LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Annual and financial reports 2009-2010)

Members:

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

TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 4 NOVEMBER 2010

Secretary to the committee:
Ms A Cullen (Ph: 6205 0142)

APPEARANCES

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Amended 21 January 2009

The committee met at 9.31 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

McAuliffe, Mr Patrick, Director, Investment and Economics Division, Investment Branch

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

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

Thompson, Ms Kirsten, Director, Office of the Under Treasurer

Actew Corporation

Sullivan, Mr Mark, Managing Director

Knee, Mr Ross, Executive Manager, Water

Mackay, Mr John, Chairman

THE CHAIR: I formally declare this public hearing of the Standing Committee on Public Accounts into the 2009-10 annual reports open. Today the committee is examining the 2009-10 annual reports of the Department of Treasury, followed by Actew Corporation, which will be after morning tea.

On behalf of the committee, I welcome you, Treasurer, and officials—many officials—from the Department of Treasury. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the yellow privilege statement before you on the table. Can you confirm for the record that you understand the privilege implications of the statement? I am sure you all have seen it many times before.

Ms Gallagher: Yes.

THE CHAIR: Thank you. Before we proceed to questions, Treasurer, have you got an opening statement?

Ms Gallagher: No, I do not. I am happy to go straight to questions. That is the way I prefer to play the game.

THE CHAIR: In that case, I will start on one of my favourite subjects, a community insurance scheme. Last year the committee was told there were significant savings that would be available to community groups under the scheme. Can you tell us how this has played out, what groups are involved and what other groups you are trying to target?

Mr Broughton: As you would be aware, we have negotiated a community insurance product. There are, in fact, two separate insurers who provide such a product. The product covers public liability insurance and volunteer accident cover. We understand from the community groups that have taken up this coverage that they get it at a price that is considerably cheaper than if they went it alone.

There is one policy in place, as I understand it. Volunteering ACT and other agencies are working with the various community groups to see whether any others want to combine to get coverage under this scheme. I think that is pretty much it. Treasury is not directly involved. Once we established the scheme, with the support of the insurers, we have not had a big role in actually bringing parties to the table.

THE CHAIR: In terms of bringing parties to the table, have you started advertising it more widely? I am aware within the arts communities that there are issues of public liability insurance. That is one of the biggest reasons people cannot afford to rent Albert Hall, for instance. You have got to have your $20 million of insurance and, if it is just once a year, it is not economical. Have you looked at moving out?

Mr Broughton: In fact, we have done something in relation to Albert Hall. We have negotiated an arrangement with the Friends of Albert Hall and with the users of Albert Hall, which has facilitated—it is a group policy—people actually renting Albert Hall and using it for whatever purpose they have. So we have looked after that aspect of it.

As to whether we should be advertising more widely, because Volunteering ACT are a key part of this, we expect that they are looking after the organisations rather than us. That is only on the volunteer side of things. I am not 100 per cent sure about the arts and those sorts of groups.

THE CHAIR: Maybe you should contact the key arts organisations because they are really a different subset of the ACT community and one that I know.

MR HARGREAVES: Subset?

THE CHAIR: Everyone is in the arts. You are quite right, Mr Hargreaves, thank you. As this was a short answer, I would like to talk about another subject dear to the Greens' hearts, which is affordable housing supply. It is something that is talked about in Treasury's annual report, and I would be interested in Treasury's view on how we actually deliver targeted affordable housing in the context of the current buoyant housing market and how we do this without inappropriately distorting market prices.

Ms Gallagher: That is a good question. Khalid might want to go to those issues, but this is something that Treasury has been intimately involved in, the affordable housing strategy. In fact, Treasury, of course, were leading the development of initiatives like the land rent scheme, which is proving to be very popular.

I would have to say that the housing affordability initiatives are constantly under review to see whether we need to respond to how the market is operating and what we are seeing. I have certainly had some discussions around looking at the OwnPlace initiative as part of that.

But it is a very fine balancing act, I think, about how we intervene and to what level we intervene. The government has taken the view that we need to focus on supply and set some targets, which we have done. But I know the Chief Minister is wanting to see a renewed effort and analysis around housing affordability initiatives and the whole action plan. That work is underway as well.

MR HARGREAVES: Is it the case that the chattering classes are concentrating on affordability in terms of home ownership and forgetting about the affordability of the rental marketplace as well? In fact, has there been any sort of outcome from the national rental assistance scheme, for example, or any restraint actually delivered by the carpetbaggers, those people that rent over and above a decent figure?

Ms Gallagher: I am not sure whether I can respond to that. Khalid can respond to that.

Mr Ahmed: I will have a go at the issue. It is really a complex issue, Madam Chair and Mr Hargreaves. I think the way you framed your question—how do you assist and improve affordability without distorting the market—really highlights some of the difficulties that almost all governments face in entering this space.

There is a good policy reason and obviously there is a social equity perspective as well to improve affordability. We have got clear direction from the government of its intentions. The difficulties arise precisely because of that reason—that you do not want to distort the market. Predominantly, housing supply has been determined in the Australian context through the market. In the market, there are buyers and sellers and a lot of transaction going on. One person's advantage is another person's disadvantage. So it is a fine balance, as you recognise.

There is no silver bullet. I think that is pretty well recognised and it is our approach. In analysing the problem, No 1 is how do you measure it, and No 2 is how do you target your policy support or policy interventions at various points in the housing market? Those points will be along the income scale and ladder of the supply chain.

I think the affordable housing action plan that the government adopted back in 2007 sort of covers off both aspects. It looks at various income slots without precisely stating them. Different measures target different income ranges. Then it also sort of targets different tenures. I think that goes to answering the question Mr Hargreaves raised.

There are measures that are uniformly designed to improve the supply, but that would distort the market. There are other measures that are targeted at public housing—people on the bottom two income quintiles who are eligible for public housing. Then there are major steps to target people who are not eligible who will not enter into public housing. They are above the eligibility criteria but below median. That is the income range where you have rental stress. It is difficult for them to enter into ownership and it is difficult for them to acquire reasonable, affordable rental accommodation as well. There are measures there. Community housing is one example in that area. There are no hard cut-offs in that action plan. We do not see them as cut-offs as well. They overlap.

Some of the measures actually extend. This is particularly unique to the ACT. They extend below what would be traditionally the limits in other jurisdictions, not to mention the land rent scheme and the OwnPlace program that is run by LDA. Combine the two and you are probably looking at income which is almost 60 per cent of the median getting into homeownership.

So there are some good programs there, but what I would suggest is that it is something that we have to keep working on. I must add that the action plan that the government has adopted gets quite a recognition. We have inquiries from overseas as well about various aspects of it. It is a robust plan. I think the thing for us is to keep working on it.

THE CHAIR: Have you looked at the issues of reselling houses which were purchased under OwnPlace and making a profit? There have been allegations that some people have done quite well out of the program.

Ms Gallagher: I spoke to David Dawes last week around this, and they are looking at changes under OwnPlace to deal with that issue. Again, I guess it is a balance about how much you intervene in the market to restrict what have been essentially private transactions between a homeowner and a homebuyer. But I understand that they are reviewing based on some of what they are seeing at the moment.

THE CHAIR: Have you any idea what they are likely—

MR SMYTH: What are they seeing and what are they likely to do?

Ms Gallagher: I think the issue that you raised has been raised with Land and Property Services. People are buying at the $328,000 and then selling. I think it is a six-month period. They are selling after that and making a reasonable amount of money. I do not know—I mean, it is not my portfolio—the extent of the problem, but the problem has been raised. My discussion with David Dawes is that they are looking at what they can do to address that concern, which is relatively quickly onselling the property and making a bit of money.

THE CHAIR: Are they looking at a profit-sharing type arrangement?

Ms Gallagher: I could not answer that. One of the issues he raised with me was looking at the length of time you are required to hold on to the property for.

MR SMYTH: Just in this area—

THE CHAIR: Ms Hunter, I think, has a question on this as well.

MS HUNTER: I was going to follow up on CHC. Mr Ahmed had talked about the range of different strategies. I just wanted to follow up on CHC. It was about the loan facility. I was just wanting you to clarify how that loan facility works because, as I understand it, Treasury borrows the money from the territory banking account and on-lends it to CHC. It looks as though, particularly from volume 2, that the interest liability is $359,000. I wanted to know what rate of interest is charged—that Treasury then charges on to CHC. How does that work?

Mr Ahmed: Sure. The $50 million loan facility was established under the affordable housing action plan. A substantial amount of it has been drawn. Going straight to the question of the interest, the interest that is charged is the AAA-rated interest. So CHC has got a financial advantage that we estimate is quite significant—almost two per cent—compared to commercial lending. We can get the precise figure. That would vary depending upon the commercial rate as well, but it is almost in that range.

That has actually been very beneficial for CHC, particularly during the global financial crisis. They were able to continue with the project and meet their supply targets under the action plan. On our assessment, they are pretty much on track on those targets.

I will not speak for them but in our discussions with them, and we have almost weekly contact with them, they see the loan facility as very beneficial in supporting their supply of affordable housing, both for rental and for financing the market as well. So the target was 1,000 dwellings over a 10-year period; 500 of those were to be retained for tenancies and another 500 were for sale into the market.

I come back to my answer on affordable housing and supplying affordable dwellings in the market, and to the question of what happens when people onsell and what control can you place on this. The modelling that we did in defining affordable housing for CHC—for all places as well; it extends to both sectors—was based on production cost. There is no implicit subsidy in that cost.

What is happening out there is that people are placing more premium in the market on that product. So the challenge is to keep producing more. It will be difficult for CHC, once they have sold the property, to actually control how the next buyers deal with it and it will be difficult for us to actually put a control on CHC on how it extends that control further.

From a market perspective, as long as the supply is kept up, the production costs are reasonable and the price at which it is sold reflects the production cost with a profit margin, what happens in the market is difficult to control beyond that.

THE CHAIR: So can I just clarify this: you believe that the affordable housing and the CHC products are all basically sold at at cost plus a reasonable profit; so there is no implicit subsidy within those prices. Is that what I am hearing? Am I hearing that correctly?

Mr Ahmed: Look, there is a government support in there. Whether that specifically gets targeted towards rental or whether that specifically gets target towards housing would be difficult to discern from the accounts. But what I would suggest is that our modelling indicates that you can produce dwellings—and this is how the targets have been set—at the affordable level that is prescribed in those targets. You can produce those dwellings at that cost plus some interest.

There is a subsidy for CHC, and that is in the form of the low interest loan. So the subsidy is there, but that will predominantly support, we would suggest, the rental side.

MR SMYTH: So where an organisation, whether community or commercial, is given a subsidy in the form of a low interest loan and they get a financial benefit—I think you said in respect of CHC that it was a two per cent lower interest rate—is there a formal policy that the government has to lending to organisations?

Ms Gallagher: More broadly or in housing affordability? There is an agreement with CHC around that. I do not think we have an agreement with any other housing provider.

MR SMYTH: But does Treasury, or do you as Treasurer, have a policy on who the territory can lend to or, for instance, provide vendor finance to?

Mr Ahmed: I think it is on a case-by-case basis. This was a specific initiative under the affordable housing action plan. It was considered by government to be an appropriate and feasible option to support and actually build up the community housing sector. The sector in the ACT historically has been smaller in comparative terms than in other jurisdictions. So it was a specific initiative. That is not to suggest that if there were other proposals they would not be assessed on a case-by-case basis.

MR SMYTH: So, are there any other instances of—

Ms Smithies: I would actually be hard pressed to think of many other times when the territory has acted as a lender to an organisation. We would in some cases put a loan into a particular department or a state authority for it to be paid back. Obviously, that would all go through a budget process. But in terms of an arrangement like this, I cannot think of one off the top of my head, which would mean that obviously these would largely all go through cabinet to be considered on a case-by-case basis.

MR SMYTH: So if there was vendor finance provided, it could go through cabinet on a case-by-case basis?

Ms Smithies: It would have to, that is right.

MR SMYTH: So, minister, are there any cabinet decisions that have had vendor finance approved by the cabinet?

Ms Gallagher: Outside of Community Housing Canberra?

MR SMYTH: Outside of CHC, yes.

Ms Gallagher: No, but I think, as I said, all of these issues are under review around the housing affordability action plan. I think at some point we will have to look at how CHC is going. If it wants to expand, I think that does raise the question: if you are going to put more into an arrangement like this, should you look at diversifying the arrangements? I think at that point—it has not got to that point, but I expect that it will come up through a review process—the government will potentially need to consider the idea of competition in this area.

MR HARGREAVES: Is this not part of the—

MR SMYTH: Sorry, could you just take on notice and check whether the government or any of its agencies has provided finance, vendor finance or low cost loans to any organisation, please?

Ms Gallagher: Across government?

MR SMYTH: Yes, across government.

Ms Smithies: For the last—

MR SMYTH: Apparently they have to come back through Treasury and they have to go through cabinet.

Ms Gallagher: Yes.

Ms Smithies: Yes, we can double-check. We can check that.

THE CHAIR: Can I just go back to your statement—

MR HARGREAVES: Madam Chair, can I follow up with a supplementary on this CHC thing, please?

THE CHAIR: Yes, okay. Mine is a supplementary. You do a supplementary, then I will do a supplementary.

MR HARGREAVES: With the most respect to your furniture status as Madame La Chaise, I beg your indulgence this one time. On the issue of the $50 million loan to CHC, is it not also the case that we cannot consider that in isolation of other initiatives which have been aimed at growing that sector—for example, the transfer of, I think it was, $50 million worth of properties? There were about 173 or 175 of them. In fact, in this context is it not the national approach to have the community housing sector—the public housing sector—grow in relation to the private sector? Is it the government's view that this is the most cost–effective way in which we can grow this sector in the fastest possible time? Is that about right?

Mr Ahmed: That is correct. The national reform agenda places quite an importance on the community housing sector. The federal minister for housing has been on record as saying that. The $50 million loan facility is just one part. There are a number of other actions as well that support the community housing sector. I will just mention the more significant one—the transfer of $40 million of equity in 132 properties. The title was transferred to community housing. The target, again, was to upgrade and redevelop some of those properties. They have done some, particularly with a view to where the private market has failed to come up with products—for example, shared accommodation with five units on one block. Those are the kind of things that they have been doing very well and perhaps the private market will not do.

There is that, and then there is a good working relationship with LDA to provide current, regular access to land. I think that is about 20 blocks per annum. But they vary depending upon their needs, and it is a matter of negotiation and discussion between the LDA, Land and Property Services now and the community housing sector.

MR HARGREAVES: Is it true also—I am out of touch with this by 12 months—that organisations need to be accredited in some sense before they can enter into this relationship? I am mindful of some of the smaller community housing cooperatives, if you like, who are doing a fantastic job for their particular sector, but they do not have the economies of scale, I suppose, to be able to do that. Where are we at with that?

Mr Ahmed: That is correct, Mr Hargreaves. There is a regulatory framework that has been brought in at the national level. We have got our own framework as well. The national regulatory framework has been adopted here in the ACT. It requires registration. CHC is a registered organisation. It might be useful for me to distinguish between the two aspects or two parts of the community housing sector.

Sometimes they get combined. Clearly, in CHC's case they are combined. One is the supply of dwellings, which is actually building dwellings—bricks and mortar construction—and the other is tenancy management. Your normal grassroots organisations would have skills and background in managing tenancies and creating a community together. But they are not experienced in really doing big projects. CHC is somewhat different. It brings both of those together, and that was one reason it was picked up with. Quite hard, strong targets were put on them to actually increase the supply of dwellings as well.

MR HARGREAVES: Do we know if the Havelock Housing Association is accredited at the moment?

Mr Ahmed: Sorry?

MR HARGREAVES: Do we know if the Havelock Housing Association has the same sort of status as CHC?

Mr Ahmed: I am not sure. I think no, but it might be best for Harvey to answer that. I am sorry.

THE CHAIR: Can I just go back to your earlier comments that the affordable housing price was based not on income considerations but on the cost of producing houses? You thought it was quite reasonable to produce houses at a profit for the affordable housing market. Does that mean Treasury has a view on the housing market as a whole? Most houses cost more than the affordable housing range. Do you have any views about house prices in Canberra, given your statement?

Mr Ahmed: Perhaps I should clarify. My comment around affordable housing was particularly around production cost. But there are government programs that are income tested.

THE CHAIR: This was a question about the housing market, not about government support for people. Given that that was the supply cost and given that most houses in Canberra are not for that cost, I was wondering whether Treasury had any views on the prices of houses in Canberra.

Ms Gallagher: I am sure they do.

MR HARGREAVES: That is a good answer.

Ms Gallagher: I think what Treasury's view is and what they provided as part of the analysis of the affordable housing plan is that you can produce a particular type of product for an affordable range. I think it is difficult to then compare that with the more general housing market across Canberra, which is quite different.

Ms Smithies: Housing, at the end of the day, is a consumable. What people build will depend on their appetite for what they want to live in and what their incomes are and what their circumstances are and what their job prospects are and what their stability is, time of life et cetera. It will depend on so many things.

Mr Ahmed: There is a social norm that defines the consumption of housing. That is the minimum. Affordability is a social norm. That is how we would view it. There is a minimum that we as a society determine has to be consumed. There is no choice there. Well, there is choice, but, as a society, we would prefer not to have that. So that puts a floor on consumption.

Above that, people can consume more. There is a fair bit of research that indicates that consumption of housing has been increasing. I think there is clear evidence of that. Again, it reflects the social preferences. It is very hard for us or any treasury to make a judgement on those preferences. They are preferences that people exercise in a free society.

What we can talk about is whether that social norm, the bare minimum, can be met by the market or not. What we see is that it is difficult in certain circumstances for the market to meet it. The market may fail to meet it because of some efficiencies. Nobody would suggest that markets are always perfect. Either of those two reasons could contribute to people not having access to affordable housing. There could be more as well, but that is a broad idea.

THE CHAIR: Thank you. Mr Smyth.

MR SMYTH: The mortgage relief fund, minister, apparently it is a success if a lot of people click on to your website but only one approval is made. It was raised with me at the ACTCOSS annual conference this morning that perhaps the criteria are too stringent and that most people were turned away. Is the government reviewing its criteria for the mortgage relief fund?

Ms Gallagher: I have certainly said before that this is under review. We do want to give it an opportunity. It is a new fund; we have not had a fund like this since self-government. It has been fully up and running for almost a year. I think it is appropriate to review it and see whether it is meeting the need. I am interested that ACTCOSS have raised it with you. They have not raised it with me.

MR SMYTH: It was raised by people at the conference this morning.

Ms Gallagher: I think we will go back to all the groups that we consulted with over the implementation of this fund and see whether we need to make any changes to it. But when you look at similar schemes in New South Wales, on a per capita basis, it would not be much different in terms of outcomes. I do not know whether we have got the figures with us.

Mr Ahmed: We have got them.

Ms Gallagher: You give them, Khalid.

Mr Ahmed: We did consult with a number of other governments—Victoria and Queensland—apart from a whole range of institutions here. I have got part of that consultation. The Victorian scheme has supported or assisted 71 households over a seven-year period, so their average is about 10 from 2001 to 2007-08. That is the period for which we have figures. That is about 10 per annum. These schemes act as a safety net. You would hope to God that they are not used—

MR SMYTH: It is not much of a net that catches one person.

Ms Gallagher: How many do you want it to catch? Do you have a figure in your head where you think a scheme like this would be successful?

MR SMYTH: Well, I did not set the criteria. We will get to that in a moment.

Ms Gallagher: I am just interested, Brendan. There are some very clear criteria. It is not to provide a loan to someone who is not managing their mortgage. It is not there to meet the needs of everybody who is experiencing housing stress with their mortgages. It is around getting people through what is a relatively short-term problem—that is, they have lost their job, they are sick, they have a good record of payment and they have exhausted every other means of financial support through their bank. There are quite a few hurdles to overcome, so it is not just there—

MR SMYTH: What was the cost of setting up and administering this fund?

Ms Gallagher: Treasury administer it.

Mr Ahmed: Perhaps it may be helpful if I go through how we established it and how we consulted on it. That will highlight the issues around criteria as well. We went through a very methodical approach in implementing this. We were very mindful of the potential for moral hazard. That issue was raised again and again by community organisations as well as financial institutions and counselling services. We had the Commercial Law Centre at the ANU prepare a paper. That was the start of it. We had extensive consultation.

Our original idea was to put it out in the community sector and let the community sector design and manage it and we were there to support the design of the scheme. It became very clear early on that they were very supportive of the concept, but they did not want it. They suggested that they had potential difficulties, and those are the difficulties that would come up again and again when you look at this issue. So it was placed in Treasury. We did consider putting it in Housing. Again, we had fairly detailed discussions with key financial services. I think David Tennant had very deep involvement all through until the launch of this program. We had very regular contact with Ms Franklin, Mr Tennant's successor, also.

There were a number of other organisations that we consulted in establishing the criteria. I will briefly mention a fairly large number: Queensland, New South Wales and Victorian state governments, their housing departments, the Legal Aid Commission here, ACTCOSS, financial institutions—including Westpac, National Australia Bank, Commonwealth Bank, Bendigo, ANZ, St George, Community CPS and Members Equity—and the Australian Bankers Association. We consulted with the Mortgage and Finance Association of Australia, ABACUS, Australian Securities and Investment Commission, the credit ombudsman, ACT Office of Regulatory Services, Financial Ombudsman Service, the Public Advocate and the ACT Law Society.

The Law Society had some very useful input to give us. They recognised that there was value in a scheme like this but that there was apparent difficulty with the moral hazard. You do not want lenders to change their attitude, and you do not want the borrowers to change their attitude as well. The difficulty with schemes like this—and this is what Care raised—is that by the time people come to a financial assistance organisation, it is too late and there is no choice but to support them into a reasonable, dignified transition. That is one aspect of this scheme.

It is quite likely there may be circumstances where the mortgage is difficult to sustain and that judgement has been made. It is a judgement call. Sometimes households do not make that call, but the financial advisers can see that and the financial institutions can see that. In those circumstances, the best thing is to provide a dignified way of transition. This scheme assisted that. Likewise, it does in other jurisdictions. There may be circumstances where the mortgage is sustainable but the household circumstances have changed suddenly. It provides a transition for them to adjust to those circumstances. That is how the criteria have been designed.

I should mention that we had a roundtable involving all these people, and we worked through the criteria. We are not suggesting the criteria are perfect. Obviously all programs are subject to review. The criteria look at a median price, which is above $525,000. That is the value sense. Then they look at the areas that can be covered off in the scheme.

We have made every effort to make sure that it does not distort behaviour but is there to assist people if their circumstances are extraordinarily impacted or to provide them with a transition. The number itself may not be a good measure. We had very low interest rates during the time the scheme has been in operation here. I had contact from Care fairly recently when they were concerned whether the scheme would continue or not. They thought that, in an environment of increasing interest rates, they would see clients who might need support, and they were referring people as well.

One benefit I should mention, Mr Smyth, is that when people make an inquiry, it provides them with a structured approach to handling their affairs. Traditionally, what happens is that when people get hit with an unusual circumstance—loss of job, family break-up—generally, they go into a shell. It becomes very difficult for them to confront their circumstances. That is what we hear. That is what we heard during the design of the scheme as well. What this does is it allows them to go through a structured approach.

MR SMYTH: We have a lot to get through this morning, and I will have a chat with you about this later. How much did it cost to set up and administer the fund?

Mr Ahmed: We did not have any additional funding for this. This was absorbed within our existing resources. We paid $5,000 to ANU for the paper.

MR SMYTH: And the money that was allocated to the fund is still there to be called on?

Ms Gallagher: Yes.

MR SMYTH: Minister, you mentioned that you would look at the criteria. When will that occur? Who will look at the criteria for you, and when will you announce the outcome of that review?

Ms Gallagher: Treasury will do that work, in consultation with the stakeholders in the ACT. I would not have normally thought we should review after one year, but considering some of the interest in the scheme, maybe we should bring it forward. I was hoping that we would have the scheme operating for two years before we reviewed it, and it has only been operating for one year. Some of the media around it has been unfortunate, because it has indicated that perhaps we have taken money out of the scheme and that it is not running and all that. That is unfortunate, so I think we have to respond to that in a way. We have not yet set a review time. I was hoping it would be given two years to run. I am not sure whether that is manageable now and whether we should have a look at the first year, particularly those applications that have not been successful.

Some of the applications that have not been successful have been because the applicants have not exhausted other avenues of financial assistance, so they are knocked out. Another reason is that they were too far in debt and their arrears were greater than what the scheme provides for, which is $5,000.

Mr Ahmed: Sorry, that is incorrect. It is $10,000.

Ms Gallagher: The loan is $10,000, but the arrears is $5,000.

Mr Ahmed: Sorry, yes.

THE CHAIR: Ms Hunter.

MS HUNTER: I wanted to move on to the first homebuyers grant and the boost applications. Page 17 of volume 1 outlines the figures: over 3,500 grants for a total of $47.6 million. Volume 2 on page 84 talks about the $16.7 million that was commonwealth boost money. Is it correct that around $31 million of ACT money was spent on the grants?

Ms Smithies: We have spent $23.3 million on the first homeowners grant.

MS HUNTER: $23 million?

Ms Smithies: Yes.

MS HUNTER: What evaluation of the impacts of the grants on the housing market has Treasury done? What sort of analysis have you done of the costs and benefits of this particular scheme?

Mr Ahmed: The first homeowners grant has a history. It goes back to the time of the introduction of the GST. The boost was introduced during the global financial crisis to stimulate the housing market. So there was a policy to use these subsidies on the demand side to stimulate the economy, certainly during the global financial crisis. That was the intent. More broadly, the first homeowners grant is subject to some work through the heads of treasuries group to look at the impacts. That work is not completed yet.

MS HUNTER: Are you saying that work is being done across the country with heads of treasuries?

Mr Ahmed: Certainly it is on the work agenda. There is a housing supply and affordability working group which involves all states and territories under the heads of treasuries, and premiers departments are involved as well.

MS HUNTER: You are saying it is on the agenda, but what is the time line for that?

Mr Ahmed: I would not be able to give that to you. We can come back to you on the specific time line. There are various aspects that need to be looked at. I think it is mid next year, but I can check that. This is a commonwealth program. We are simply obliged to do it. Certainly, there is an intention to look at the effects of it.

MS HUNTER: Thank you. We will keep an eye on that.

THE CHAIR: One of the future directions you have listed is to review regulatory impact analysis arrangements. Is there anything particular you are trying to do? What are the specific issues you are trying to address in this?

Mr Broughton: We currently require regulatory impact statements if a legislative proposal looks like it will have a substantial impact on business. We are also required to do them if subordinate legislation is being changed. In some of the other jurisdictions, RISs—if I can call them that—are more broadly used and cover off not just where there is legislative change but where there are significant policy changes. We are currently looking at whether we will expand that scheme or not.

THE CHAIR: Mr Hargreaves, do you wish to ask a question?

MR HARGREAVES: Not at the moment. I do not really need to protect anybody. They are doing a great job.

THE CHAIR: I am not sure whether to be insulted or pleased with that.

MR HARGREAVES: Be pleased, Madam Chair. That is all I am here for—to make sure you have a lovely day.

THE CHAIR: Thank you, Mr Hargreaves. Mr Smyth.

MR SMYTH: Minister, when will the consolidated financial statements be available?

Ms Gallagher: Shortly.

Ms Smithies: They will be released tomorrow.

Ms Gallagher: Very shortly.

MR SMYTH: The day after the hearing. Is there any reason it takes five months to put the consolidated financials together?

Ms Smithies: They have just been audited.

Ms Gallagher: I think I got them from the Auditor-General two days ago.

Ms Smithies: And yes, there is a reason why it takes as long as that—that is, the whole process of agencies needing to complete their own financial statements, for those to be audited and verified through the audit process, come to Treasury, Treasury to put together those sets of financial statements, check them, give them to the auditor, have them audited, have all the financial and final issues resolved. So it is just a fluke of timing that they will be released tomorrow.

Ms Gallagher: Yes. I had not linked the two things myself.

MR SMYTH: I will read them with interest tomorrow.

MR HARGREAVES: I have a question on Page 20, volume 1, performance against accountability indicators. "Cash enhanced fund: net return of 5.78 per cent against benchmark of 3.89 per cent." That is not a bad effort. I would like to know how you did it.

MR SMYTH: They are not going to tell you!

MR HARGREAVES: I will just get my financial adviser to listen in. That is a very fantastic effort. And also with the net investment earnings rate, you got 6.11 per cent against a benchmark of 4.48 per cent. Somebody is doing a great job in Treasury.

Ms Gallagher: He has been through the GFC and deserves to come out the other side!

MR HARGREAVES: Patrick will be available for autographs during the morning tea break!

Mr McAuliffe: I only wish! The cash enhanced fund is a portfolio that comprises a range of securities from basically overnight cash, short-term bank bills, and it also has an exposure to some debt instruments that we call mortgage backed securities. With respect to the return that we get on those, when returns are calculated, they are calculated on their current market price.

Effectively, if you went back to last year's return on this fund, it actually did not go as well because of the exposure with credit markets. With the liquidity crisis that happened through the GFC, the valuations on some of these investments actually was not as strong on a market-to-market basis. But since the GFC has recovered, we have found that we have had these very high rated instruments actually achieving, on a market-to-market basis, a better return across this year. So it is really because they are exposed to credit and how they are priced at a point in time.

MR HARGREAVES: The short-term money market, and particularly the overnight activity, that is a fairly risky business, I would imagine, until recently, anyway, when the GFC was running rampant. That is a fairly risky business. How did you manage that risk? You have done particularly well, so, quite clearly, caution has been part of it?

Mr McAuliffe: I guess not so much in this portfolio but even if we talk about the superannuation portfolio, we have actually held a lot of money in the shorter end of the market, and not because it is more risky but actually because, by keeping the money in equities and things, that is where all the risk has been through the GFC. So we have tried to keep some money more in the shorter end of these debt instruments, which typically have a lower volatility when change is occurring through the market. So we think that it was more of a risk-defensive measure to keep the money in this particular space.

MS HUNTER: On the same page, I want to go down to the debt exposure to floating interest rates. You have a paragraph about it there. It seems to be significantly above the target. It is 43.8 per cent against a benchmark of no more than 30 per cent. Could I get your thoughts on that?

Mr McAuliffe: Some years ago, we were looking at some longer term benchmarks that we could use to measure the performance of our debt. I guess we took more of a theoretical-type approach to that, assuming that if you have got a large, growing debt portfolio, you do not want to have all of your eggs in one basket and have the whole exposed to floating rates, for example. So we came up with a bit of an arbitrary figure of keeping about 30 per cent of the portfolio exposed to floating rates and, where possible, have the rest of the debt fixed.

That was back in about 2005 that we established that policy. Thankfully, we have not had to raise new borrowings for the general government portfolio over that time, so we have not had a large portfolio we could use to start managing that exposure. The amount of debt that we are talking about that is in this particular benchmark is only about $209 million as of 30 June. The 43 per cent, the floating rate exposure, is $90 million of that $209 million. So it is not a big number in that context.

A benchmark like this, where you have a rigid benchmark, could actually force you to go and do transactions simply for the sake of beating a benchmark, which is not necessarily a prudent thing to do in terms of your overall portfolio management. What we have got in mind to do is this: the budget has some forecasts of new general government borrowings towards the end of this financial year and next financial year. That number is still at around the $450 million mark in total, so when we look to raise that money in the markets we will look to see how we will conduct that transaction and then look to see what sort of exposure we want to have, fixed versus floating.

With respect to trying to fix $90 million or some small amount, it is not like we can go to the bank and get a term fixed loan. You have to issue a bond and get a fixed rate and it does not always stack up. It can cost you more money to try and do that than the risk of changing interest rates. I guess on $90 million, a 25 basis point move is about $225,000 over a year, so it is not a big number in that context in terms of that exposure.

MR SMYTH: But when interest rates go up, the potential is to do better, though.

Mr McAuliffe: If we have locked in a fixed rate now and interest rates go up, yes, certainly we have locked in and missed the risk, yes.

MR SMYTH: Does the government in any of its accounts invest in banking stocks?

Mr McAuliffe: We invest in both the equity of banks and also, if there happens to be any debt issued by a bank, we could well be in the debt of a bank as well.

MR SMYTH: When banks put up their interest rates, how does that affect your investments?

Ms Smithies: It depends really on how the bank itself performs. Just because a bank puts up its interest rates does not necessarily mean that that will translate through to the bottom line of a profit of a bank. Largely, banks argue right now, and some will and some will not believe them, that they are putting up the price of interest largely to cover the cost of their own borrowings—more particularly their own long-term borrowings than their short-term borrowings, because largely our banks are borrowing offshore, so they have got the cost of borrowings that they need to cover. Largely, that is the argument put forward. The performance of our investments will really depend on the performance of the bank overall and its profit, and one component of that will be whatever fees are driving through to the consumer et cetera, but not necessarily—

MR SMYTH: But if the banks are putting up their interest rates to cover the cost of borrowings, even if it is overseas, that ultimately must help their performance, which in turn—

Mr McAuliffe: If we have got, say, shares in the Commonwealth Bank, for example, and if the market prices those shares and that share price increases because the evaluation of that particular share is that it is going to increase profitability, long-term earnings and those things, certainly, that would translate into the share price and increase our valuation.

MR SMYTH: So does the government have significant holdings in the four major banks?

Mr McAuliffe: I would have to look and see what our actual exposures were, but we would pretty much have whatever the typical index is. We would have that equal exposure to the index weighting in most cases.

MR SMYTH: Could you take that on notice and tell us what holdings we have in the four majors?

Mr McAuliffe: Just the top four banks?

MR SMYTH: Yes, the top four will do. If it is easy to do a few more, go for your life.

MR HARGREAVES: Can I follow up on that one. How often do you actually look at the level of investment in bank shares and things like that? Do you do it annually? Do you do it every time there is—

Mr McAuliffe: We engage specialist managers to manage our portfolios. There is a mandate. If we use the Australian market, for example, we will have some exposure to the Australian share index, the ASX300. So whatever the capitalised weighting of each particular company in that index is, we will have exposure to that through the index fund.

Where we have some active specialist managers and they are trying to take a segment of that index and outperform the index, they will make the decisions based on how they view all the individual stocks within the industry, the sector, how the economy is performing, all of those long-term forecasts, and they will adjust their weights over time. They will look at things daily but typically they will not make massive changes within the portfolio, not on a daily basis. They have their own review processes that they go through to change their strategy. So it might be quarterly, it might be six-monthly, in terms of really big changes.

THE CHAIR: While we are talking about investment, I would like to get your views on this. In June, Ms Hunter asked a question on notice about whether we had investments in about 12 different companies which either manufacture cluster bombs or are involved in the simulated testing of nuclear explosive devices, and the answer was, “Yes, we are exposed to them.” How do we apply PRI principles to cluster bomb manufacture? How do you work out that they are acceptable in those principles and what processes do you go through to get that?

Mr McAuliffe: I think this gets back to people’s interpretation of what they see the principles being and what the principles stand for, as opposed to adopting an ethical or values-based framework. Our view, and the way we apply the principles for responsible investment, is that it is about ensuring that the assessment of every investment is incorporating a whole range of factors. That might be future earnings of a company, what sort of issues the company is involved in and those sorts of things, and you break down that assessment to all the parts to come up with an appropriate evaluation.

We are trying to get our investment managers to look at the universe of stocks and make an evaluation as to where they think that investment stacks up relative to other investments. So if it is a legal product, if it is a legal business, that is the assessment that is made.

MR HARGREAVES: To what level do you actually micromanage that? This is going to Ms Le Couteur's position.

Ms Gallagher: This is the point that the public accounts committee is going to solve for governance now and into the future.

MR SMYTH: Solve?

THE CHAIR: Great.

MR SMYTH: So what we come up with, you will accept, then, Treasurer; is that what you are saying?

Ms Gallagher: I will be very interested. I was very happy to have the matter come here because I do not think it is an easy one.

MR SMYTH: Because you did not want to deal with it?

Ms Gallagher: No. I have certainly put my mind to it, and I think Treasury has put a lot of work into it too. I think you would agree that it is not easy and greater minds need to be applied.

MR HARGREAVES: Such as ours, in fact.

Mr McAuliffe: If there is a policy position in place that we are going to exclude certain industries and certain things then we will go and get that implemented. At the moment, that is not the policy.

MR HARGREAVES: I guess what I am interested in knowing is—and it will assist the inquiry as well, by the way—the degree to which the micro-management comes in. You indicated that in some aspects you have got financial managers and specialist managers out there. Quite clearly, you are engaging expert advice. You do not want to buy a cow and get your milk delivered or whatever. To what level do you actually instruct those people in the micro-management of those investments?

Mr McAuliffe: The starting point for us is to develop an overall strategic allocation target. Going back a step, the superannuation account is probably the easy one to use. We have got a target return requirement of that, or an objective of that, of 7.5 per cent nominal over the long term. So we try to look across the whole spectrum of asset classes available to us based on forward-looking capital market assumptions around those asset classes and what sort of weighting we want to allocate to the various asset classes. That is at the highest level—20 per cent Aussie equities, 30 per cent in national equities and so forth. So we establish that high level allocation.

From there, we then go down to the next layer and we try to work out the best risk-adjusted way. We only want to take as much risk as we think is appropriate to try and deliver that return. How do we want to then try and implement that strategy to get that? We start off with the market, and the market is your index return. So we say, "Let's allocate X per cent in terms of index," and then we might say, "Well, let's have a bit of active management in there." Active management is not necessarily all about trying to beat the market in terms of: if the market returns six per cent, we get nine per cent. You have active management that can respond to changes in the market. It might actually work as a defensive mechanism to be able to make some changes to your strategy so you just do not go with the market all the time. So it is to help manage those market moves.

We establish that high level implementation and then we try and find managers that will help us deliver that. We will set broad mandates that are along those lines. We also look at the style of the manager. You might have an equity manager that has a values-based style. So you are looking for companies that are going to continue to offer really solid dividend returns and those sorts of things. You have got ongoing value. Or you might look for a growth manager. They specialise in companies that are going to keep getting heaps of capital growth through their business. That is about as far as we go.

MR SMYTH: The Chief Minister was quite critical, particularly of the Commonwealth Bank, Treasurer. He said people should be cynical and quite angry about the blatant grab for cash. Will the Treasurer be directing the investment funds away from banks like the Commonwealth if they are doing this sort of activity?

Ms Gallagher: It is not the strategy the government has taken in this place that I can recall that we make directions to Treasury about certain companies in or out. I think partly that is an issue that the public accounts committee can look at to see whether there is opportunity for governments or the Assembly to make those sorts of decisions.

MR SMYTH: So the government, through the Chief Minister, will be critical of the banks but will not be divesting itself of its interests in those banks?

Ms Gallagher: I think it is fair for the Chief Minister to make those comments around what occurred two days ago. I think other heads of state have made that as well. I think it probably does need to be separate from whether or not at any given point in time we have shares in a bank.

MR SMYTH: But we have just heard potentially a rate increase is good for the investments. On one hand you are happy to take the dividend but, on the other hand, you are willing to criticise because it is hurting people. Are you not, therefore, part of that problem? And is it not a hypocritical approach to have one arm of government criticising the banks and the other arm of government saying, “Well, gee, it improves our position”?

Ms Gallagher: As I think you do understand, Mr Smyth, the ability for governments to select winners and losers in their investment accounts is fraught. The minute we start doing that it potentially compromises our investment strategy, which is, remember, that we are trying to earn money to pay for our superannuation liabilities in particular. I am not going to sit here and direct Treasury to do something like that on a one-off basis because it is potentially an issue at this point in time that has a much longer term impact. Where do you stop if you are going to do that? Where do you start and where do you stop?

MR SMYTH: It is a reasonable question, but the Chief Minister has said people should be angry—

Ms Gallagher: I think these are the issues that your committee needs to go through. I do not think that they are easy and I do not think they require knee-jerk reactions. If we are going to make changes to the way we manage our investments, let us be—

MR SMYTH: So the Chief Minister's reaction was knee-jerk?

Ms Gallagher: It is about a separate matter, Mr Smyth.

MR SMYTH: Well, they are not. They are inextricably linked.

Ms Gallagher: I think you are linking them. I see them as a separate matter.

MR SMYTH: No, no. If the banks are performing better, your superannuation funds perform better.

MS GALLAGHER: I think the issues you raise are fraught, and I welcome the committee's inquiry. I look forward to participating. The Treasury will implement whatever the Assembly determines in terms of any legislative reform.

THE CHAIR: Just before we go to Mr Hargreaves, I will just let everyone know that we are planning to go to 11 for morning tea because we realised that we did not have as much time for Treasury as Actew, and obviously that was not reasonable. Mr Hargreaves.

MR HARGREAVES: Thank you very much, Madam Chair. Is it a wise move to be inside the tent and critical and influencing the long-term arrangements? Is that not a little bit more wise than standing outside a tent, divesting and then being critical and having nothing in your pocket?

Ms Smithies: Well, that is the philosophy that is under the PRI. That is exactly right.

MS HUNTER: I just wanted to follow up on that because on pages 24 to 25 the report talks about proxy voting. I just wondered if you could clarify the table on page 25. It is at the top. Does it mean that of the approximately 5,370 items we voted on, we always followed management's recommendations? Is that what that table is telling us?

Mr McAuliffe: No. It is saying that there were around 5,900 voting items, of which around 4,870 supported the management recommendation and 489 were against.

MS HUNTER: So what criteria do Treasury delegates use when determining how they are going to vote? How do they go about that?

Mr McAuliffe: I am sorry?

MS HUNTER: How do you go about that?

Mr McAuliffe: We do not make any individual voting decisions or directions ourselves. We have delegated that to each of our managers. We are aware of each of the managers voting policies and the issues that they will consider in making their policies. Their policies will go into things like remuneration reports—how they are going to vote in regard to those—directors and conflicts of interest. There are a whole range of things in each of our managers voting policies. We look at those to make sure that we are obviously comfortable with them, but we do not direct any votes to the managers themselves.

MS HUNTER: So you feel that, by looking at their policies or whatever, you are confident and comfortable that you are having some influence or some say? I am just following on from Mr Hargreaves when he said that it is better to be in the tent and having a say. So you are confident that you do through that process?

Mr McAuliffe: We do. The managers do not do it in isolation either. All the managers—it does not matter who they are—use some of the big firms such as RiskMetrics and Glass Lewis. They are all specialist organisations that go through all voting issues and provide advice to pretty much all the managers. So the managers will take on board the advice that they get from these organisations—ACSI is another one that provides voting recommendations—and then they will overlay that with their own internal thoughts about a particular company.

If we brought it in-house, we would have to purchase that advice. We would have to somehow make a decision on potentially 5,000 individual voting items. We have got to weigh up, obviously, the ability to be able to do that, for a start, and the real benefit to doing that. We see all the voting items. We get the voting outcomes quarterly, so we get to see what people are voting on. We know that many of those management votes against recommendations were around remuneration reports and things like that. So we do know what is being voted on.

MS HUNTER: Is that before or after the vote is taken?

Mr McAuliffe: It is after the vote is cast, yes.

THE CHAIR: So you never look at it when there is a company which is involved in more risky activities. We have just talked about—

MR HARGREAVES: Nefarious.

THE CHAIR: Risky activities. We have just talked about the Commonwealth Bank as the most recent example. You never look at those more high profile issues and say, "Yes, we want to do something because we have a view on it"?

Mr McAuliffe: I am not sure that we have—

Ms Gallagher: In the Commonwealth Bank's case, your and Brendan's questioning is that, because they have put up interest rates, that is going to increase our investment return. Those two things are not necessarily linked. I hear what you are asking. I am surprised that Brendan is arguing this line, because it is opposite to what you have argued on radio. You are saying that because the Commonwealth Bank have done something that is unpopular with the community then we should get out of the business of having shares in them. I do not think that that is a sensible way to manage your long-term investment strategies.

THE CHAIR: My question actually was—

MR SMYTH: So the Chief Minister is wrong then? His comments are wrong?

THE CHAIR: My question—

Ms Gallagher: No, the Chief Minister was commenting on an increase in interest rates and the impact that that would have on homes and mortgages and repayment costs. The point that you are trying to link is to say that he is complaining about this, yet he is going to benefit from it. There is no evidence available to us that would necessarily link those two things. Potentially, their investments will go down.

MR SMYTH: I am sorry, but the Under Treasurer just said that they have to cover their costs. If they are not covering their costs, they are reducing the profit.

THE CHAIR: I actually asked—

Ms Gallagher: If you had listened to what the Under Treasurer said, the Under Treasurer did not say, necessarily, that investment returns would go up because of this decision. You have jumped there and are having a go both ways.

THE CHAIR: Ms Gallagher—

Ms Gallagher: I think it shows the stupidity of what is essentially being asked here—that we should get out of something. Because it is on the front page of the papers it should direct the government's decisions around its investment strategy.

THE CHAIR: Ms Gallagher, that was not actually the question that I asked. The question that I actually asked was: where there is an issue of public policy—and I mentioned the Commonwealth Bank because the Chief Minister had commented on it and we had been talking about it and, clearly, if the Chief Minister comments, it would be an issue of public policy—would you then take that into account in terms of your decision making, because the issues which your professional advisers have to look at are potentially quite different ones? They are not the ACT government. Their interests are more financial. The ACT government has public policy interests. Where the two coincide, do you look at public policy interests in terms of voting? I was not asking about divestment of investments at all.

Ms Gallagher: The Treasury follows the government's decision around following the principles for responsible investment. That is the policy the government has set for the Treasury.

Mr McAuliffe: I would not agree that fund managers that make voting decisions on items put up in front of them are all about financial outcomes. Many of our managers and managers that are not our managers are all signing up to things like the PRI. They are all concerned about ensuring that appropriate consideration of a whole lot of environmental, social and governance factors—all sorts of factors—is built into their thinking. If they were blinded by financial outcomes then I would think we would have some concern. I think that over that long term they are voting in the broader interest.

THE CHAIR: Ms Hunter, I believe, has some more questions.

MS HUNTER: I was interested that you have on board some new consultant appointments. I am assuming that these are the same people for both the territory banking account and the superannuation provision account. I am wondering whether you could tell us their role, how that fits with the existing investment managers' arrangements that you have on board and what are these new appointments being paid.

Mr McAuliffe: Essentially, we put on a new asset consultant, Towers Watson. Our former asset consultants were a firm called Russell Investments. Russell Investments had a number of functions that they performed. They not only provided direct investment advice but they also ran a lot of multi-manager platforms where people could go in and buy into these platforms.

Over recent times, going back 12 or 18 months, I guess—and this was after we had put them on as our asset consultant—there was a bit of a change of focus within that business and they tended to be focusing more on their multi-manager platforms, becoming more of a fund manager as opposed to providing core investment advice to us. There were a lot of changes within the organisation. The consulting team that we originally engaged moved on, so we terminated that contract midstream.

We then went through a tender process. There are not a lot of large-asset consulting firms out there to choose from. The field is down to a firm called Jarna, Towers Watson, Mercer and Frontier. That is probably the field out there. Following a public tender process, we appointed Towers Watson.

Their role is to provide a range of things for us, starting from the high-level, strategic asset allocation advice, capital markets assumptions about how they view the various asset classes performing over time so that we can build our allocation decisions on that. They also help us pick our funds managers, based on our particular needs. They provide ongoing monitoring of our funds managers. They look to see through a manager and if they see something is happening internally that we may not see they will be on to us so that we can consider terminating, all those sorts of things. They also provide ongoing performance monitoring of not only incumbent managers but other managers that we could alternatively use. So that is pretty much their role.

MS HUNTER: And as part of that tender process, you looked at how they demonstrated and how they applied ESG criteria?

Mr McAuliffe: Part of our tender criteria was their ability to advise on ESG issues.

THE CHAIR: In the short amount of time that remains to us, I might ask a question on a totally different subject.

MR HARGREAVES: What, sport?

THE CHAIR: Not sport but we will be talking more about investment. Efficiency dividend plans—can you talk about how Treasury assesses these? What feedback is provided to agencies and vice versa? Has this been done for all agencies? Where are we up to?

Ms Gallagher: The efficiency dividend is a cabinet decision. It is not a Treasury decision. Treasury is involved in assessing agency plans around whether or not the efficiency dividend is being met. It does provide advice to the cabinet around that one per cent or 0.5 per cent and whether the initiatives or the criteria that are being used actually add up to the one per cent or the 0.5 per cent that has been required.

THE CHAIR: So it is purely arithmetical advice that the Treasury provides about that? It does not make any commentary about the appropriateness, usefulness—

Ms Gallagher: There is broader advice, yes.

MR SMYTH: So in regard to the cut in the education portfolio to children with a disability, was Treasury supportive of that cut or did Treasury raise, as you say on page 5, the potential risks involved in that?

Ms Gallagher: The department of education is currently consulting around those measures. Budget cabinet will be meeting in the next few weeks—

MR SMYTH: Hang on. They had proposed them as cuts and have now reviewed that decision. They are looking for other measures. So the original cuts that would have seen places like the Shepherd Centre and Noah's Ark lose their funding, did Treasury agree with those cuts or not?

Ms Gallagher: I am not sure the Shepherd Centre was included in any efficiency dividend. I think you will find, if you go back and have a look at that, it was a different arrangement where some commonwealth funding was lost and we had to find some additional resources for the Shepherd Centre, which were found.

But in relation to the efficiency dividend that education are consulting over and the changes for next year—and all agencies are doing this—every single agency is managing this process. The government has set the target. Agencies need to go away and work out how best to achieve that. The government have set a general theme of trying to maintain employment and ensure continuity of service as we try to recover our budget, making sure all of the agencies are meeting the dividend. Meeting that criterion is getting harder and harder.

In Health alone, we have got to find $10 million this year. It is not easy. It is hard. But what do you want? Do you want deficits going on for ever?

MR SMYTH: The $4.5 million you had for consultants, how much of that has been spent?

Ms Gallagher: $380,000.

MR SMYTH: Is there an expectation that the rest will be spent this year?

Ms Gallagher: No. It was always—and you know this—the upper limit.

MR SMYTH: It is on page 79 of your document. It still exists then?

Ms Gallagher: It was the upper limit. There was a cap provided there for ERC, the expenditure review committee, to access should they need particular pieces of work. It was never the expectation that they would spend all of that in one year.

MR SMYTH: Will it be surrendered as a saving?

Ms Gallagher: It will be returned if it is not needed.

MR SMYTH: When will you determine whether you need it?

Ms Gallagher: When the work of ERC is finished, and it is ongoing. ERC is not for just one year. It is going to be in place for some time as we seek to find the savings to return the budget to surplus.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Turning to something completely different, I have a very short question. I am looking at page 28 of volume 1 and trying to display my green credentials, as always. I note that there is a mixed bag of achievements against the triple-bottom-line reporting but I am particularly interested in the greenhouse gas emissions.

You have indicated that you have got three fewer motor vehicles on the road. I presume that was a contribution to that. But they are pretty impressive figures in terms of the reductions from 2008-09 to 2009-10. I would like, if you have got a couple of minutes perhaps, you to let us know some of the initiatives that you have gone through to get them.

Ms Smithies: I will ask Kirsten Thompson to come up and talk about this. She can cover off the ones I do not get to. The department has gone through a lot of effort in relation to our energy usage, our waste et cetera, including for the second year in a row having the ANU green steps program in to go through our garbage bin, see how we are generating our waste, provide us ideas in terms of how we can minimise our waste, different waste streamings et cetera. The first year was about setting some targets. The second year was around confirming those targets and having a look at how we were going against those.

Certainly, as part of our efficiency dividend, we have had a heavy move towards double-sided printing, which has shown a significant reduction in our paper usage et cetera. We have done things like that. The building, which is actually managed by Chief Minister's, now has some smart metering in it so that we can understand the consumption of gas versus the consumption of electricity in the foyer areas and house areas versus within our tenancies.

We have also implemented a resource management plan for this financial year and the next financial year, which also looks at the measures that we can go through in terms of minimising our waste and the usual around compostable bins, apple core recycling et cetera. Yes, we have done a lot of work on this. Kirsten?

Ms Thompson: The only other major contributor that has helped improve the reduction in greenhouse gases is the increase in our renewable energy purchases from 10 per cent up to a little over 32 per cent. Yes, that has contributed significantly, along with the reduction in the transport usage.

MR HARGREAVES: On a similar theme, I note you have got some pretty spectacular numbers in resource efficiency and waste, particularly in recycled paper. Going up by 243 per cent is pretty clever. Am I seeing a cultural and attitudinal change in the workplace, at the actual workstations across the department?

Ms Thompson: Yes. It is a combination of things. It is a combination of that cultural change, putting messages in front of people, "The coffee cup you have in your hand, don't just throw it in the bin, put it in the co-mingle bin." But it is also us getting a better handle on the data and what actually goes into our waste, and that is why we do the waste and recycling audit every year. For this next coming year, which we will probably do in about March, we are going to concentrate on the methodology. Although we know we are getting the data, we just want to have the confidence that we have the comparability between the years.

I believe 70 per cent is more an accurate representation of our effort as compared to last year. And with the improvements in the collection and measuring methodology, we hope to get better and more comparable.

Ms Smithies: There are the procurement processes which move heavily towards giving us some really good data on our use of recycled products and green products as well. So we are now getting the data through, which heavily informs all of our divisions in relation to what they purchase through those contracts. I think that has certainly been embraced through the department.

THE CHAIR: Ms Hunter, a very quick one.

MS HUNTER: A quick one, with a couple of minutes to go, on page 33, the section around community engagement. I was interested in the number. It was around the consultation on the CTP, and it said that you had consulted with 249,000 people. That seemed an extraordinary number.

Ms Gallagher: It does. I do think 249,000 sounds a bit high.

Mr Broughton: I think that is a mail-out that goes with every rego.

MS HUNTER: So a mail-out is considered consultation, or is that just around information?

Mr Broughton: It is really more about information. That particular mail-out was in relation to the—

MS HUNTER: It is more a one-way street.

Ms Gallagher: It does say "information for the general public".

THE CHAIR: Did you have a question that would only be half a minute?

MR SMYTH: I do. On page 5, the very first line is:

> Treasury's objective is to promote the Territory's financial position …

How do you define "promote"? "Promote" seems an odd word. Surely it should be "improve", "enhance", "solidify". Treasury should do many things. I never thought of Treasury as a promoter.

Ms Gallagher: Treasury, as a promoter?

Ms Smithies: Promote as in to advance, not as in to advertise, but promote as in to advance, to move it forward. That is how I use the word "promote".

MR SMYTH: But it is used a number of times in the document. On page 7, it says:

> Treasury will continue to promote the Territory's financial position …

Ms Smithies: To strengthen, to advance, to improve.

Ms Gallagher: We take your point.

MR SMYTH: On capital works reports, you promised to table one in the Assembly, I think, in the August sitting. I think it was tabled last sitting. Was there a reason for that delay?

Ms Gallagher: No, I cannot think of any reason why there was a delay. Someone is looking at me. I thought you liked our capital works reporting.

MR SMYTH: I do. I look forward to it, but there was a lovely *Canberra Times* article, I think back in August: "This week I will table the capital works report." It never appeared then, but it appeared just recently.

Ms Smithies: I have just been advised that we were waiting for the audit, for it to go through the audit process, so that we could move the preliminary capital works figures into pretty much the final figures, just finishing the end-of-year processes.

Ms Gallagher: I will check up on that. If we said that, we should be a bit careful, yes.

THE CHAIR: Thank you. I am afraid I am going to have to declare the hearing into Treasury adjourned.

Ms Gallagher: We are coming back after this. Treasury is coming back again; so it is not your last opportunity.

THE CHAIR: We always enjoy your company, Treasurer.

MR HARGREAVES: I certainly do.

THE CHAIR: The hearing is adjourned for quarter of an hour for morning tea. We will resume with Actew. Thank you all very much for attending and participating this morning.

Meeting adjourned from 11.01 to 11.19 am.

THE CHAIR: Good morning, everybody. We will now resume the public hearing, and the proceedings will recommence with an examination of the 2009-10 annual report of Actew Corporation. On behalf of the committee, I welcome officials from Actew, and obviously the Treasurer, who is back again. Can I remind the people who were not here this morning of the beautiful yellow privilege card. Can you confirm that you have all seen and are aware of this. Before proceeding to questions, Treasurer, do you have an opening statement?

Ms Gallagher: No, I do not, Madam Chair, but I would like to say that the government has asked the chairman, Mr John Mackay, to attend today's hearings in case there are questions from the committee that should be directed to the chair. So Mr Mackay has kindly joined us today. He is sitting in the public gallery but if there are questions to ask the chair that could be asked early and then Mr Mackay could leave, that would be helpful. Other than that, I am happy to proceed.

MRS DUNNE: Could I just seek some clarification, Treasurer? What questions would be more appropriately directed to the chairman of the board rather than to the Treasurer or—I am just unclear.

Ms Gallagher: For example, if there were questions around remuneration decisions of the board. I am just trying to prepare ahead. I am not saying that there might be. I do not want to direct the questions. I am just saying that we are trying to help the committee and have everyone available who should be available.

MRS DUNNE: Okay.

THE CHAIR: Thank you, Treasurer. Does anyone have any questions that they think would be appropriate for the chairman?

MRS DUNNE: I think I have a question which may, in that case, be flicked to the chairman of the board, Mr Mackay. There was a delay in the preparation of the Actew annual report, which seemed to be brought about by a delay in the AGM. I wondered what the background to that was.

Mr Mackay: I would have to ask Mr Sullivan to answer that question.

MRS DUNNE: I think that is a hospital pass!

Mr Sullivan: There was a delay in the annual general meeting which was basically a scheduling issue around getting our shareholders to be able to attend. Once we had that date in place, that then set out the schedule for the production of the annual report and tabling of the annual report, and we stuck to the schedule once we held it.

MRS DUNNE: So it was the Chief Minister and the Deputy Chief Minister's fault?

Mr Sullivan: No, I am not pointing a finger. It is just a scheduling issue, Mrs Dunne.

MRS DUNNE: But you know ahead of time every year what the reporting date is, so how is it that the reporting date fell over this year?

Mr Sullivan: We spoke with the Speaker's office about that. The fact was that we were trying to schedule it in time to have it lodged within the usual lodgement dates, and we could not get a date when we could get the board and the shareholders together before the day we held the meeting, and then we held the meeting and we tabled the annual report. The annual report was prepared and ready, but until the annual general meeting, it could not be released. We had the annual general meeting, I think, on the Tuesday, and we lodged the documents with the Speaker's office on the Thursday, and they were released on the Thursday night, I think—Friday morning.

Ms Gallagher: 8 October.

THE CHAIR: No other questions that we think we need Mr Mackay to answer?

MRS DUNNE: I do not know. I have a question of a general nature, and this is a policy matter to some extent as well. Actew pays a 100 per cent dividend to the government every year, and that has been a practice for a long period of time. But in the current circumstances where Actew is out in the market borrowing large sums of money for capital works, has there been any rethinking of the idea of paying a 100 per cent dividend to the territory and, therefore, driving up the costs of borrowing et cetera?

Mr Sullivan: As you say, Mrs Dunne, it has been a practice since Actew has been incorporated of governments having a 100 per cent dividend policy. At least in the last few years, we have not had any capital extractions on top of the 100 per cent dividend policy. The Treasurer has, at the request of Actew, commissioned a review of dividend policy. That is being conducted by the Treasury, and we are awaiting an outcome of that.

MRS DUNNE: There was a consultancy listed somewhere.

MR SMYTH: Page 23 of the financial report.

Mr Sullivan: KPMG are doing a consultancy for the Treasury for them to be able to provide a report to the Treasurer, and the report is then going to come back to Actew.

MRS DUNNE: Treasurer, that is a policy not just relating to Actew but to other organisations—although there are not really any others anymore, are there?

Ms Gallagher: Well, Actew is the big dividend payer, of course.

MRS DUNNE: Yes.

Ms Gallagher: In fact, yes, that is right, because of the changes with ACTTAB. It is focusing on the Actew dividend, but it is precisely to go to the issues that you have covered and that Actew have raised separately with me.

MRS DUNNE: What is the timetable on that?

Ms Gallagher: I have not seen the finished report yet. I am hoping it is soon, because it has been going for some time, but, hopefully, in preparation for next year's budget.

Mr Sullivan: At the same annual general meeting, there was a resolution to pay our final dividend, which—

Ms Gallagher: Gratefully received by the shareholders.

Mr Sullivan: filled the 100 per cent of the dividend policy.

THE CHAIR: I might go to a question which I do not think will require the chairman. Page 10 of the report is about the Tantangara transfer. It mentions a proposed intergovernmental agreement between New South Wales and the ACT to cover the transfer of water. What will the MOU cover?

Mr Sullivan: Basically, it covers the conditions under which we can have water released from a New South Wales dam in the Snowy, which is traded water, so it is owned by Actew, and then for it to be transferred into the ACT, and it is not part of the agreement then as to how we take the water from the river across to Googong Dam. But it is basically to cover the fact that we are dealing in traded water and it is being released out of a dam in New South Wales down a river in New South Wales.

THE CHAIR: When do you expect it will be complete, and will it become a public document?

Mr Sullivan: The nature of the agreement is still being worked through. It may just be an exchange of letters between ministers responsible for water rather than a formal agreement. It will be an agreement between Simon Corbell as the relevant minister in the ACT and his New South Wales counterpart.

THE CHAIR: Do you think it will become public in whatever form it manifests as?

Mr Sullivan: I could see no reason why not, chair, but it would not be for me. All we need to know is that the agreement is in place. That is all we are after.

THE CHAIR: When is the agreement, in whatever form, likely to be concluded?

Mr Sullivan: I hope as soon as possible, because until it is agreed, we cannot conclude our commercial negotiations with Snowy Hydro.

THE CHAIR: Talking about Snowy Hydro, has there been a discussion about the renewable energy which will no longer be able to be generated because we are diverting water elsewhere? Presumably, that is the case.

Mr Sullivan: You can argue it is the case. With the environmental flows that go down that side of the Murrumbidgee River as well, I guess they have a similar impact on energy production. But we are certainly compensating Snowy Hydro for the loss of energy production.

MRS DUNNE: On the subject of the Tantangara transfer, Mr Sullivan, could you update the committee on where we are with the purchase of rights? It has been a bit of a movable feast as to how many rights and what level of security we would have, so could you update the committee on that?

Mr Sullivan: What we have bought are entitlements. We have 4.145 gigalitres of high-security entitlements and 12.523 gigalitres of general security entitlement. We currently have approximately 20 gigalitres of water in our water account. That is not entitlement; that is actual water. Against those general security entitlements, the New South Wales government make announcements as to what your allocation is against that entitlement, and now we are across years, so we are across accounting years, and we are getting the benefit of those increased entitlements. So in our actual water account now, we have about 20 gigalitres of water.

MRS DUNNE: What are the circumstances in which you can or would draw down on that water account?

Mr Sullivan: We could make a decision that we have sufficient or more than sufficient water for our own use, and we could sell some of that water on the temporary water market, so not lose any of our entitlements but sell—

MRS DUNNE: It is probably a bit of a—

Mr Sullivan: Prices are not high for temporary water at the moment, but it is amazing, there is always a market. We could do that. We cannot actually deal with the water as yet until we have in place the agreements. At the moment, we cannot draw it down in the way that we designed to draw it down. The only way we could draw it down would be if we decided to sell some of the temporary water on the market.

MRS DUNNE: If you draw down some of that 20 gigalitres, what is the cost of drawing it down?

Mr Sullivan: That is to be finalised with the commercial agreement. The largest cost will be in the commercial agreement with Snowy Hydro, and the largest element of that commercial agreement which we are negotiating is exactly the issue that the chair raised—that is, the lost opportunity cost for Snowy Hydro in energy production.

THE CHAIR: Just before the next question, Mr Mackay, while, of course, you are very welcome to stay, I do not expect there to be any more questions involving you, so if you have other—

Mr Mackay: I will not be very far away, so if something comes up, I can be contacted.

THE CHAIR: Okay. We can always put those questions on notice, of course. Thank you for attending.

Mr Mackay: Thank you very much.

THE CHAIR: I would like to continue with the Tantangara transfer. On your website it mentions there are a number of options for physically releasing water from Tantangara. Can you talk about these and why you have chosen the third option?

Mr Sullivan: Ross Knee is my Executive Manager, Water, and he is a hydrologist and an engineer. It is much safer, I think, having him talk about this, and we will put the clock on him, if you like.

Mr Knee: I presume you are talking about the release rates for the first 10 years?

THE CHAIR: The release rates and how you are physically going to do it?

Mr Knee: We have an agreement we are negotiating with Snowy Hydro. They will release the water. We are currently negotiating the periods at which we are going to release it. We are trying to understand when the best time to release it is. New South Wales is not keen for us to release it in spring, because we have already got the snow melt coming down the river, so the river is fairly full. We do not want to release it in summer, because there will be significant losses. So the intention is to have it mainly released in autumn and spring.

THE CHAIR: Are there any other questions about Tantangara?

MR RATTENBURY: Yes, if I can. That sounds like you are talking about an autumn and winter release?

Mr Knee: Yes.

MR RATTENBURY: Have you had any input from community organisations and water experts about the impact on the river of these releases?

Mr Knee: We have done a few studies in the past. The Tantangara has multiple uptakes now, so they can actually release it as close to the temperature of the river downstream. In the past, it used to have cold water problems from the releases, but apparently that is not the case any more. As far as we know, there are not any issues downstream.

Mr Sullivan: We are working closely with the Upper Murrumbidgee catchment group. From their perspective, they only see this as positive for the river. We are hoping, of course, that we secure as much of the water we release as possible to go across to the dam; they are hoping that we might lose a bit. Somewhere in between will be a lovely answer for the environment and the water security of Canberra.

MR RATTENBURY: If I can just come back to the MOU, Mr Sullivan, you alluded to the fact that, essentially, it is a matter of ensuring that New South Wales lets us do it.

Mr Sullivan: Yes.

MR RATTENBURY: Is that the only issue covered by the MOU, or are there other matters covered by it?

Mr Sullivan: It really is a matter you should take up with the department when they are before you. Clearly, New South Wales will use the exchange of letters or agreement to ensure their preferences—which Ross Knee has just outlined in respect of when we release water—are covered off. I would expect to see some material in the exchange about—I do not like using the word "conditions" because they are to do with other things like approvals—some requirements by New South Wales about release strategies.

We have made it very clear that we are going to work very closely with the New South Wales Office of Water, as well as others, about the release strategy. The fact that we are pushing this water down the Upper Murrumbidgee can be a great positive for the Upper Murrumbidgee.

THE CHAIR: Mr Smyth.

MR SMYTH: Thank you. I compliment you on the nature of the report this year; it is much more readable than last year's, so well done on having listened to that. On page 22, in the financial section, I notice that Actew only incurs borrowing costs on short and long-term borrowings. What other sorts of borrowings do you have?

Mr Sullivan: I do not think we have medium-term borrowings, Mr Smyth, but I will take it on notice.

MR SMYTH: I am just intrigued that other sorts of borrowings might not have costs. So if you can advise the committee—

Mr Sullivan: We will advise if there are any other borrowings.

MR SMYTH: We would all like to know. On page 38 of the financials, I would like to know how many returns from the shareholders there have been and, minister, how much money have you and the Chief Minister given over to Actew?

Ms Gallagher: In terms of borrowings?

MR SMYTH: No, a different question. How much capital have you returned to Actew?

Mr Sullivan: I will take that on notice and give you a list of the dividends, the equity extractions and any capital inputs to Actew over the history of—

MR SMYTH: That came from the shareholders?

Mr Sullivan: Yes.

MR SMYTH: Should that read "returns to the shareholders" or "for" rather than "from"?

Mr Sullivan: Yes. Thank you.

MR SMYTH: That is okay.

MR HARGREAVES: That is the one you put in there deliberately, was it, Mr Sullivan, just so that Mr Smyth would find it?

MR SMYTH: Exactly. In the annual report on page 13, I notice that, in comparison to the 2008-09 report, some of these statistics change. Is there a reason for the statistics to change? For instance, for sewage treatment per person, in the 2009 annual report the number is 83. In this year's updated report the number is 73. Is there a reason for that change? A number of them change. The 2007 figure in the 2008-09 report is 81, and in this year's report it is 79.

Mr Sullivan: There is no reason I would know why they should change, Mr Smyth. I will find out what the discrepancy might be.

MR SMYTH: There is a number of changes. It would be nice to have a footnote to tell us why they changed.

Mr Knee: I can answer the one on the sewage treatment. It is a combination of many things. A significant component of it is effluent reuse. It has increased over the years.

Mr Sullivan: No, the question is that in last year's annual report we said it was 79 in 2009 and in this year's report we are saying 73.

MR SMYTH: I know that it has dropped. Some of the previous numbers have changed.

Mr Knee: Sorry.

Mr Sullivan: We will have a look at that.

MR SMYTH: And there are quite a few in that table.

MRS DUNNE: While we are on that table—I have been meaning to ask this question for a couple of years—there were reviews of the capacities of the dams, and we can see that in 2006 and 2007 they went down. There were two processes, from recollection. What are the factors that led us to the conclusion to downgrade the capacity of the dams?

Mr Knee: The original surveys of the dams were done by a series of cross-sections at about every several hundred metres. The new method is that we get a boat that does a sonar circling of the dam. It gets the contours of the whole dam, so it is a lot more accurate.

MRS DUNNE: It is not, in the great scheme of things, a big reduction. But how often does this sort of activity take place?

Mr Knee: We normally only do it between five and 10 years or after a big flood event.

MRS DUNNE: So with a big flood, you might get a whole lot of sediment in, and that would reduce the capacity?

Mr Knee: Correct.

MRS DUNNE: Thank you.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: On page 11 with regard to the use of non-potable water, you talk about the total reuse at 13.6 per cent, and you say that you have developed strategies for the expansion of water recycling schemes to achieve the target of 20 per cent by 2013. Could you give us an idea what those strategies might be?

Mr Knee: We got a consultant to look at all the opportunities we could to increase that figure. The one we preferred was to put a recycling pipe from lower Molonglo up through Belconnen, connect it up to Southwell Park so we could utilise existing ovals and parks along the way and then ultimately connect it to the Molonglo development.

MR HARGREAVES: I notice you are going to Belconnen. Are you intending to go south to the real part of the world where God emanated from—Tuggeranong? In other words, is it intended that you will actually have branches of these things going out?

Mr Sullivan: Now that we have a department responsible for water policy and which has taken on responsibility for the think water, act water strategy, the whole question of the extension of recycled and reticulated water is one that is going to be addressed in that strategy.

MRS DUNNE: But that was going to be my follow-on question: to what extent is meeting that target the sole responsibility of Actew?

Mr Sullivan: We obviously have an operational responsibility, but we are not responsible for meeting the target. We have, in the past, been probably the principal adviser to government on how to do it. Now there is a particular department responsible for water, and David Papps has responsibility for the think water, act water strategy.

MRS DUNNE: To what extent, Mr Sullivan, is there a tension between taking water out of the lower Molonglo system and reticulating it back into town rather than releasing it back into the Murrumbidgee? What impact does that have on our net water?

Mr Sullivan: I do not think there is a tension in it, but it is a fact. It just is the fact that if you do not release it from lower Molonglo, it continues to be counted as used water and would then have to be accounted for under our current cap.

MRS DUNNE: So how is that not a tension?

Mr Sullivan: Because there is plenty of room in the cap to account for it. In fact, it is just a policy decision that says that this is an appropriate use of water—that is, to take it back through the system rather than use further potable sources.

MRS DUNNE: This may be a question for Mr Papps, but I would like your perspective as well: has there been any work done on the cost-benefit analysis of that?

Mr Sullivan: The think water, act water strategy is going to try and do that. To recycle water in the lower Molonglo sounds like an inherently good idea.

MRS DUNNE: It is a long way up the hill.

Mr Sullivan: That is it. To a degree, we are very fortunate in the ACT in that the place where we process our sewage is the lowest point in the whole grid. That means that, to move it back, we will incur significant cleaning and pumping costs. The think water, act water strategy is going to go right through that. I think it is very good that water policy in the ACT is starting to look at potable water, groundwater, recycled water and stormwater. How those potential sources of water that we use impact on the existing cap or on sustainable diversion limits in the future is something which is going to have to come into the equation.

MRS DUNNE: Yes.

MR SMYTH: Where does rainwater that forms on a roof fit into the equation?

Mr Sullivan: Rainwater that falls on the roof in the end either goes into people's rainwater tanks or it goes into the stormwater systems. The stormwater systems basically then flow into the ponds and lakes. Those ponds and lakes largely clean that water. There is some extraction from it. You will see extractions out of Lake Burley Griffin for, say, the National Botanical Gardens or the rights of the Royal Canberra Golf Club to extract water. There are other extractions negotiated by various other places. But then it flows into the rivers.

MR SMYTH: I had a concern raised with me by a constituent who was afraid that the government might now like to tax the water off the roof into a rainwater tank. Is that—

MR HARGREAVES: Stop writing, Treasury.

MR SMYTH: Is that under consideration.

Mr Sullivan: I am not involved in that.

Ms Gallagher: No.

MR SMYTH: Who is involved in it.

Mr Sullivan: Treasury would. We do not have taxes. The court proved that we do not have taxes.

MR SMYTH: Well, Treasurer, is Treasury looking at—

Ms Gallagher: No.

MR SMYTH: Is it looking at taxing—

Ms Gallagher: No.

MR SMYTH: or charging for the water that is extracted from rooftops into tanks?

Ms Gallagher: No.

MR SMYTH: No, okay. Thank you.

THE CHAIR: Mr Rattenbury.

MR RATTENBURY: Could I ask about the policy on sustainable development, which is dealt with on page 37 of your report. You mention Actew being involved in the be green campaign. It has a figure for reduced electricity use by kilowatt hours. Is that an annual figure or a cumulative figure? What percentage does it represent in reduction?

Ms Gallagher: Which page are we on, sorry?

MR RATTENBURY: The second last paragraph on page 37.

Ms Gallagher: Yes.

MR RATTENBURY: The question might be too detailed. You might need to take it on notice.

Mr Sullivan: I will take that on notice, but the be green campaign is a significant sustained strategy going on within ActewAGL and Actew. It is basically becoming automated to agree with a new building. Things like turning lights off when you leave rooms are now automated. So lights just turn off, but there still is a fairly large campaign in respect of turning off PCs and a limitation on other electrical appliances being in the building. I will get you some more information in respect of that—is it an annual number and what—

MR RATTENBURY: It would be useful to understand whether it is a one-off or a cumulative thing.

Mr Sullivan: Yes.

MR RATTENBURY: And a percentage of overall—

Mr Sullivan: Yes.

MR RATTENBURY: Thank you. In a similar vein, I wondered whether Actew is considering signing on to a sector agreement for the government under the new climate change legislation. Is it something that you have started to consider?

Mr Sullivan: I think whether we sign on to a new agreement with the government—of course, we have, at our own initiative, attempted to significantly reduce our greenhouse gas emissions. The board made a decision to fully abate the greenhouse gas emissions involved in the construction of the water security projects.

They went further and said that they wished to abate fully the greenhouse gas emissions involved in the operation of those assets. They have asked us to work further now in terms of attempting to abate the greenhouse gas emissions of our entire operations. We have implemented a significant amount of greenhouse gas abatement strategy. I think that if that means signing up to an agreement with the government and being a bit of a leader in respect of a corporation looking at its greenhouse gas emissions, we would be a natural candidate.

MR RATTENBURY: Thank you. If I can just move on to the Murray-Darling Basin plan, which I imagine others may have questions on.

MRS DUNNE: Not me.

MR RATTENBURY: I wondered if you could just give some indication of Actew's reaction to the proposed levels for the sustainable diversion limits for the ACT as outlined in the guide that was released several weeks ago now.

Mr Sullivan: Again, may I preface this by saying that I think at one level Actew's responsibilities will be an operational response to whatever decision the government will make as a result of the guide turning into a draft plan, turning into a plan, and being implemented. Then policy decisions will need to flow and Actew will have operational responsibilities, I am sure, coming out of those things.

One I think is that we as Actew, as has the ACT I think, have recognised the significant role that we play in the basin at its head and as its largest population base. I think that in terms of being the first territory and state that mandated environmental flows out of dams and things like that, we have been a responsible water user. The fact that we have had such a good record at the release of clean effluent into the Murrumbidgee River is a very, very positive thing, as has the accumulation of credits under all previous schemes and the fact that we are, I think, a good water citizen.

The guide—I think Actew again supports the fact that the Murray-Darling Basin problem, which I describe as a wicked problem; it has no easy or good answer; it is working out the least worst answer for everybody—is a must. The only worse result would be a collapse of the whole process, which I think is where the Assembly reached the other day. I think you got there in a good way. So we have basically provided and continue to provide technical advice to the department in terms of its participation in the Murray-Darling Basin Authority's discussions and fora. We attend the fora that we attend as observers and have our say.

There are clearly implications from end decision points. We are building our water infrastructure, as we have discussed many times before, based on climate change, population, demand management. We are not building our infrastructure based on an artificial constraint of water use.

If a sustainable diversion limit, whatever that means—and it is not clear yet what it means—is accepted as a total constraint on water usage, it would make some of those water security assets underutilised. If you decided to go outside of the sustainable diversion limit and, for instance, either purchase water on the market or whatever, it would not cause that problem, but they are policy decisions the government will need to make. It clearly would have implications for us as the plan develops and as governments determine their policy response to a plan.

MR RATTENBURY: I am interested in the implications—you have touched on it now—for example, for the enlarged Cotter Dam. It is unclear to me. If a sustainable diversion limit is put in place, that would mean that we would be constrained by what we could use out of the Cotter Dam whether we caught it or not?

Mr Sullivan: No, it does not constrain us in terms of—I mean, you have got to remember that sustainable diversion limits do not impact on the storage of water.

MR RATTENBURY: Yes.

MRS DUNNE: It impacts on the use, though.

Mr Sullivan: So a storage for water does not contribute at all to your sustainable diversion limit. What would go towards your sustainable diversion limit is your water usage. Now, government policy in the ACT is that we should have sufficient water storage to allow usage to restrict mandatory restrictions to a one-in-20-year event. If that remains government policy and we had a sustainable diversion limit which could not sustain that policy, the only real answer would be to either utilise existing water purchased through, say, the Tantangara scheme or to utilise further water purchases. They would be more. Tantangara is different in that it is physical water. The water purchases you would do under the latter scheme would probably be more accounting for water purchases.

MRS DUNNE: Virtual water.

Mr Sullivan: There is a virtual sense to it. The current policy is that we should have sufficient storage to limit our mandatory restrictions to one-in-20-year events. If that is maintained then Cotter will be properly utilised.

MRS DUNNE: Would it be fair to say to summarise your position, your exposition, there, Mr Sullivan, as follows, and feel free to criticise this summary: if we end up with the sustainable diversion limits as currently proposed, it does put a spanner in the works of the government’s current policy?

Mr Sullivan: Well, as I say, it would mean that we would have to advise government how to maintain their policy. The policy at the moment is quite straightforward—that is, there shall be. So if a sustainable diversion limit limited the capacity to implement that policy, it would either require a change in policy or it would require us to come up with an operational answer to say that you could still meet that policy, but it will require you to do these things.

MRS DUNNE: All of which are expensive.

Mr Sullivan: Not—well, nothing is not expensive, but relatively—I mean, we would avoid the very expensive—the expense of Tantangara is ensuring that there is physical water available to us and able to be released from a certain point to another point. The purchase of the Tantangara water rights is about $38 million, which is a fixed asset. It is not an operational cost. We then hold those water rights, and we use them every year.

MRS DUNNE: But there are annual operational costs.

Mr Sullivan: There are annual operational costs, but the more notional your accounting becomes, the less the cost of running it annually.

MRS DUNNE: Yes.

Mr Sullivan: If, for instance, you were basically saying to the commonwealth water manager, "Here are sufficient entitlements to top our balance up this year—the water is in the basin," that is all it may be. At one level, it could be a very, very simple transaction. Relative to very large capital works, water purchases are not that expensive, while not at all suggesting it is without expense or—

MRS DUNNE: But we have not really been able to quantify what those annual operating costs will be. I mean, you have to transfer the water, you have to—

Mr Sullivan: No. You see, you may not have to transfer the water. This is the difference. When we are talking about Tantangara, we are talking about needing to secure physical water.

MRS DUNNE: Yes.

Mr Sullivan: We have to work a scheme out which says, "Now, this water that we have purchased down the Murrumbidgee River is now physically in Tantangara." We then have to negotiate with the Snowy Hydro to say, "Rather than use it for energy production, we want you to release it on our side of the mountain." We need to plan that very well. We need to capture it, we need to transfer it, because we are talking about that drop of water; we want that drop of water.

MRS DUNNE: Yes.

Mr Sullivan: The difference in this sense would be—I mean, for instance, if Canberra had a sustainable diversion level around 40-something gigalitres of water and we wanted to use in 10 years time 50 gigalitres of water, it may be nothing more than to say that I have purchased 10 gigalitres of water entitlement and to say to the commonwealth water manager who, in the end, will probably manage this whole scheme that we want that entitlement transferred.

Now that does not require me to work out the transfer arrangements to find the physical water, to understand the release strategy. It just goes into the commonwealth manager's settling up of saying, "Yes, everything that Canberra used, that water would have come out of Cotter or come out of Googong, physically". So I would not expect, without being able to say I can be precise about this, I would not expect the transaction costs of managing such water to be extraordinarily high.

MR RATTENBURY: I cannot recall whether it was estimates this year or last year's annual reports hearings, but on one of those occasions, you indicated that the most recent annual figure of usage was around 18 gigalitres.

Mr Sullivan: Yes.

MR RATTENBURY: Which is obviously well under the current 40-gigalitre cap. How much would you anticipate we will be taking from the system with the current permanent water conservation measures in place now that we have moved out of restrictions and into the permanent measures?

MRS DUNNE: That is my question again.

MR RATTENBURY: Do you have a sense of what the figure will be?

Mr Sullivan: Look, under usual conditions—I mean, the fact that we moved permanent water conservation measures from level 3 to level 2 means nothing to nobody right now, because it rains.

MRS DUNNE: Yes.

Mr Sullivan: Our baseline water usage is our baseline water usage. We use 100 meg of water a day, which is our internal use of water. In a normal time, I would think that we would see our water usage probably—remember, 18 was probably the lowest we got to; we would probably move back towards the 30.

MR RATTENBURY: Already, or we will?

Mr Sullivan: No, will, in normal summer times. In normal climate times, I think it would be reasonable to expect us to move to within 30. Now, it is very, very interesting, of course. If you read the guide, for instance, and you look at what the guide believes is reasonable human water use and apply it against the population of Canberra, the Murray-Darling Basin Authority basically believes that Canberra should use about 43 gigalitres of water as a responsible water user.

So moving from 18 in a time when we had a need for water and the stringency of our level 3 restrictions to permanent water conservation measures where we move into, say, typical climate—I do not think there is a typical climate anymore—but moving from, say, a low use of 18 up to a use of about 30 would reflect very responsible water usage in Canberra.

It is why the government in its last negotiation basically held out for 40. I mean, at that negotiation, there was a view that Canberra should have a cap of around 30. The negotiating position of the ACT government was a simple one. That was that 40 was required, and it was achieved. We have banked now about 100 gigalitres of credit, which, of course, is another issue for the guide and the plan. That would be that, having banked credits under a credit banking scheme approved, what happens to those credits? Because the guide would suggest that they disappear.

MRS DUNNE: Yes.

Mr Sullivan: That would to me be something like a piece of property disappearing and the consequences of property disappearing are quite clear.

Ms Gallagher: It would be penalising us for doing the right thing.

Mr Sullivan: Yes.

MRS DUNNE: Mr Sullivan, is Actew making any submissions to the Murray-Darling Basin Authority on the guide, on the plan?

Mr Sullivan: No, we are basically providing advice to the department and to the government.

MRS DUNNE: You have input, but you are not making a stand-alone submission.

Mr Sullivan: We are not going to make a stand-alone submission because I think a stand-alone submission is really more on the policy issues. We will provide data and material. We have also offered the department our expertise, which they have accepted willingly. We have an interest in the government's submission being as accurate and factual as it should be, and we are sure about that, and then we are providing some policy advice for them to deliver, either take it or leave it.

MR RATTENBURY: If there were a diversion cap set at around 40 gigalitres—this is a bit hypothetical—does Actew have any modelling, once all the water security measures are in place, of what sort of population the ACT could sustain at that kind of a cap?

Mr Sullivan: We have not done modelling of what we would sustain. Our modelling was based on the fact that the current agreement between the states is a cap of 40 gigalitres, with a growth element then built into it which said that, as population grows, the cap will grow with population.

As we have gone through before, our water security assets basically are based around CSIRO's 2030 climate change expectations, the government achieving the water savings measures that they aspire to achieve and the Bureau of Statistics' highest level population growth figures. Basically on those scenarios we were saying that the current water security assets would sustain a population of up to 600,000. For the next 25 years, we would be able to sustain supply within the given policy parameter of one-in-20-year restrictions.

MR HARGREAVES: Is that for the ACT, the region or what?

Mr Sullivan: I think it is the region.

MR HARGREAVES: What is the figure now, about 500,000, is it?

Mr Sullivan: It is 380,000 or 390,000. But we only count Queanbeyan. We do not count Yass. We do not count Bungendore.

MR HARGREAVES: I can understand that.

Mr Sullivan: Only those communities to the south and west.

MRS DUNNE: Looking at your table on page 10—

THE CHAIR: Is this a new subject or still the same one?

MRS DUNNE: It is sort of connected.

THE CHAIR: If it is a new subject, we should go to Mr Smyth now.

MRS DUNNE: Perhaps it is a new subject.

MR SMYTH: In relation to the dam—and we have had a bit of rain recently—has the rain caused you problems or is the dam on time and on budget?

Mr Sullivan: The answer is yes to both. The dam is on time and on budget. The rain is causing a problem. It is not impacting as yet. If I were here four weeks ago, I would probably say the dam was ahead. I would probably say the dam is ahead of schedule and on budget. The dam is still on schedule but, over the last three months, I think we have had something like 40 or so rain days and they have an impact. What the rain has basically changed is the risk profile of these construction projects whereby we are now on permanent alert in respect of the Cotter and the Cotter going over the top.

We are about two-thirds of the way down the abutments and being on the abutments is better with rain than being on the floor. Once we are on the floor, our engineers are having to rethink their diversion strategies in light of the fact that there is no real sign of any significant buffer being able to be afforded by the dam itself, because our view is that the dam will probably remain full until early next year and will probably regularly go over the top until early next year.

MR SMYTH: When it rains, does it necessitate the stop of the pour or are you able to pour in the rain?

Mr Sullivan: Rain may affect the pour when we start placing concrete. We use placement rather than pour, because it actually gives you a sense of how it has worked. While it is still wet and pliable, it is a much drier material than a traditional concrete pour. Very significant rain would affect it. If the rain is not that significant, it does not affect it very much at all.

MR SMYTH: You mentioned risk and that the risk is the water coming over the spillway of the existing dam. Building sites are difficult at any time. Does rain increase the risk to the workers on such a project?

Mr Sullivan: Yes. I guess the two things that we have concentrated on at the site are safety and environment. Our criteria would be safety, environment, quality, price, schedule. After every rain event, there is a restatement of safety practices. There are geologists' inspections of any of the steep ground to ensure that nothing is occurring in terms of springs or water escapement and things like that and then there are processes around toolbox sessions and things like that to ensure that people are aware of the particular issues around safety on the dam site.

I think there is a good culture of safety on the dam site, and it is one that has been pursued and it is one, I must say, that I think even generally satisfies the CFMEU in terms of their concerns around safety on construction sites.

Ms Gallagher: Which is no mean feat.

Mr Sullivan: We have not had a bad record with the CFMEU. Environmentally, I think our environmental planning has proven to be very good. We have had, I think, five environmental incidents in the last X months, which are all around rain and overspilling. The system of drainage and ponds has worked very well. Certainly, the Environment Protection Agency have expressed their satisfaction informally. I should never say "formally" until I get a report saying, "You are all in the clear." But informally they have been very satisfied with how that has operated. So it brings a heightened sense of awareness around environment and safety, and it means you work harder at it.

MR SMYTH: Back to the workers, it has been injury free to date?

Mr Sullivan: No. No site is injury free. We have had our shares of sprained ankles, X and Y. We have had a truck turn over without injury. We have had a van turn over without injury. Motor vehicles are generally where you get them but we have just not had a significant safety incident in the work that is going on.

MR SMYTH: My father worked on Warragamba Dam about 50 years ago. We have a piston still at home that he salvaged from a truck wreck. That was his comment, that most of the damage at dams is—

Mr Sullivan: We have got an enviable task. Dams and fatalities, unfortunately, are two things that go hand in hand. We have a very firm objective, which I think is being carried through by everyone involved, and you just keep touching wood. You know that, if you do it well, your chances of something not happening are much better.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Thanks very much, Madam Chair. Mr Sullivan, I wanted to talk very briefly about sponsorships, community grants and things like that. I noticed on pages 34, 35 and 36 you have outlined the recipients of those grants in two groups—major events and community support programs. But I could not find in here—maybe it is my fault but I just could not find it—how much you gave the previous year. Was it the same amount of money? Is it a figure that is locked in or is there a greater amount this year than last year or whatever?

Mr Sullivan: I will get you the detail. But we did have an increased sponsorship budget this year. What we noticed coming probably out of the financial crisis and that was that a number of organisations were approaching us. They had a view that maybe a company like ours did sustain itself through financial crises better than others, and they are probably to a degree right; so we did increase our sponsorship budget and we significantly increased our sponsorship spread. We are basically supporting a record number of organisations.

We have broken it into major events and then community support. We break those community events into major events such as science, sport and the arts. With community support, I think it is fair to say that we said no to no-one.

MR HARGREAVES: You do not want to publish that too widely, however.

Mr Sullivan: I think they know our criteria. We do not say yes to individuals. If it is for profit, we need a very good reason why we would support a for-profit organisation. But we have been able to help. A lot of it is quite small but it is very useful.

MR HARGREAVES: I congratulate you on the list. I think it is a great thing that the company does. The only other thing I would ask about is this: you have given 3,000 bucks to the Geyser's Creek Rural Fire Brigade—I want to know whether Mr Smyth had an influence on that—as opposed to all of the other brigades. Your short answer?

MR SMYTH: You have got no idea what you are talking about!

Mr Sullivan: We have a particular relationship with that brigade without any regard to its membership.

MR HARGREAVES: For the record, I also have family in the brigade. I thank you very much. I thought I would just whack you on the spot. Thank you very much for that. I am done.

THE CHAIR: Mr Rattenbury.

MR RATTENBURY: Thank you. If I could ask about water restrictions, on page 17 of the annual report, in the outlook for the coming year, it makes reference to Actew conducting a review into temporary restrictions. Can you tell us when and how that is going to occur?

Mr Sullivan: Yes.

MR RATTENBURY: And, I guess, the objective of it.

Mr Sullivan: As we work towards a possible change in respect of water restrictions, we have been talking to the community and to industry around both the permanent water conservation measures, which are a measure in themselves, and then the temporary water restrictions, which are water restrictions. In 2005-06, when we first developed the scheme, we had a fair amount of consultation. In 2008-09, we worked very closely with industry experts, particularly the horticulture and irrigation people, about what should permanent water conservation measures look like and where would they like to see changes in terms of temporary water restrictions.

In late 2007, the government asked us to look at permanent water conservation measures, particularly as they related to infrastructure and industry. We completed that internal review of permanent water conservation measures in 2009. The permanent water conservation measures that we introduced on 1 November now include categories which were not in the old one, such as private and public swimming pools, ponds and fountains, commercial nurseries, commercial market gardens, turf-growing businesses, and the requirement for some larger organisations to complete water efficiency plans. That means that the PWCM have been designed to achieve a 13 per cent reduction in water consumption compared to non-restriction years, whereas the old PWCM version was aimed at about an eight per cent reduction against non-restriction years.

We now think that it is important that we review the temporary water restrictions scheme so that, if we are forced back into water restrictions, we know what tuning we can do to the water restrictions to help people through them. In our statement of corporate intent released at the end of the financial year, we indicated that we were going to conduct a review over the next 12 months.

It coincides nicely with, again, what I think was a reasonably good discussion in the Assembly and a resolution in the end around looking at PWCM. We are now planning on how we are going to conduct that review. We are encouraging people to ring us and write to us, but we will have quite a formal program of public consultation, including public meetings, on permanent water conservation measures and temporary water restrictions over the next 12 months.

MR RATTENBURY: Just picking up on something you said around, I guess, the baseline, you talked about a reduction compared to a non-restriction period. What is the actual baseline? What is the number or what is the year that you are using for a non-restriction period? This applies also, I guess, to the next dot point in the annual report, the ACT government targets for 2013 and 2023 and whether it is the same baseline or a different one.

MR SMYTH: 1871, they are using. It is true. It is on page 10.

Mr Knee: We have got a demand model that we have calibrated in the years in the 1990s, because we did some water conservation work back in the early 1990s. There was a drop in consumption then and, once we started restrictions in 2002, of course, we could not use that as unrestricted demand. So we have got this model that is calibrated over about eight years and we are basing all of our reductions on that. For permanent water conservation measures, there is an eight per cent reduction on that.

MR RATTENBURY: So is there an actual figure?

Mr Knee: Yes. It is very weather dependent. There is an average figure but it can vary from 55 to 75 in any given year, depending on how hot and dry it is.

MRS DUNNE: Over that 10-year period, what was the average?

Mr Knee: We tend to use about 65, in that order.

MRS DUNNE: I think Mr Rattenbury has a point, though. If we are measuring this—this is, again, a matter for the water minister as well—we do need a baseline at some stage. You either pick a year or you pick a range of years and come up with an average. Have we done that? We need to know.

Mr Sullivan: We can give you some material on this. It is not as simple as saying, "Let's pick a number." There are concepts of average in there but I think, if we gave you some material on this, it would help tremendously. Maybe at the briefings that we are offering in respect of water restrictions we can go into it in some detail and then, if there is a need to get that on the public record, we will work out how to get it on the public record.

MR RATTENBURY: I am interested in the context of a target such as the 12 per cent reduction. Mr Knee mentioned a band of 20 gigalitres. Your 12 per cent reduction actually sits in your band.

Mr Sullivan: Yes.

MR RATTENBURY: So I am interested in what the target is and where we are trying to get to.

Mr Sullivan: The Auditor-General, in her review of water, also got into this issue. In the end, I think she was reasonably satisfied but found it complex. And I am not judging anyone by finding that issue complex.

MR RATTENBURY: On the water restrictions, the *Canberra Times* gave a report a couple of weeks ago about the impact of easing water restrictions on Actew's bottom line.

Mr Sullivan: Yes.

MR RATTENBURY: Can you comment on that, perhaps not on the article itself but on the issue of what impact the reduction of water restrictions will have on income streams?

Mr Sullivan: Yes. If it does not stop raining, none at all.

MR RATTENBURY: Indeed.

Mr Sullivan: None at all.

Ms Gallagher: It is potentially the only upside to the budget at this point in time, though.

Mr Sullivan: Again, in a normal year, without water restrictions, volume of water sold will increase and revenue will increase and profit will increase. The *Canberra Times* probably looked at—if you look again at the SCI, you will see some assumptions in the statement of corporate intent, in that if you reduce restriction levels—in there, I think we had an assumption around level 3 this year and level 2 next year—you can see a shift in the anticipated profit from water as a result of that. I think they applied it against a few months and said, "You must be going to make $5 million," and I said, "Not if it rains." We would expect our revenue and our profit to increase if permanent water conservation measures are in place and climate is normal.

MR RATTENBURY: Okay, thank you.

MRS DUNNE: I would like to go to the Stromlo water treatment plant and the repairs that are being done there. I thank the minister for the informative answer to a question on notice.

Ms Gallagher: I had to read it a few times so I hope everyone else did.

MRS DUNNE: Mr Sullivan or Mr Knee, I know that the plant is scheduled to be out of operation for some time. When is it going to happen or has it happened?

Mr Sullivan: It is being negotiated. It gets into a whole lot of things, including flood contingencies for the dam construction project. In taking Cotter offline and taking Bendora and Corin offline for a prolonged period of time, there is an element of risk in it for us. So we are trying to work through how we manage that risk versus the need to close it down for a significant period of time to allow the repair work to go ahead. We have not concluded that.

MRS DUNNE: How long is the significant period of time, do you think?

Mr Sullivan: I will correct myself if I need to, Mrs Dunne, but I think it is about eight to 10 weeks.

MRS DUNNE: In that time we will be dependent solely on Googong water?

Mr Sullivan: We will use Googong.

MRS DUNNE: It had been put to me that it was already offline and you were drawing from Googong.

Mr Sullivan: We have had periods of it being offline which I would not say was not associated with the repairs but it is not to do all the repairs. I am quite happy to give you some times when Stromlo has been offline.

MRS DUNNE: Okay, I would like that.

Mr Sullivan: I do not want to suggest that it has not been offline and they have not done some of the work.

MRS DUNNE: But to effect all the repairs it would have to be out for a block of time?

Mr Sullivan: The project keeps growing, and I know you are interested in the fact that it keeps growing. For instance, we are now determined that if the thing is going offline and you have to replace your filtering media at certain times, it is probably far more economic to do that now. It may be six to 12 months earlier than we would like to have done it—

MRS DUNNE: That is the anthracite?

Mr Sullivan: Yes, including that. So we are now starting to talk about doing the filter material as well. The project is growing in terms of its complexity to ensure that we can do as much of the major maintenance that needs to be done in one go. But what I would like to do, if we have not covered it in previous material—I will get it in a nice, concise form—is to show when Stromlo has been closed down and during that time what work associated with this project has been conducted.

MRS DUNNE: In the current arrangement, Stromlo is online or is, generally speaking, online at the moment. Does that mean you are transferring water to Googong through the transfer—

Mr Sullivan: No, we have stopped transferring water to Googong. Once Googong started filling rapidly with the rain event of two weekends or so ago and it was clear it was going to hit 80 per cent, we took a decision to cease transferring water from Cotter to Googong.

MRS DUNNE: Why?

Mr Sullivan: Eighty per cent is a level at which we regard Googong as—you do not want to artificially increase it beyond that, because the chance of an overflow event becomes quite real. It is not really that good a practice to be artificially increasing it when there is that chance. In fact, we are, at the moment, releasing water from Googong. We are about balancing to keep Googong at 80 per cent. That, again, is because there is a construction project about to conclude at Googong.

MRS DUNNE: Yes. Could you, Mr Sullivan, on notice actually inform the committee about how much water has been transferred out of the Cotter system into Googong?

Mr Sullivan: I think it is about 14 gigalitres over time.

MRS DUNNE: Fourteen?

Mr Sullivan: Fourteen gigalitres of water.

MRS DUNNE: And over what period of time?

Mr Sullivan: That is over three years or so.

MRS DUNNE: Could we have a breakdown?

Mr Sullivan: Yes.

MRS DUNNE: Thank you.

Mr Sullivan: I will give you a breakdown by month, by year; is that okay?

MRS DUNNE: Yes, thank you.

THE CHAIR: Mr Smyth, a short question.

MR SMYTH: A short question? There is no such thing. Murrumbidgee to Googong pipeline: there has been approval?

Mr Sullivan: Yes.

MR SMYTH: What is the time line for construction?

Mr Sullivan: What we now have in terms of Murrumbidgee to Googong pipeline is ACT environmental approval and ACT development application approval. We have New South Wales environmental approval and New South Wales construction authority approval. We now have the commonwealth PER approval. What comes with several of those approvals are conditions, some of which are conditions which must be met before we can start construction, some of which are conditions which must be met before we can start utilisation. We are working through, with the ACT and New South Wales, in particular, in respect of going through those conditions and meeting them.

We have, as is our wont, established a site shed to mark our spot. We are doing some work at the Tharwa Sandwash, which is a recreation area on the Murrumbidgee River, to basically get that into better shape in light of the fact that Angle Crossing will have to close as a recreation area. We are proceeding, subject to National Capital Authority approval, to a turnoff on the Monaro Highway into Williamsdale Road, and we are proceeding with some weed spraying and some flora surveys.

That is what we are doing. The next step we are doing is actually now proceeding through our procurement processes. The commonwealth delay has basically caused many of our procurement processes to lapse, and we have had to renew them. We can now go and get firm prices again for our pipes and our pumps, in particular. So that will proceed. We actually believe we will start construction in January, and that will be on the ACT side, concentrating on the pump station and the Angle Crossing works.

MR SMYTH: With the commonwealth delay, is there an estimate of what it has cost you?

Mr Sullivan: No. I am hoping that within three to four weeks I will have a revised budget for the Murrumbidgee to Googong transfer. In saying that, I am not saying it is going to be higher. I am hoping it will not be higher. At the moment, I know that the commonwealth delay has cost me overhead, which we have attempted to minimise, but it has cost me overhead. What I do not know is the cost of the procurement. At the moment, steel is on the rise again, which worries me. But I will know that within four weeks. I intend to publish any change in estimate as quickly as I can.

MR SMYTH: Are the conditions that each of those steps has placed on you public?

Mr Sullivan: Yes.

MR SMYTH: Where would they be found?

Mr Sullivan: You can find them on ACTPLA's website in respect of the ACT, on the Department of Planning website in respect of New South Wales and on the commonwealth environment department website in respect of the commonwealth.

MRS DUNNE: Could you provide those—

Mr Sullivan: I can send you the web links.

THE CHAIR: Thank you; that would be very useful.

MRS DUNNE: Could I ask another question?

THE CHAIR: Is it very, very—

MRS DUNNE: Very, very briefly. In relation to the Murrumbidgee to Googong, where are you with land acquisition? It was a quick question. It may not be a quick answer.

Mr Sullivan: No, it is pretty fast. Basically, we have 11 landowners who have agreed to voluntary acquisition of the easement. We are in active negotiation with about another six or seven where we anticipate voluntary acquisition. We have one landowner who we know will not agree to voluntary acquisition, and then we have another three or four who may.

Now that the commonwealth approval is through, the New South Wales government will now formally address the processes of compulsory acquisition. We will be informing landholders that, once we get clearance from the New South Wales government, that process will start and that once that process starts, that is the process—we are no longer in a voluntary negotiation process.

We are not holding it over anyone's head. Some will prefer to go compulsorily, but we think that some will probably decide it is time to negotiate, get their extra two per cent and run. We have one very significant landholder who will not agree—or we will not agree to their terms for voluntary and they will not agree to ours.

MRS DUNNE: There is not a meeting of the minds.

Mr Sullivan: We are too far apart.

Mr Sullivan: At the same time, they are being cooperative, I must say.

MR SMYTH: That property is in the ACT?

Mr Sullivan: That property is in New South Wales, and there is cooperation from the parties as far as we can get it. So I am not being critical.

MRS DUNNE: Have any of the conditions affected the route at all?

Mr Sullivan: There is a property where there is a hard rock asset. In terms of the New South Wales planning department wanting to seek from us our approach to that hard rock asset, we have been dealing with the landholder in respect of any minor variations possible to the route of the pipeline to avoid or mitigate the hard rock issue. That work is ongoing, and we are planning another meeting with that landowner shortly.

THE CHAIR: Thank you. I am afraid that our scheduled time for this hearing with Actew has come to an end. I suspect that we will have questions on notice, in which case, members, may I point out that the committee did agree to three working days for questions following this hearing and that the answers to the questions taken on notice at this hearing as supplementary questions are due at the committee's secretariat on Friday, 14 January 2011.

Mr Sullivan: Tuesday, at 12.35.

MR HARGREAVES: That is when it finishes.

THE CHAIR: So could we have any supplementary questions by Tuesday, the 9th, members. On behalf of the committee, I would like to thank you, Treasurer, officials from the Treasury who are still here, and obviously the officials from Actew and your chairman who was previously here. A transcript will be provided to you as soon as possible for any corrections. I now formally declare this period adjourned until Mr Speaker appears, which I suspect might be very soon.

Short adjournment.

Appearances:

Rattenbury, Mr Shane MLA, Speaker, Legislative Assembly for the Australian Capital Territory

Legislative Assembly for the Australian Capital Territory Secretariat
Kiermaier, Mr Max, Acting Clerk
Duckworth, Mr Ian, Manager, Corporate Manager
Lilburn, Ms Sandra, Manager, Committees Office
Barrett, Ms Val, Manager, Hansard, Communications and Library
Skinner, Mr David, Manager, Strategy and Parliamentary Education

THE CHAIR: I formally resume this public hearing of the Standing Committee on Public Accounts and the inquiry into the 2009-10 annual reports. The committee at this time is examining the 2009-10 annual report of the ACT Legislative Assembly Secretariat. I remind witnesses of the protections and obligations afforded by the yellow card and draw your attention to it. Could you please confirm for the record that you are aware of the implications of this statement.

Mr Rattenbury: Yes.

THE CHAIR: Thank you. I thought I was fairly safe with the Legislative Assembly Secretariat. Before questions from the committee, is there a statement you would like to make, Mr Speaker?

Mr Rattenbury: Yes, thank you, Madam Chair. I will make a brief statement. I think that might help frame our understanding of the issues that will be raised.

MR HARGREAVES: You are not trying to lead the committee, are you, Mr Speaker?

Mr Rattenbury: Not at all, Mr Hargreaves. The Legislative Assembly Secretariat provides procedural and business support for the Assembly and its committees. I will touch on a couple of the highlights and key points that are contained in the annual report.

Members of the committee will note that total expenses for the Secretariat's departmental budget in 2009-10 were approximately $750,000 higher than the original budget. I would like to point out that this was mainly due to the transfer to the Secretariat on 1 July 2009 of the Assembly and government library, which was finalised after the budget was finalised. Members will also note that the transfer of funding for the library is reflected in the increased actual revenue, so that in net terms the Secretariat's actual operating result for 2009-10 did not vary significantly from the budget.

The Secretariat also re-examined the outsourced financial processing arrangements it had put in place with Shared Services the previous year and concluded there were advantages to be gained by bringing that function back in house. I can advise the committee that that move has now largely been completed.

The Assembly library and its staff were transferred to the administrative control of the Secretariat on 1 July 2009. That move has had minimal impact on the services formerly provided to ACT government agencies, and, subsequently, a service level agreement between the Assembly and the ACT library services has been signed.

The release of the Daily on Demand service has been well received. The service is often available within half a day of the proceedings occurring, and people are now able to search and view online segments of the Assembly whenever they wish. The system was developed at a relatively low cost, and its innovation was recognised when it was short-listed as a finalist at the Australian government's excellence in e-government awards earlier this year.

During the year, the Secretariat developed a new strategic plan to cover the period 2009-14. That plan sets out five goals for the Secretariat, and the annual report is structured to report on the Secretariat's achievements against each of those goals. Goal 4 is to work towards an environmentally sustainable Assembly, and work towards this is built on the momentum developed in previous years.

The building's boiler was overhauled to achieve a more optimal burn rate. As a result, gas consumption has been reduced by 14.7 per cent and greenhouse gas emissions by 16 tonnes. There are obvious economic savings arising from that. A new, more energy-efficient chiller was installed, and its operation was finetuned over the summer.

Movement-activated light sensitive hallway lighting was installed on the first and second floors—which I am sure members have noticed, if you are here after hours at all—and these and other measures have seen the Assembly's electricity consumption decrease by 11 per cent, equating to a reduction of 118 tonnes in greenhouse gas emissions.

The last couple of points I would like to make is that in May 2009 the Secretariat established an online survey to elicit public feedback about committee activities. The results of the survey will allow the Secretariat to assess and build more effective mechanisms for public engagement, which is the third goal of the strategic plan.

Members of the committee, they are just a few of the activities the Secretariat has undertaken in the past financial year. We, of course, welcome any questions arising from those comments or any other matter in the annual report.

THE CHAIR: Thank you, Mr Speaker. My first comment is that this is a very comprehensive report. Secondly, it is very pleasing to see the Secretariat making advances in terms of electronic delivery of things. I note that as well as Daily on Demand, which I think is great, you have got your little mobile phone scannie thing at the front. It is very good to see the Secretariat in the forefront.

One thing, though, that is not very good to see is the graph at page 79. It is a great graph, but the colours are so similar that trying to work out the difference between 2008-09 and 2009-10 is beyond my eyesight. So I make a plea for some more spectacular colour differences.

But the more relevant subject is that it seems you have done very well in terms of reducing gas and electricity usage. Do you think you will be able to continue the trend in the future? Is there more to come—or less to come, I suppose?

Mr Rattenbury: I think a lot of this has come primarily from the work of our building manager, in particular, in simply improving the building management system. In terms of how much more we are going to be able to achieve in the future, I do not know. We do not have a specific target at this point, but there is a process of continuing improvement. We have seen it with the installation of the tinting on the windows upstairs. I imagine that will have a particularly noticeable effect in the coming summer. There are ongoing measures, but we do not have a specific target at this time.

THE CHAIR: You mentioned the financial processing which you insourced again from the outsourcing. Are we anticipating financial savings out of that or a better process or both?

Mr Rattenbury: I will ask Mr Duckworth to comment on that.

Mr Duckworth: Thank you. The decision that we took was predominantly based on the cost that we thought we could do it for in house compared to the cost of having it outsourced. It is probably a little early to tell, because we are still bedding down a staffing structure and a new system, but we do anticipate that we would make savings in the order of $150,000 in a year. Because of the significance of that, it was a compelling proposition to re-establish a structure.

We had outsourced the arrangement because a loss of staff in late 2007 had left us a bit vulnerable. One of the vulnerabilities that we had back then was that we were operating a bit of a foreign system; it was not one that was widely known. The prospect of recruiting staff to come in and fill those gaps and learn a new system in a new organisation was a bit daunting. Our option on this occasion was to adopt a system called MYOB, which is quite widely used. We are quite confident that the risk that we faced previously is mitigated significantly by the fact that, if we were unfortunately faced with the prospect of losing key staff again, we would be far more confident we would be able to recruit people with at least an understanding of the system. So it was largely on that basis.

I think it was also the case that the model that we used when we were sending our accounts for payment to another organisation in a different geographical location just gave us some accessibility to records issues that made responding to inquiries from creditors a little more difficult and a bit more convoluted. But I am pleased to report to the committee that the new arrangement has bedded down quite well. We have still got some tweaking to do with some reporting and so on. By and large, we are very pleased with where we have gotten to.

THE CHAIR: Mr Smyth.

MR SMYTH: Just to follow that up, page 22 refers to “certain business risks”. That was only the potential loss of staff, or were there other certain business risks?

Mr Duckworth: We have acknowledged in all of our business risk management that our small size exposes us to a number of risks in many areas of the Secretariat where individuals have particular skills or intimate knowledge of our arrangements. We are very aware of that. Certainly in relation to this function, there was no doubt that that was the reason why we approached Shared Services in late 2007 to ask them if they could help us out of a bind.

It was really a recognition over the last year and a half that the risk we thought we had transferred to another agency—that is, what would happen if we lost key people here—was still a risk; it was still there. In fact, it was the announcement by Lisa Bennett in recent months that she was going that switched the light bulb on and drew to our attention that it was still a risk. But we have overcome that, as I said, by bringing the function back in at a lower cost and running a far simpler and common system. We are a small agency, too, and I think that is a key point to make. We do not benefit from the big systems that perhaps have been necessary to support other ACT government agencies.

MR SMYTH: So by bringing it in house, you are saving $150,000?

Mr Duckworth: That is our estimate.

MR SMYTH: Do we use Shared Services for any other service?

Mr Duckworth: We do not use their HR function. The Procurement Solutions part of their operations we use for higher end procurements, large tenders. Of course, they are also InTACT, and I think that is an issue that is—

MR SMYTH: Sure. Why were we unable to harvest savings?

Mr Duckworth: The methodology that was applied when the Shared Services group was formed, as I understand it—bear in mind, we were not caught up in the initial formation of the agency—was that agencies effectively surrendered their financial and HR resources. They kept the money but surrendered the staff, and Shared Services billed them for the cost. When we asked Shared Services to take over our business, they applied the same methodology. We were effectively required to identify the resources that we devoted to financial processing, and we handed those over. When the business was actually being conducted, we found that we still required some of those resources to actually prepare the accounts for payment and so on.

MR SMYTH: So is that the reference to where you say it was largely duplicated when processed by Shared Services? You had to get it to a certain level of processing, then they did the same work?

Mr Duckworth: Yes.

MR SMYTH: If I can just go back to (ii), the scan with compatible mobile phones to visit our website, is that for android technology, or is it compatible to all mobile phones?

Mr Rattenbury: That is not my area of expertise, Mr Smyth. We might just find somebody else. David, are you—

Mr Skinner: Mr Smyth, it is an open platform. If a particular mobile phone has that functionality to scan that image, it will shoot it off to a URL—universal resource locator—and it will take you to the website. So it is not tied to any particular platform.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Yes, I have a couple of questions. Page 52 talks about risk management and internal audit. At the bottom of the page it talks about the review of the risk register. Fifteen risks had lower risks scores than 2008-09, two had higher scores and five new risks were identified. What kind of risks?

Mr Skinner: Could I take that on notice, because that is in a particular piece of documentation. I do not have that off the top of my head.

MR HARGREAVES: That is okay. What I would like to know is what those risks are—what you perceive the risks to be. We have heard about one today, and I suspect there are more. Given that there are 22 identified there, I would like to know what they are. You indicate that two of them—congratulations on the 15 that are lower, because obviously there has been some sort of action taken to actually address that. That is fantastic. With the ones that are a higher risk, I would like to know, if you would not mind, what you are going to do about them and, of course, what the five-year risks are. My final question, which does not really affect you—I thank you very much for what you do—is that I would like to know exactly who is responsible for the picture on page 38.

Mr Rattenbury: Yes, it has been noted that that is the only picture of any of the staff members in the entire report.

MR HARGREAVES: I know this is a bottom-up approach, Mr Speaker; I am aware of that.

Mr Rattenbury: I believe that Rick is willing to sign members' copies of the annual report, if they so wish, for free.

MR HARGREAVES: This certainly does not match the firemen's calendar or the fire ladies calendar, but it is a good start, Mr Speaker.

Mr Rattenbury: I am sure our building manager will be miffed at your suggestion, Mr Hargreaves.

MR HARGREAVES: I think he should start off a calendar for the Assembly Secretariat to actually flog and give the money to charity.

Mr Rattenbury: I will canvass the staff for volunteers.

MR HARGREAVES: I am happy with that.

MR SMYTH: "Flog" being the operative word. On page 13, I note that the estimates committee was established significantly earlier than in previous years. Was it that much earlier to call it “significantly”?

Mr Kiermaier: From my recollection, estimates committees are usually established towards the end of March or those April sittings before we have the long break before the budget is brought in. This year it came in in February, which was the first sitting week of the year.

MR SMYTH: I notice that you then go on to say the early establishment allowed a greater time to finalise things. From the perspective of the Secretariat, having it in place quite early, did it ease the process and the burden for the Secretariat this year?

Mr Kiermaier: I would have to defer to the committee area to get some committee comment on that. That is what it was aimed at alleviating—any problems in the committee secretariat.

Dr Lilburn: Mr Smyth, could you repeat that question, please?

MR SMYTH: The second line says that the early establishment of the committee allowed greater time to finalise the program et cetera. So having the committee established early, in February, was of benefit to the committee office in getting the process in place?

Dr Lilburn: Certainly. As you would probably be aware, Mr Smyth, having been on estimates committees before, the program is something that we spend a great deal of time trying to finalise with members or ministers’ diaries to make sure that there is plenty of advance warning. Having the committee established early certainly gave us the opportunity to consolidate that program to ensure that members of the committee were happy with that and to then confirm it with ministers’ diaries early.

MR SMYTH: I noticed in the draft sitting pattern for next year the actual estimates hearings have not been included. In previous years, certainly on the printed calendar that is provided at the front desk, for instance, that is readily identified. Will the draft sitting pattern, when it comes before the Assembly, have proposed dates for the estimates committee?

Mr Rattenbury: That is something that I would not be able to comment on, Mr Smyth. As I think you are aware, the calendar is prepared by the manager of government business. I have just received a copy this morning for consultation. That is certainly something I can mention to the manager of government business, but I am sure others will mention it as well.

MR SMYTH: I note we have had the second year of engagement for the specialist adviser. Can we be informed what the budget adviser cost for both years?

Mr Rattenbury: I can tell you, Mr Smyth, that it was more this year than last year. It was around $25,000 this year, but I am happy to take it on notice.

Dr Lilburn: I think that is probably wise. It certainly was around $25,000 this year. It was considerably cheaper the previous year, but it was probably, again, a shorter period and a smaller—

Mr Rattenbury: My recollection of the previous year was around $10,000, $11,000, $12,000, but we will get the detail for you and provide it on notice.

MR SMYTH: Has any evaluation of the effectiveness of that assistance been made?

Mr Rattenbury: Not at this time. As you may recall, the administration and procedures committee undertook an inquiry as to whether we should establish a budget office for the Assembly. A range of options were considered in that process ranging from having a permanent staff member through to the service that we are currently operating. Certainly, the decision at the time—the recommendation of the administration and procedure committee—was that this was the most cost-effective approach for the Assembly. It was a relatively small cost compared to setting up a full-scale office for the size of the Assembly. But no formal review has been undertaken at this stage. No-one has made that suggestion yet. It is probably a good one and we will give some consideration to it. I will take it up with the committee.

Mr Duckworth: Could I just chime in too and draw the committee's attention to page 76, which identifies that the contractor was paid $27,000. That is listed in our list of contractors in table 14 on page 76.

MR HARGREAVES: It is the previous year, I think, that we were looking for as well.

Mr Duckworth: I think we will have to take that on notice.

MR HARGREAVES: You can get back to us on that.

Mr Duckworth: We will take that on notice.

MR HARGREAVES: Sure.

THE CHAIR: I might just touch on a question which I think we have had every time in the last few years, and that is internet speed. From my point of view, it seems to be getting even worse. Is there any likelihood of any improvement in the future? It is a matter of considerable frustration when you basically have to go home to use the internet.

Mr Rattenbury: I think that is a frustration shared by other members, Ms Le Couteur. We did have a meeting. This year the administration and procedure committee invited the head of InTACT to come and meet with us, at which point the committee raised a number of IT issues. We felt that it was useful to have that direct contact with the head of InTACT. Members have expressed a number of concerns about our IT service, including access to iPhones and issues around access to applications such as Skype and the like. We have certainly taken those issues up directly with InTACT. Perhaps on the specific question, Ms Barrett—

Ms Barrett: Thank you, Mr Speaker. I am afraid we regularly raise this with InTACT. They have conducted two surveys recently, which members might have participated in. They assure us that there have been improvements. They have made improvements to routers and so on. It is time dependent, I think. Members probably notice that around lunchtime it is much worse than at other times. There is, apparently, yet another upgrade to an internet server that they have in train. I believe that they postponed it recently because it might well have affected the sitting pattern. So that is in train.

We are constantly raising it with them. There is nothing that I am aware of that is going to improve the problem to any great degree. They seem to be working on it all the time. They are acknowledging the response, but they do assure us that they are working on it and it should be improving. I will raise it yet again.

THE CHAIR: Thank you.

MR SMYTH: Just on that, if the Assembly has moved away from Shared Services, is the option still there that we might move away from InTACT?

Ms Barrett: That is always an issue that is possible. We have certainly discussed this recently in the context of the manager of InTACT coming to talk to the administration and procedure committee. In 2003 there was an investigation into the options for moving to a different form of IT model, and a consulting company, Acumen, did a study of it.

The administration and procedure committee recommended at that time in November 2003 that we stick with InTACT. The cost differential that Acumen came up with was not particularly different. They did not identify that there were huge savings to be made one way or the other, but they did say that the figures really were estimates only and it was too difficult to estimate what it would cost.

There is nothing to stop us going to a new service provider. There is nothing to stop us getting an outsourced provider in, bringing the service in-house. I think the risks would be possibly the backup of the whole system, the fact that we would be wearing all the risk of the reliability of the service. There is a huge risk, I think, in terms of being able to recruit appropriate IT staff to be able to run the operation ourselves. There is, as there has been for many years, a shortage of good IT staff.

I think that having another provider carry the risk is probably more in our interests. Whether that should be InTACT or whether it should be somebody else is something that I need to discuss at more length with the Clerk and with Mr Speaker. My personal view is that it may not be worth getting another consultant in to do a bit of a review as to whether we should keep using InTACT or bring it in-house. We probably need to do a really thorough review of what the Assembly's ICT needs are and possibly go to market, possibly go out to tender and see who is out there who can provide those sorts of services. But that is very much just a view at the moment.

I do not know whether going to another provider would improve things. Some of the issues that we have, such as connecting new technology, moving to new applications and so on, are probably just as much a frustration to Parliament House. Things like connecting BlackBerries are long and convoluted issues. There is always a problem with security, there is always a problem with reliability, and I am not certain how much of that we would overcome. Maybe we should test it. It is within our capacity to do that. We would have to do a lot of work to make sure that we were not putting the Assembly at risk.

MR SMYTH: Sure. We have had this discussion. The upgrade of the platform to Microsoft 7 was due this year and it will now commence next year.

Ms Barrett: Yes.

MR SMYTH: What is the expected commencement and completion of that project?

Ms Barrett: We are actually trying to follow that up now. I cannot give you a date. Naturally, we want it to occur as soon as possible because it is coinciding with a refresh of PCs, and we would prefer to do that together. It would be simpler. If it is going to push out too far then we may have to do it in two stages, but we will have to do it at a time that suits the sitting calendar and try to cause the least disruption.

MR SMYTH: Thank you. What is the IT budget for the Assembly?

Ms Barrett: It is nearly $700,000 per annum—$600,000-something.

MR SMYTH: Approximately how many PCs is that?

Ms Barrett: I think it is 116. That is a very precise figure. It is around about 116. When I have been doing a few calculations—

MR HARGREAVES: I just love that.

Ms Barrett: I have worked on 120.

MR HARGREAVES: About 116. I love it.

Ms Barrett: Well, I would not like to find that it was 115 and that I have misled the committee.

MR SMYTH: That would be dreadful.

Ms Barrett: It is somewhere approaching 120.

MR SMYTH: Thank you.

THE CHAIR: Thank you.

MR SMYTH: Actually, before we finish, there are some staff changes. We are losing some staff for secondments to the federal parliament.

Ms Barrett: Just as a bit of background, some time ago, not long after I came here, I thought that Val , who had been here for many years, would benefit—and we would benefit too—if she had some development activity. I talked to some former colleagues at Parliament House and quite recently one of them offered her a secondment to manage some projects for them for six months. She has gone on a very firm undertaking that she is coming back. It is a six-month secondment. I think she will be a lot of value to them and she will bring back some useful information for us.

MR HARGREAVES: We do not care about value to them.

Ms Barrett: We are expecting Val to come back.

MR HARGREAVES: We are just being selfish.

MR SMYTH: I think we all wish her well.

Ms Barrett: We have been very fortunate to secure Mamun Khandakar to replace her, who is well known to many of you because he has been a support officer here before. We are hoping it is a very good move for Val and that it will be to our benefit in the long term.

MR SMYTH: Thank you.

THE CHAIR: On fair trade products, I understand the Assembly now only buys and uses certified fair trade products where this is applicable. Was that true last year as well? Have you made a change?

Mr Kiermaier: It was either at one of these annual reports meetings or an estimates meeting that this issue was raised. As a result of that, I instituted proceedings so that all our functions would be supplied with fair trade products. Prior to that, we certainly had advocated use of fair trade products. Certainly, in regard to any teas or coffees—sorry, coffees, more to the point—for functions in the Clerk's office and in the Speaker's office, we were using fair trade products. I think, with our education functions, it was a bit of a mix and match. But now it is exclusively fair trade products.

THE CHAIR: Thank you. Mr Smyth.

MR SMYTH: While Val is with us, I notice, on page 31 under the IT audit implementation, the IT security policy and framework was being reviewed and there are no gaps in the information technology security policy. Are there gaps? Are there concerns in this regard? Can one read that into that statement?

Ms Barrett: Because we have got this relationship with InTACT, we rely a great deal on their security policies. A couple of years ago—again, not long after I came here—the Assembly did not have its own IT security policy. So we developed one and we have tried to specify things that are specifically relevant to the Assembly and rely on the InTACT security framework for most other things. But, as you would appreciate, we do rely largely on InTACT.

The audit committee had a look at our IT security policy. They had a look at all of InTACT's security policies and they wanted some assurances that everything was covered. So we have done some quite extensive work recently on updating our own IT security policy and framework to make sure that we have picked up on things.

Let me try to think of some examples. The backup and usage policy, we have strengthened. We have put a bit more in about what happens to information when computers are refreshed and what has to happen to those. We have been a bit more specific in the acceptable use policy about what users can and cannot do.

We believe that we have covered any potential gaps. We have sent the new package, which is an updated security policy plus a few new policies, to the audit committee, which is meeting next week, and we hope that we will get a satisfactory response from them that we have covered all of the concerns that they had. I think the principal one was IT backup.

Probably there is a need for a little more awareness training of users as to IT security so that, when the new policy has been endorsed, we will send it out again and make sure that people are aware of responsibilities there.

MR SMYTH: That will lead to additional costs from InTACT if we have additional requirements?

Ms Barrett: I do not think it will lead to any additional requirements as much as just documenting everything, making sure we have got everything covered. It has led to a little bit of cost for us in that we engaged an external person on a temporary contract to help us do some of the policy work. That was quite a small cost, I think somewhere between $8,000 and $10,000 just to do that additional work for us. But I do not think it is going to lead to any more costs for us.

THE CHAIR: Mr Hargreaves?

MR HARGREAVES: No. I am ready to go to lunch, Madam Chair.

THE CHAIR: Mr Smyth, do you have any more questions?

MR SMYTH: On page 201, the receivables seem to have gone up quite significantly. Is there a reason for that?

Mr Duckworth: Sorry, Mr Smyth, if I could just get you to draw—

MR SMYTH: There are a number of figures in your chart on payables that are much higher than last year. Trade payables have gone from, say, $31,000 to $155,000, the accrued has gone from $88,000 to $133,000 and the total payables have gone from $123,000 to $289,000. Is there a reason for that? I note that some of it is invoices received.

Mr Duckworth: There is a bit of a mechanical issue or a logistical issue that does occur at the end of a financial year. I am reflecting on one of the first questions at today's hearing. One of the issues that we were constrained by with the Shared Services arrangement was that, as a very large provider, they have a much earlier cut-off in their processing. Effectively, that means that invoices to be paid by 30 June have to be lodged by, I think it was, some time around 17 June. It might have been a few days after.

As a result of that, there are other invoices that we are aware of. We actually accrue the expense. If we know we have incurred an expense but we have not paid it, we will still accrue it. But the earlier cut-off means that the figure showing as payables was higher from year to year.

It is quite conceivable that last year the timing of regular payments that we make on a monthly basis may have been in a slightly different cycle but I can assure you that there is nothing peculiar other than just a year-to-year variation. It is just the value of accounts that we have not paid.

MR SMYTH: On page 154 of the education programs, I notice the number of school students has dropped from over 1,000 two years ago to 775 this year. If you link that to the education program summary on page 33, 1,777 people visited the Assembly as part of the education program. Is there any reason for the drop in the number of school students? That is just, I assume, school groups that come in?

Mr Skinner: Sorry, Mr Smyth, are we talking about page 154 here?

MR SMYTH: Page 154 and you have a bit of commentary on page 33. Is that just the drop in the number of school groups that have been attending?

Mr Skinner: We are doing the very bottom line, the total?

MR SMYTH: No.

Mr Skinner: From 850 to 775?

MR SMYTH: Yes.

Mr Skinner: My understanding is that, really, the education program that Neal administers is completely demand driven. So he says yes to everybody. That would be purely a result of the fact that fewer people requested to participate in the programs rather than curtailing any of the programs or refusing access to them.

MR SMYTH: Over the period, the numbers are relatively small. The number of people coming to the Assembly, I guess you could say, is declining. What is it? Is there any reason people give for not wanting to come to their Assembly?

Mr Skinner: We have not gone out to ask people why they do not want to come to the Assembly but it might interest you to learn that we have actually started, as part of a larger community engagement initiative, a working group within the Assembly Secretariat to look at how we do engage on a broader range of fronts. One of the issues we are looking at is: do we do a bit more market research about some of the things we can do to engage people across a range of areas?

But no, I do not have any feedback. I do not know whether Neal might help me about why people do not want to come. But all the feedback we get from the people that do come is that they find it a very valuable experience and they learn lots about what it is that happens in this place.

Mr Rattenbury: This community engagement working group that we have started provides, I think, a range of new opportunities for us to explore how to encourage people to come. You might note in the table that we had a drop-off in the number of people attending Speaker's citizenship evenings. We learned some lessons from that. We conducted one in the middle of winter, on a cold, rainy night. Obviously, when we sent out the invitations, we did not anticipate it would be a cold, rainy night but we now no longer hold them in winter but hold them in the spring and the autumn instead. We have worked with the Department of Citizenship and Immigration to improve the way people receive those invitations so that more people come.

Certainly, the people that come are very happy. They have a great time. The feedback we get is unanimously positive. So we are constantly tweaking those sorts of things to make sure that we do maximise the opportunity.

Just this year, which is not reported in the figure, for the first time we have held an Assembly art evening, which we actually advertised through the *Canberra Times*. We invited members of the public to come and, with our art curator, go around and see the Assembly's art collection. That was very popular with the people that came. I think we had about 30 people who came. So we are trying a few of those sorts of innovations as well to highlight the Assembly.

MR SMYTH: On page 154, the total number of participants in the 2009-10 financial year was 1,649.

Mr Rattenbury: Yes.

MR SMYTH: Yet on page 33, it says that, for education programs, 1,777 people visited the Assembly. Is there something I am missing there or an explanation for the different number?

Mr Skinner: I will have a look at that and get back to you. It could just be a discrepancy, a typographical error. Could I take that on notice?

MR SMYTH: Sure.

THE CHAIR: Are there any more questions? In that case, thank you very much, Mr Speaker, and staff, for your attendance. Obviously, there are not going to be any questions on notice but once the transcript is available—you know all this—we will forward it to you. Thank you all very much for your attendance. This hearing is now concluded.

The committee adjourned at 1.15 pm.