education market. Certainly international figures include education.

THE CHAIR: Do you have any feeling then between culture and sport, or is it basically culture we have because we do not have enough sport?

MR HARGREAVES: Probably it is one and the same thing.

THE CHAIR: That is a whole other discussion. We do have some sport, yes. We just had the mountain biking, for instance, which was a fairly big event for us.

Mr Barr: I am just seeing whether there is any further break-down in the international data. It does not go to categories of sport or culture. There would be other categories as well, I suspect.

Ms Shepherd: The cultural institutions collect some data but it is hard for us to compare with the consistent data we use with NVS/IVS and what is provided by Tourism Research Australia. But there is some destination survey data that does talk about people who visit for cultural purposes, people who visit for sporting purposes. I would be happy to take that on notice and provide those fact sheets.

THE CHAIR: That would be interesting, yes.

Mr Barr: To clarify the fourth category, it is officially known as “Other (includes education)”. In the context of the ACT, education is the—

THE CHAIR: The No 1.

Mr Barr: It is the number one element, overwhelmingly.

MR HARGREAVES: Going back on a point of clarification, Mr Byles and minister, you talked about the share of the one per cent dividend. Am I correct in believing that a simple calculation of one per cent of the sport and rec share of the TAMS budget would be a bad way to go because you have not made up your mind yet, have you, on submissions from elements of the department, about what share of the global TAMS one per cent will be carried by that part of the agency? That has yet to be determined?

Mr Barr: I suppose the question goes to output classes. Tourism is distinct from Sport and Recreation.

MR HARGREAVES: I meant tourism, sorry.

Mr Barr: And then the further complicating factor is that Tourism is of course moving into the Chief Minister’s Department. What I can say categorically is that tourism will not be hit for two efficiency dividends, one on the way out of TAMS and on the way into CMD. I have made that very clear. There is a relief across—

MR HARGREAVES: I understand from what we heard from another minister recently that departments are being asked to consider a two per cent notional number inside which ministers will then decide to bring forward something to the value of one per cent.

Mr Barr: There is some flexibility, yes.

MR HARGREAVES: My understanding, from what I have heard so far, is that the freedom about how much of that one per cent will be taken up by a given part of an agency has yet to be developed because those particular submissions have not been fully evaluated. Am I right?

Mr Barr: There certainly has not been a finalisation of that process and, clearly, some efficiency dividends are easier to achieve than others.

MR HARGREAVES: So it would be a dangerous thing—

Mr Barr: Can I give you an example and pre-empt a question I will no doubt get when I appear as minister for the CIT later. CIT, for example, have been able to meet their one per cent efficiency dividends through savings generated from less use of electricity and water as a result of all of their energy efficiency capital injections. It is tremendous to see. It certainly sets a benchmark for other government agencies. It provides, I think, a very good incentive to make their savings that way.

Obviously, we will finalise these matters. And they are the subject of quite intense discussions across agencies and, clearly, it is somewhat complicated for Tourism, given their imminent move. As I say, I can categorically state that Tourism will not be double-hit with an efficiency dividend on the way out of TAMS and then on the way into CMD.

MR HARGREAVES: But am I also correct in assuming that we did get an undertaking, I think from you earlier, that you would give us a break-down of the Tourism components?

Mr Barr: Yes, the various components.

MR HARGREAVES: But it would be incorrect, would it not, of the committee to take one per cent of that figure and then suggest that that is what will definitely be applied?

Mr Barr: That is a correct analysis.

MR RATTENBURY: If there are no other questions, I will take the opportunity to ask: one of the issues that have come up quite consistently in tourism feedback is the problem of taxis at Canberra airport. Obviously that sits in the Chief Minister's Department but it must be having an impact through the tourism sector. How is Australian Capital Tourism working to address that issue?

Mr Barr: Clearly, Tourism has been involved at the whole-of-government level in providing feedback to taxi companies. We are recognising that they are private entities. I think, from memory—and Mr Hargreaves will be very familiar with this issue—Tourism was very supportive at the time of the process to deregulate the hire car industry that created a lot more flexibility, and certainly Tourism was very supportive of the demand-responsive transport legislative changes that also occurred. Clearly, those were two important structural reforms.

I am long standing on the record—it was probably the subject of my economics 3 paper at ANU in 1995—as wanting to see deregulation of the taxi industry in this territory. Sadly, governments of both persuasions over time have been unable to achieve that reform but I will acknowledge a particularly important move in recent times, which was to move away from the direct sale of taxi licences and actually move to a leasing system, which created a little more flexibility.

As I understand the issues in the industry at the moment, they particularly relate to driver availability. It is, perversely, an impact of virtual full employment in the territory that there are a number of cabs for which the licences are out there but the cars are just not on the road all the time.

I understand from the airport that the completion of those road works has addressed some of the concerns of the taxi industry on access to the airport. But we as a city suffer from these massive demand peaks, particularly during sitting periods, and then there is not, clearly, sufficient work at other times to keep all of the licences that have been issued on the road.

Again, I am speaking a little bit out of school here because it is not in my portfolio, but what seems to have worked in other jurisdictions quite effectively is restricted licences that enable taxis to operate during certain hours. You see them in Melbourne, for example; they are the ones with the green tops and they operate at restricted times for, clearly, a much lower licence fee.

That is an area that I am certainly happy to continue to push for reform on and I would welcome the support of other members of the Assembly to see those reforms through.

THE CHAIR: You mentioned earlier an international airport and, if the ACT becomes more of one—and the airport has said things about hoping to become Sydney's second airport—how will this impact on tourism?

Mr Barr: You are perhaps slightly incorrectly paraphrasing the airport's view. The paper and the speech that Mr Byron delivered just this week, I think, talked about Canberra airport being a logical place to address the overall growth of air traffic that is expected out of Sydney. And what we are seeing in Canberra, particularly now with some additional direct routes—and thank you very much for the opportunity to raise this—is a wonderful show of confidence, I think, from the airline industry in Canberra as a tourism destination.

In the last 12 months or so, we have seen Tiger enter the market, Canberra-Melbourne, and they have added a second daily flight, Canberra-Adelaide. Qantas have just, very pleasingly for anyone who has ever had to travel to Darwin for a business meeting, announced that there will be a direct Canberra-Darwin service, daily service, commencing in February of next year. To give Virgin Blue their credit, they have taken, I think it is, a fantastic initiative of opening up the Canberra-Hobart route direct, and Canberra-Townsville.

If you were to look around the country at decisions airlines have taken, it has largely been to cut routes during the global financial crisis. What we have seen in Canberra is in fact an increase in direct flights. I think there are 10 or 11 destinations that are now in service direct from Canberra daily.

What the airport said in their contribution during the week was in fact there is the prospect of more flights and more passengers hubbing through Canberra rather than through Sydney. When you think about the prospects for Albury, Wollongong, some of those larger cities for people outside a city, it might be better for them, a more pleasant travelling experience, particularly when the new terminal opens, to undertake their travel that is not directly to Sydney but hubbing through Canberra. I think that will have benefits. That of course will mean more direct flights into the city. All of the evidence is that that leads to increased tourism outcomes.

We have, as part of our overall marketing effort, some cooperative marketing campaigns with airlines. So we are able to undertake some particular activities and packages with each of the departments and with each of the airlines.

What has been really pleasing to see is that if you jump on the Qantas website at the moment and look at their holiday packages, you will see—it might rotate, I am not sure, but last time I clicked on the site it was No 1 or 2—a package to the Masterpieces from Paris exhibition that Qantas are a major sponsor of. That is how you would expect that they would be promoting it. Nonetheless, as an airline, they provide the most direct flights into the city. It is terrific to see.

Clearly, Canberra airport will have increased traffic into the future. I think their projections on passengers are only going to grow into the future. And that has to have very positive impacts for local tourism.

THE CHAIR: Thank you, minister and everybody else. This comes to the end of our hearing on Capital Tourism.

Meeting adjourned from 3.16 to 3.32 pm.

THE CHAIR: We will recommence this hearing of the public accounts committee into annual reports. I believe that we are welcoming EPIC at this point in time. I extend a welcome to Mr Sadler and Ms Dever. Minister, do you have an opening statement?

Mr Barr: No, I do not. As we have 26 minutes, I will let the committee ask questions.

THE CHAIR: I will go straight to the end of page 88, which relates to the ecologically sustainable development part. The bit that I noticed most of all was the total quantity of waste paper recycled. There was a percentage as well somewhere that I have lost. I am sure I saw a percentage recycled, apart from "not applicable". In terms of the total amount of paper we use, we use 685 reams and we are only recycling 4.3 as far as I can tell from this. How have I got it so wrong or is it—

Mr Barr: I think they are different measures; so as I read that, Exhibition Park has nearly halved its paper usage from 2007-08 to 2008-09.

THE CHAIR: Yes, I read that.

Mr Barr: Then the amount of paper recycled is measured not in reams but in litres or cubic metres and that has increased. What I do not know is how many reams there are per cubic metre. Now anyone who has the—

THE CHAIR: Also, I point out that a litre and cubic metre are incredibly different volumes.

Mr Barr: I imagine they would be and I will have to ask—

THE CHAIR: Could we clarify what we are talking about?

Mr Barr: I will ask the general manager whether he is in a position to—

THE CHAIR: I suspect we are talking about cubic metres rather than litres because if it is litres, it would be very tiny.

Mr Barr: Does one normally measure waste paper by litre or by cubic metre?

Mr Sadler: Cubic metre.

Mr Barr Cubic metre, yes, I would have thought so.

Mr Sadler: To clarify this, I would like to take this question on notice because I am confused.

Just while we are on the environmental issues about the park, you may recall that during the financial year we completed a recycling station out at the park. Last month we recycled 115 cubic metres of mainly cardboard, cans and bottles. We have made significant steps with the people that regularly use the campgrounds. Sadly and surprisingly, the farmers market recycling is not as good as we feel it should be and, again, we are working very hard with them as an education process to improve that.

THE CHAIR: Is that going to include increased provision of recycling bins? As an EPIC market consumer on a regular basis, I cannot see where I would possibly recycle anything there actually.

Mr Sadler: No, there has been a massive increase in the number of bins that go there. That is how we have improved our figures. We have got the different coloured top bins now right throughout the facility.

THE CHAIR: I just cannot think of anything at the market that—

Mr Sadler: There are.

THE CHAIR: Okay. Possibly we need to be more—

Mr Sadler: And if you would like me, again on notice, to get some figures for you as to how many there are, I will certainly do that.

Mr Barr: Meet her out there on a Saturday and show her.

Mr Sadler: You can drive past now; they are there now.

MR RATTENBURY: Just while we are on ESD, I note that EPIC does not purchase any renewable energy. Why is that the case?

Mr Sadler: I do not know. I guess it is the old facilities we have. We would need to retrofit.

MR RATTENBURY: No, you can just buy it from Actew.

THE CHAIR: Actew will provide it to anybody who wants to pay.

Mr Byles: It is a fair comment, Mr Rattenbury. If I may, I will take that on notice and I would be more than pleased to raise that at our next board meeting as an agenda item.

MR SMYTH: Mr Byles, you came in recently as the chair of EPIC. Thank you for that. The minister, in his statements during a debate in the Assembly last Wednesday, said:

> Since its appointment, the new board, including the public servants, has completed the negotiation with relevant agencies for the extension of Exhibition Park's landholdings to allow for the development of tourist accommodation.

So does that mean you now have control of block 751?

Mr Byles: Currently, we are negotiating for the future of block 751, as Mr Barr said in the previous comments regarding tourism. We are waiting for the outcome of a market analysis about the demand for 751. It certainly is an attractive option for low cost accommodation. I have had discussions with ACTPLA about securing a partial executive lease over block 751, or part of block 751 I should say.

Mr Barr: It would be part of the block, which is important.

Mr Byles: Part of the block 751 that will meet the low cost accommodation requirements. Those discussions are going well but they will hinge largely on this market analysis and the demand for low cost accommodation.

MR SMYTH: So what has not been resolved? The minister said you had completed the negotiations. Are you saying that is not correct?

Mr Byles: I just have not seen the minister's statement but I think—

Mr Barr: My statement related to negotiations within government. Mr Byles is talking about negotiations around what sort of low cost accommodation will go on that block.

Mr Byles: Absolutely. In fact, only in the last two weeks I have spoken to a private company that were interested, in fact, in looking at an alternative location and managed to convince them to look at EPIC as a possible site for low cost accommodation. So those discussions with industry are ongoing.

MR SMYTH: So let us get this straight. Your comment referred to your having completed negotiations inside government for the purchase of the block?

Mr Barr: Yes. I think we are coming at cross-purposes. Mr Byles's main statement relates to the development of the block for low cost accommodation. My statement in the Assembly was around EPIC having access to part of that block.

MR SMYTH: Have the negotiations been concluded? What are the details of the negotiated settlement for the block?

Mr Barr: In relation to Exhibition Park and the dealings within ACT government to secure a partial—

MR SMYTH: Who else would they deal with besides—

Mr Barr: That is right. I am just clarifying the question that you are asking because there has been some confusion in the lead-up to this. Mr Byles can go through the process that he, as chair of the board, has undertaken to seek an outcome in relation to part of block 751. I will get Mr Byles to do that now.

Mr Byles: In terms of the process, I have discussed the issue with officers from the Chief Minister's Department and the strategic facilities and projects area and officers from ACTPLA to secure part of block 751. Both have responded positively and we are now going through the process of finalising that. There is a process to follow.

But it is, for all intents and purposes, just a matter of completing that process. It is ongoing but, again, it will be informed by the market analysis. Although I have not got that commitment in writing, I am led to believe that they will look favourably on part of block 751 being allocated for that purpose.

MR SMYTH: What are you looking for in the market analysis?

Mr Byles: There was a report commissioned by Parsons Brinckerhoff recently that described the types of low cost accommodation for the various sites. There is some discussion to be had through the various agencies about that report and the recommendations of that report. That discussion will take place next Monday to analyse the report. In fact, we have invited the consultants to come along and explain their recommendations to various parties to make sure we are fully across all their recommendations.

MR SMYTH: So let me get this right: have negotiations completed? Does EPIC have control of that block?

Mr Barr: The political decision has been made, yes.

MR SMYTH: You said the negotiations are completed. How much is EPIC going to pay for the block?

Mr Barr: That is correct. Those are the matters that will be determined in due course.

MR SMYTH: How do you complete a negotiation without a price?

Mr Barr: I think the threshold issue, Mr Smyth, is that what was previously an obstacle—gaining access to that block—has been overcome. That decision has been made and has been supported by other ACT government agencies. The final sign-off will be contingent on this board process that completes very soon.

MR SMYTH: I will read again what you told the Assembly:

> Since its appointment, the new board, including the public servants, has completed the negotiation with relevant agencies for the extension of Exhibition Park’s landholdings to allow for the development of tourist accommodation.

So can they start development today?

Mr Barr: They cannot start it today, no, but they—

MR SMYTH: Because they do not have the block?

Mr Barr: Negotiations are complete, yes, but there is obviously a process to then get ownership, as you would be aware. You can complete negotiations—yes, we agree, and then there is a formal process that follows that.

MR SMYTH: You have not got a price. How can you agree when you have not got a price?

Mr Barr: You can complete negotiations and that is the agreement. Then you go through a formal process. As you would be aware, that is a fairly normal business transaction. Yes we have agreed; we will now go and sort out the detail. But the issue—

MR SMYTH: You must have a different definition of “complete” to me because normally complete means you have agreed and, in effect, you have signed and you have completed the deal.

Mr Barr: There is an agreement.

MR SMYTH: All right; so how much are they paying for the block?

Mr Barr: That figure I do not have in front of me. I will take that on notice but we will—

MR SMYTH: Has a figure been reached?

Mr Barr: I will take that on notice.

MR SMYTH: No, I am asking that you—

Mr Barr: No, I am responding that we will take that on notice.

MR SMYTH: Does the chairman of the board know? And I remind you, minister, of 2004 when he had this information to hand and got done for contempt of the Assembly for not releasing detail. What is the value of the block, Mr Byles?

Mr Barr: I will take the question on notice, Mr Smyth.

MR SMYTH: So it is not complete?

THE CHAIR: Mr Smyth—

Mr Barr: It is complete and I will take the question on notice.

THE CHAIR: Mr Smyth, we have an answer.

MR SMYTH: No, sorry, Madam Chair. We do not have an answer.

Mr Barr: I will take it on notice.

MR SMYTH: The chairman of the board is here; the man who has negotiated the deal is with us and it would be quite reasonable for the person in charge of the board to answer the question. So either this deal is complete or it is not. One of the things that completes a deal is the value of the sale. It would be entirely appropriate for the chairman, the independent chairman of the board, to answer the question.

Mr Barr: I am saying that you would be aware of—

MR HARGEAVES: Madam Chair, on that point, the minister has agreed to take the matter on notice and therefore he is obliged to get back to us with that—

THE CHAIR: Yes.

MR SMYTH: And preclude further discussion.

MR HARGREAVES: But we can, of course, put any further questions on notice at the conclusion of that.

THE CHAIR: We can talk about any other issues but he has answered the question, possibly and appreciably not to your satisfaction, but nonetheless—

MR SMYTH: Does Mr Sadler know the cost of the block, as the CEO?

THE CHAIR: Mr Smyth, we are just going around in circles, unfortunately.

MR SMYTH: No, the minister is obfuscating. If the negotiations have been completed, somebody must know the value of the block; otherwise they are not completed.

MR HARGREAVES: Madam Chair, Mr Rattenbury has got a question.

THE CHAIR: Yes, or does Mr Hargreaves have a question?

MR HARGREAVES: I defer to Mr Rattenbury.

MR SMYTH: I am disappointed that you will not answer the question.

THE CHAIR: Mr Rattenbury?

MR RATTENBURY: Thank you, Madam Chair. I want to ask about the strategic planning process for EPIC. I think the history is that the strategic plan has been in train for some time. Where is it up to?

Mr Barr: In relation to previous strategic plans, they have been considered by government previously and elements have been picked up and elements have not. So a new process—building on, clearly, some of the work that has been done previously—has commenced. Mr Byles can outline that.

Mr Byles: When I was appointed as the chair of the board in the middle of this year, one of the things I was very keen to do was look at what EPIC was and what it should be. It was important to get a vision for the future, I felt. Certainly, it is a great facility for all Canberrans and people who visit. But I felt—and I am sure most of my fellow board colleagues felt—that it had the potential to be much more.

As part of the strategic planning process—and Mr Sadler has probably been through a few of these—it was important to bring to the new board a planning process that allowed us to look at where we wanted EPIC to position itself for the future. Consequently, the new board undertook a strategic planning workshop. We had a facilitator, a consultant, to run that workshop session one afternoon, with all the board members, from memory, in attendance. It was preceded by each of the board members independently submitting their vision for EPIC, how they saw it for the future, benchmarked against some other best practice type similar venues around Australia. Those responses were used during the workshop planning session and collated by the facilitator. The facilitator is still compiling the outcome of that as part of a discussion paper. I expect that discussion paper and report to be tabled at our last board meeting this year.

MR RATTENBURY: When was the last time EPIC had a completed strategic plan?

Mr Byles: I might ask Mr Sadler to respond.

Mr Sadler: I am going from memory now, which is a bit dangerous, but I would say about three years ago.

MR RATTENBURY: What is the time line for completing the new strategic plan? You said there will be a discussion at the December board meeting?

Mr Byles: Currently, the plan is to have it tabled at the board meeting in December and, from there, depending on what the report says—and it will be a matter for the board to discuss where EPIC should position it, and the action plan as a result of that strategic plan—that will inform our decisions, of course. It will inform not only the action plan for EPIC but also master planning on a whole range of things that the board should look at for the future.

MR RATTENBURY: How divergent were the views of the board in that session that you had?

Mr Byles: Not surprisingly—again, I will ask Mr Sadler to comment if I am not precise in this response, but I think I am—they were close in some areas but naturally a little bit divergent in the vision of what they saw EPIC might be. So they were quite wide ranging. In fact, that is not a bad thing; it is quite healthy because it allowed us to broaden our concept of what we saw that EPIC might be. I am quite heartened by the fact there was a divergence of views because it meant we were not saddled with the past and we were actually moving towards a vision for the future. It is a terrific site, as you know. I, as the chairman of the board, feel that it has got a lot of potential that has yet to be tapped.

MR RATTENBURY: Are those divergent views readily reconcilable into something to go forward with?

Mr Byles: I think so. We have currently got a very good operating board with a great span of experience and some diverse backgrounds. I think we are working very well as a board at the moment. One of my aims was not only to get harmony amongst the board members, which there is, but also to move EPIC forward at a reasonable pace.

MR RATTENBURY: On a slightly different topic, the service station site: there has been discussion about moving that forward and making more effective use of the site. Can you tell the committee a bit more about where that is up to?

Mr Byles: Yes, I can. Again, I will defer to Mr Sadler in a moment. We have had ongoing discussions for quite some time now. Tony will be able to explain for exactly how long. We are—and I will be careful about my definition of negotiations here—very close to finalising negotiations. There is a bit of commercial-in-confidence, so I would rather not say who that is with at the moment. We are very close to finalising some negotiations. There are a couple of clauses that I am not happy with in terms of the demand by the preferred tenderer. That, again, is the subject of ongoing discussions as we speak, to see if we can come up with a resolution. Tony might want to add something.

Mr Sadler: Yes. There is a meeting with the planning authorities, the department and the client on Monday afternoon. There are some issues that have come up very late in the process that need to be resolved. The current lease ends on 31 January. I am currently running a concurrent process, an environmental process, to totally clear the site—a tender to identify a company that will totally clear the site and take the tanks out of the ground, to ensure that there is no risk of contamination. Obviously, we have had all the tests done that we can and we believe that there is no contamination. However, until you actually pull the tanks out of the ground, you cannot be completely sure. The proposal is to commence the rebuilding of a totally new service station and food outlet on 1 February.

MR RATTENBURY: During the course of the last six months or so, a community advisory group has been established for EPIC. How often have they met?

Mr Byles: From my recollection, they have met—

Mr Sadler: The original proposal was that they would meet three or four times a year.

They had an initial meeting. Obviously, that was just an introduction and get-to-know-you sort of meeting because there are 12 people in the group. The next meeting is on 14 December. So they have had two meetings fairly quickly. You asked earlier about the views of the board. We asked the board and the EPICCAG, as a group, three different questions to base our strategic planning and development on. I am sure that if we did it in this room, the same thing would happen: what is EPIC? What do you think EPIC should be? And what are your development and strategic direction ideas?

We have got two separator facilitators, one for each group, to look at that sort of thing. As Gary said, there are some common threads but the diversity among some of the others is incredible. The good thing about the community group especially is that we have got a youth member and we have got user groups, we have got environmental people involved—a very wide range. Their views are clearly very different, and I think that is very positive.

MR RATTENBURY: How do they engage with the board? What is the formal or informal mechanism?

Mr Byles: Firstly, I was very conscious to make sure we just were not an arm's-length board who never engaged with the CAG. Consequently, our 14 December meeting coincides with the CAG meeting. The intent is for them to meet the board, understand how we operate and simply ensure that they can pass to us any views that they may wish to. The chair of the CAG is Mr Gil Anderson, who is on the EPIC board. That is the process of the linkage: the chair of the CAG is a board member, and he provides that feedback to us on a regular basis.

MR SMYTH: On the issue of the board, minister, you said last week that once it was brought to your attention that the board had one more member than it should have, "I took immediate action to correct that." When was it first brought to your attention that it had one member too many?

Mr Barr: The *Canberra Times* made an inquiry to my media adviser. I was out at an event and came back into the office and was advised that that was the case.

MR SMYTH: So in mid-October?

Mr Barr: The department, as I understand it, was verbally contacted and then provided a written brief to me and obviously the written instrument to make the appropriate change. Mr Byles might want to add something.

Mr Byles: When I became aware of it, it was important to provide the formal advice to the minister. I had not spoken to the minister on that; it was my error in getting the numbers wrong. I admit to that and take full responsibility. Once that became known, I assembled the facts and obviously provided a brief to the minister in due course.

MR SMYTH: When did you first know that the board had a member too many?

Mr Byles: I cannot recall the specific time. I would be happy to take that on notice and provide that information.

MR SMYTH: Does Ms Dever know when the department first became aware of the extra member on the board?

Ms Dever: I think I became aware at the same time as Gary, so I am not sure of the particular day. Certainly I will take that on notice as well and advise of that.

MR SMYTH: Thank you.

THE CHAIR: I would like to get back to the area I talked about earlier—recycling. According to the capital works, you did a major recycling upgrade. We got diverted into the EPIC market people, but can you talk about more generally how that is working? Looking at your numbers at the back, you have "not applicable"—

Mr Sadler: Which page are you on, please?

THE CHAIR: The numbers are at page 89, but the question is not really about the numbers. We got bogged with the numbers before. Here you have an estimate of the organic waste being recycled and you have just got "not applicable". I know there is organic waste. How is the new recycling procedure working, because there is not a lot of information here that is helping us see that it is a brilliant success or otherwise?

Mr Sadler: Despite some of your reservations, there have been many, many recycling bins purchased and put around the facility.

THE CHAIR: Great.

Mr Sadler: They are then taken to the recycling station, sorted and recycled as appropriate.

THE CHAIR: Next year you will have better figures with the amounts?

Mr Sadler: Yes. As I said, I gave you the monthly figure that we are now recording for the recycling. It has only been going for about four months.

MR HARGREAVES: Is there a contract for that collection?

Mr Sadler: Yes, there is.

MR HARGREAVES: Who with?

Mr Sadler: I cannot remember off hand, but I can let you know. It is one of the territory commercial companies.

MR HARGREAVES: Yes, that is fine. Do not bother to chase it up.

Mr Sadler: Okay.

THE CHAIR: Are you looking at organic waste separately from the rest of the—

Mr Sadler: Yes, we are.

THE CHAIR: Because there is obviously a lot—

Mr Sadler: I know you are also very keen on the farmers market, and there was something on it in the food section of the *Canberra Times*. The university has done a lot of work with the recycling of food, and we have been in contact with Murray—I think that is his name, but I am not sure—and we are working with him to improve that area.

MR RATTENBURY: Just while we are on page 89, we might note for next year's report that you have actually got a typographical or accounting error in office greenhouse gas emissions for 2008-09; it does not add up. I think it is just a typo. It is the bottom right corner of page 89. It should be 1,666 rather than 1,366 in terms of your measurements for future years and whether you have improved or not.

Mr Barr: Thank you. Yes, indeed, they have done better than they have totalled.

MR HARGREAVES: You have been hanging around Mr Smyth too long.

MR RATTENBURY: I think in a 90-page document, these things will happen, but, having noticed it, I felt I should point it out.

Mr Byles: No, I appreciate you pointing that out, Mr Rattenbury. Thank you.

MR RATTENBURY: Having now brought it up, it does seem to be a very substantial increase from 1,300 to 1,600-odd. Do you have a reason why your greenhouse emissions have gone up so significantly?

Mr Byles: I think we would probably take that on notice, Mr Rattenbury, if you do not mind. I will get you some detail on that.

Mr Barr: It is possible the typo could be in another column.

MR RATTENBURY: I do not think so. I have had the time to do—

Mr Barr: But it is interesting, because the indirect greenhouse gas emissions increase is significant.

MR RATTENBURY: That is true. Yes, I see what you mean. You may well be right, Mr Barr.

Mr Barr: Yes, so we will find out.

MR SMYTH:, I have a final question for the CEO. How long have you worked at EPIC for, Mr Sadler?

Mr Sadler: Over 10 years.

MR SMYTH: So how many of these hearings would you have attended?

Mr Sadler: Every one, so this would be the 11th.

MR SMYTH: Every one, so you get sort of long service leave?

MR HARGREAVES: Yes, but no cigar, though, mate, let me tell you.

MR SMYTH: Well, I am asking the questions here. My understanding is you are about to jump ship and abandon EPIC. Is this true?

Mr Sadler: Yes; I am retiring.

MR HARGREAVES: Great idea, mate. Good for the soul.

Mr Sadler: My partner has been retired for two years and she is playing more golf than I am. As I have said to my staff, once that happens, it is time for me to retire too.

MR HARGREAVES: Do you know what you are letting yourself in for here?

MR SMYTH: So your last day will be when, Tony?

Mr Sadler: You get half the salary and double the partner, don't you? Isn't that the joke?

MR HARGREAVES: You get double your rubbish back, that's what happens, mate.

Mr Sadler: My last day is 24 January. I hope this does not sound self-indulgent, but I have known a lot of you people for some time—not very well, but across the desk like this—and I would just like to thank you. Eleven years ago, I was very, very nervous about coming in and sitting in this chair.

MR SMYTH: And you are not now?

Mr Sadler: No, not so bad now. You get to a stage where you can almost forecast what the questions will be, and once that happens it is time to go. But I would like to thank you very much. I have just one plea—this is not aimed at anybody in particular—please do not make EPIC a political football. It is very, very important to the culture of Canberra, and I would hate to see it damaged in any way because of political views, if you like, for want of a better term. Thank you.

MR SMYTH: On behalf of all the people on this side of the table—and, indeed, everybody that has been through the Assembly—who have had anything to do with you in the last 11 years and on behalf of the community, thanks for your passion about the place and all the work you have put into it. I think that we will remember you for a long, long time.

MR HARGREAVES: Good luck in your retirement, because you are going to need it.

Mr Barr: I am sure there will be a suitable farewell function that members will be invited to. I might add that, as Mr Sadler briefed me prior to these hearings and did suggest what sorts of questions would be raised, I can attest that he is very, very accurate. Years of experience.

THE CHAIR: Particularly Mr Sadler, and Ms Dever, thank you very much for your contribution. That concludes the hearing for EPIC.

We will proceed with the ACT Gambling and Racing Commission. Thank you for your attendance, Mr Jones and staff. Mr Barr has changed hats. Minister, do you have an opening statement?

Mr Barr: No. We can move directly into questions.

THE CHAIR: In that case, I will start with one of my standard questions. You have got office paper recycled. It is a cubic measurement. Have you managed to work out what proportion of your paper you recycle? It is very hard to tell how much of it is because you have got reams used and total waste paper recycled, 6.4 cubic metres. Sorry, we can work it out. We have got 2.1 cubic metres of paper which we sent to landfill and only 6.4 cubic metres which we recycled, which is not, even by my maths, a very impressive proportion. It is about 20 per cent. Have you looked at being able to increase that proportion?

Mr Jones: Yes. We are always looking at making savings with our paper. Clearly, we are a paper-based office with a lot of our stuff, given that we issue licence approvals and things like that which are all paper based rather than electronic. In terms of what we recycle, all of our photocopier printing paper is recycled. But in terms of reusing the paper that we do, we certainly send waste paper for recycling. We certainly do that.

THE CHAIR: You have no idea why it is such a small amount? Treasury were asked this question, and they said they have actually done a waste audit of all their waste and worked out where their problem areas were with their paper recycling. I commend that approach to you.

MR SMYTH: Mr Jones, the inquiry that was referred to you by the Treasurer in regard to the Canberra Labor Club, where is that at and when will we see a result?

Mr Jones: Currently that is ongoing. It clearly is not complete yet. To estimate the timing is very difficult. I think the minister correctly said in the house last week that it is unlikely this calendar year, between now and Christmas. That is certainly true. Our board does not meet until mid-February. It does not meet in January because mostly our members are away. I think you could probably surmise by that that it will not be in January either; so some time after the end of January is most likely.

MR SMYTH: And the report will go to this minister or will it go to the Treasurer?

Mr Jones: My understanding is that it will go to the minister for gaming.

MR SMYTH: When a process like this starts and boards meet, it is normal practice that members declare a conflict of interest. Have any of the members of the commission declared a conflict of interest in this issue?

Mr Jones: One member has declared that his company has done some work for the Labor Club in the past. That was taken into account by the chairman. The members will deal with that if it is deemed to be a conflict down the track. But at this stage it is not considered to be a conflict, no. And that has definitely been discussed, yes.

MR SMYTH: Is there a written policy from the commission on conflict of interest and how it is handled and, if so, could the committee have a copy?

Mr Jones: I think, with all statutory appointments, there are some standard conflict of interest declarations and things like that which are always made on appointment, and the commission abides by that. But clearly, with each investigation that goes on, because of the range of organisations that we deal with and that we do investigate, any member, or whatever, raises anything in particular on a meeting-by-meeting basis. But in terms of the general policy, it is the overall government policy which applies to all members of statutory authorities or statutory boards. So we abide by that.

MR SMYTH: Is it possible to have a copy of that as you have it in your office? Or where do we find it—the website? Is it something—

Mr Jones: It is not on our website, but I am sure it will be easy enough to find a copy and send it to you. That is fine, yes.

THE CHAIR: On page 78, there is a comment that the ACT actually prepared a paper on responsible gambling environments, which did not actually get presented due to an election in Queensland. Has this been presented and are we doing any work on responsible gambling environments?

Mr Jones: Yes, it was. The Ministerial Council on Gambling set up three working parties to investigate a range of issues. Responsible gambling environments was one of them. The ACT chaired that subcommittee or working party. That February meeting was postponed till July and, at that July meeting, that paper was presented to the meeting of ministers. Ministers considered that and a communique was put out after that meeting which outlined a range of principles which were agreed by ministers would apply to gaming environments.

MR SMYTH: On page 4, in the second paragraph, on the report on Betfair v the State of Western Australia, you talk about more work being needed to be done on the implications. Has that work been finalised and what are the implications for the ACT?

Mr Jones: That involves the racecourse legislation which I understand the Treasurer answered this morning. It is to do with the introduction of racecourse legislation which has been in fact tabled in the Assembly and will be debated in December. It is involved with that and the ACT's position on that relative to the other states and territories.

MR SMYTH: Therefore, in regard to the legislation, minister, are you satisfied the implications have been worked through enough for you to table the legislation at this time?

Mr Barr: Indeed, I went to that in my introductory speech in the Assembly last week.

Obviously one cannot account for every possible legal permutation of decisions in other jurisdictions but, as best as possible, the legislation was framed in such a way as to avoid the issues and concerns that were the subject of legal challenges in other jurisdictions. As I said last week, the very clear advice to me was that we did have to legislate in this area. We were one of the last jurisdictions to do so and our approach was clearly informed and guided by experiences elsewhere in the country.

But can you provide an absolute guarantee that the legislation would not be subject to a legal challenge? Clearly not. But that in itself would not be a reason not to proceed with such legislation. On that basis, we put forward the bill I introduced last week. I understand the offer of briefings for opposition parties has been made and I hope it will be taken up. Those issues can be canvassed in some more detail with officials.

MR SMYTH: But the final sentence in that second paragraph is that the ACT has been monitoring the national position carefully before making a final decision on the way forward. That is the position at 9 September when this report was made available.

Mr Barr: Yes, sure.

MR SMYTH: You have received advice since then that satisfies you that it is appropriate to proceed at this time?

Mr Barr: Yes. Certainly the legislation was slated into the program before I became minister but, upon becoming minister, I sought advice, in my initial briefing, in relation to the legislative program. This issue was discussed. I remain satisfied that the commission has undertaken that appropriate work and that it was appropriate to introduce the bill in the form we did last week. Clearly, time will tell whether there will be legal challenges but one would hope that we have addressed, through the bill, many of the issues that were causing issues in other jurisdictions.

THE CHAIR: On page 58, you have got an increase in the number of breaches detected in the audits. You say it is a result of targeting high-risk areas, which is obviously a good idea. A number of the licensees have a particularly poor compliance record. Can you tell us more about that part of it?

Mr Jones: Yes. I think the results of our compliance program in terms of the licensees meeting their requirements were somewhat disappointing. Clearly, as indicated in the graph on page 58, our expectations are that the number of breaches would continue to reduce over a period of time. That clearly has not happened.

There are two reasons we have identified for that. Firstly, our risk-based program has proven very effective, where we target those areas which appear to be at risk or where their performance is not what we consider up to standard. There were a small number of licensees in particular. That is reflected, if you look at the table which commences on page 67, in the actual list. It is a bit of a name and a shame list, I think, in terms of noncompliance.

If you run through the list you will find that there are a number of licensees that have multiple breaches. For example, towards the bottom of page 67, Croatia Deakin features on a couple of occasions. On the next page, so does the Italo Australian Club.

There is a fair amount of repeat offenders. Clearly there are some licensees that have difficulty meeting their legislative obligations and the action that the commission has taken on most of those occasions is to suspend their licence to give them a period of time where staff can be retrained, their procedures can be updated, before they recommence operations.

The approach we have taken is that if education does not work, some monetary penalties work. If that does not work, then we move on to a suspension, which is clearly fairly costly to them from a revenue point of view and the goodwill of their customers. We use that as a way of making sure that their operating procedures are up to standard and ensuring that they are complying with the legislation. So that is pretty well the story there.

THE CHAIR: Looking through the list of breaches, it looks like failing to pay tax by the due date or putting in a tax return are probably up there as the most common.

Mr Jones: It is a common breach, probably the most common one, yes.

THE CHAIR: I guess at least it does not have a direct impact on consumers. But have you found any issues in terms of the comparatively safe gambling environment breaches, or potential for breaches, that would directly impact upon consumers, particularly the more vulnerable consumers?

Mr Jones: The code of practice which we have in place is mandatory, so any breach of the broad range of requirements under the code of practice can make the licensee subject to disciplinary action. There have been a number of breaches of those. Quite often, it is breaches of not having information available, not explaining or not having information regarding the probability of winning a prize available, those sorts of things. They are all consumer protection matters, and breaches of those are obviously taken very seriously and action is taken. This table indicates a mixture of statutory breaches, such as non-payment of tax, as well as some consumer protection breaches. So they are a bit of both.

THE CHAIR: How do you monitor the consumer protection breaches? Do you have some sort of program of going around during operational hours?

Mr Jones: Yes, we have a very extensive program of both routine and random audits. We do surprise visits and we do routine visits where they get notice that we are going to turn up. Part of our random program is that they are literally surprise visits where, for example, we may send an inspector out there to see if they can enter a club without being a member or without being asked for identification, which is supposed to happen. Then we check all the information that should be available: signage in the gaming areas, whether the rules of the games are available, whether the odds of winning are available and so on. Sometimes they will go up to a staff member and ask, "How do I get in touch with the problem gambling counselling line?" If the staff do not know, then that licensee will be in breach of the requirements under the code. So we do an audit program where we do visit, yes.

THE CHAIR: The problem gambling line, that is basically run by Lifeline, if I remember rightly?

Mr Jones: Yes, it is Lifeline —

THE CHAIR: But you fund it?

Mr Jones: We do not. The funding for Lifeline is done through community services; they fund Lifeline directly. We obviously liaise with Lifeline, but we as a gaming regulator do not fund Lifeline directly.

MR SMYTH: On page 35, under note 6, regulatory fees, there is a reference to racing paying $1,375. What is "racing" in that context? It refers to your operating statement on page 18, regulatory fees.

Mr Jones: Excuse me a minute.

MR SMYTH: No, you are right.

Mr Jones: It is the race bookmakers' annual licence fee.

MR SMYTH: Sorry?

Mr Jones: The race bookmakers' annual licence fee. We license bookmakers.

MR SMYTH: Yes.

Mr Jones: And they pay an annual fee for that.

MR SMYTH: How many bookmakers do we have, and what is the fee?

Mr Jones: We have roughly about 25 race bookmakers, and I am not sure of the fee.

MR SMYTH: That is okay.

Mr Jones: We do not have that. It is in the order of about $100, $120, but I can get that for you.

MR SMYTH: No, that is okay; that is easy. Above that in note 5, I notice that the revenue from sports betting has dropped from $559,000 to $190,000.

Mr Jones: Yes.

MR SMYTH: Is there an explanation for that?

Mr Jones: Yes. We have had one sports bookmaker drop out of our market, and the activity of the remaining ones has been significantly reduced due to competition in the Australian market, particularly from Northern Territory corporate bookmakers.

MR SMYTH: Is there a strategy to address it? Is it something we can address?

Mr Jones: It is not a regulatory matter for the commission. Clearly, it is a revenue matter for Treasury, which deals with policy related to bookmaking and attracting businesses to Canberra. In discussions with my Treasury colleagues, it is a very difficult position to be in. If you adjust your tax rates, for example, then it is a bit of a race to the bottom. Tasmania has already entered into that race with the Northern Territory, as you are probably aware. At this stage, I do not think the ACT is likely to join that race.

What we are looking at, though, is how we offer our product in terms of our regulatory regime and what sort of activities they can bet on. Again, the Northern Territory has a very broad range of activities that are able to be subject to gambling, and we are talking TV shows and things like that. We have a regulatory difficulty with that because you cannot guarantee the integrity of those activities. The *Big Brother* shows and all those—

Mr Barr: Seriously? People bet on *Big Brother*?

Mr Jones: Absolutely.

Mr Barr: There you go.

MR SMYTH: People bet on everything.

Mr Jones: People do bet on everything.

MR SMYTH: Two flies on the floor.

THE CHAIR: At page 9 you have a comment about future trends. You say that total gambling revenue for 2009-10 is budgeted to increase by $2.23 million due to a projected increase in gambling machine revenue based on anticipated growth in general gaming. Why do you think the ACT is going to be increasing its general gaming, and what sorts of problems is that likely to produce for the ACT as a whole?

Mr Jones: In terms of the revenue increases, we anticipate that there will be some growth, partly due to population growth and more over-18s coming into the market. The market has been fairly suppressed, as the industry I am sure will tell you, where revenue has been quite low compared to earlier years. In fact, compared to pre-smoking levels where you are talking back to 2006, revenues are down about 10 per cent. There is a whole range of factors why that is the case, and it is not just smoking bans. There is a whole range of economic factors involved. Our forecast, based on where we think the economy is going to go and where we think the industry is tracking, is that we think that growth is reasonable, so that is our forecast.

On the second part of your question in terms of what problems that is likely to create, any increase in gaming activity has the potential to increase problem gambling. The ACT has a very good regime of harm minimisation strategies in place, particularly a mandatory code of practice. All of our licensees are very experienced with our code, and compliance with that is generally pretty good. With a small increase in revenue of around $2 million to $3 million, we are not expecting any significant increase or noticeable increase in problem gambling due to that increased activity.

THE CHAIR: Mr Smyth, have you got one last question?

MR SMYTH: The centre for gaming studies at the ANU: the report I think at page 4 talks about renewed arrangements. What has happened there? Is this to replace the former chair?

Mr Jones: Yes. The commission has a contractual arrangement, a deed, between the commission and ANU, which was going along quite nicely for a while. We did a review of those arrangements in combination with ANU, and it was decided that the best way forward, both from a funding and a monitoring and performance perspective, was to change the chair and actually reduce the status of the chair from a professorial role to a senior researcher under supervision of the research school of social sciences. We restructured the way it was done and revised our deed, and I am pleased to say that they are about halfway through an updated prevalence study, which will be out early next year.

MR SMYTH: Is there a report from the review?

Mr Jones: Sorry?

MR SMYTH: Is there a report, a written document, from the review?

Mr Jones: No, there is not. It was, as I said, more of a jointly conducted review of our contractual arrangements between the commission and ANU. No, we did not do a formal report. It was more of an internal arrangement for a revision of the arrangements between the commission and the ANU in terms of gambling research. No, there is no formal review and there is no sort of published outcome of that review. I guess the fact that the deed has now been agreed in a modified form is indication of the new arrangements and the new agreement between the commission and ANU on that.

MR SMYTH: Thank you.

THE CHAIR: Thank you very much, gentlemen. This concludes the public hearing into the Gambling and Racing Commission. In fact, that concludes our activities for the day. Thank you very much for your afternoon with us, Mr Barr, and thank you everyone else who has attended.

The committee adjourned at 4.29 pm.