



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY**

**SELECT COMMITTEE ON ESTIMATES 2014-2015**

(Reference: [Appropriation Bill 2014-2015 and Appropriation  
\(Office of the Legislative Assembly\) Bill 2014-2015](#))

**Members:**

**MR B SMYTH (Chair)  
MS M PORTER (Deputy Chair)  
MRS G JONES  
MS Y BERRY**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**TUESDAY, 17 JUNE 2014**

**Secretary to the committee:  
Dr B Lloyd (Ph: 620 50137)**

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

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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## **Privilege statement**

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*Amended 20 May 2013*

## **The committee met at 9.30 am.**

### Appearances:

Barr, Mr Andrew, Deputy Chief Minister, Treasurer, Minister for Economic Development, Minister for Sport and Recreation, Minister for Tourism and Events and Minister for Community Services

#### Commerce and Works Directorate

Smithies, Ms Megan, Director-General

Burton, Mr Ross, Chief Financial Officer

Major, Mr Peter, ICT Security Senior Manager, ICT Security, Shared Services ICT

Sidhu, Ms Sarbjit, Executive Director, Shared Services ICT

Purser, Mr Dave, Director, Goods and Services Procurement, Shared Services Procurement

Whale, Mr Andrew, Acting Executive Director, Partnership Services Group, Shared Services

Tomlins, Mr George, Acting Executive Director, Shared Services Procurement

Robinson, Mr Calvin, Acting Executive Director, Finance and HR Services, Shared Services

#### ACTEW Corporation Ltd

Knox, Mr John, Managing Director

Hezkial, Mr Ray, Group Manager, Project Delivery and Maintenance

Sachse, Mr Sam, Executive Manager, Commercial and Energy Investments

#### Independent Competition and Regulatory Commission

Gray, Mr Malcolm, Senior Commissioner

Buckley, Mr Mike, Commissioner

#### Lifetime Care and Support Fund

Doran, Ms Karen, Commissioner

#### ACT Insurance Authority

Fletcher, Mr John, General Manager

**THE CHAIR:** Minister and staff, thank you for your attendance here this morning. I know how much you look forward to estimates every year. Welcome to the fourth day of the public hearings of the Select Committee on Estimates 2014-2015.

The proceedings for this morning will commence with an examination of expenditure proposals and revenue estimates for the Commerce and Works Directorate, output class 2, Shared Services ICT, output class 3, Shared Services Procurement, output class 4, Shared Services human resources, output class 5, Shared Services finance, followed by the ACTEW Corporation Ltd. This afternoon we have a whole lot of other things we can look at, including the arboretum.

The proceedings today are being recorded and transcribed and will be published, so

what you say is there forever. After the hearing a proof transcript will be circulated to all our witnesses to request corrections or clarifications. They are made at the discretion of the committee.

Witnesses are asked to familiarise themselves with the privilege statement provided at the table. Minister and those at the table, could you please verify you have read the pink privilege statement and understand its protections? Thank you.

When taking a question on notice, it would be useful if witnesses used the words, “I will take that question on notice.” This will help the committee and witnesses to confirm which questions have been taken on notice from the transcript. By resolution of the committee, time frames for questions taken on notice and questions on notice are as follows. Witnesses are to provide responses to questions taken on notice at public hearings within five business days of the hearing, day one being the first business day after the relevant hearing. Non-executive members of the Assembly may lodge questions on notice with the committee support office within three days of receipt of the uncorrected proof being made available. Witnesses are to provide responses to questions on notice within five days as well.

Minister, welcome to you and your officials. Would you like to make a brief opening statement?

**Mr Barr:** No, as we are continuing on from yesterday afternoon, let us get on with it.

**THE CHAIR:** Minister, the government’s wi-fi projects around the city: how much are they all costing? Who is responsible for their delivery and when will they be fully operational?

**Mr Barr:** The Chief Minister and Treasury Directorate.

**THE CHAIR:** So Shared Services has nothing to do with that?

**Mr Barr:** No.

**THE CHAIR:** I will pass to Ms Porter.

**MS PORTER:** Good morning, Minister and officials. On page 1 of the portfolio budget statements, under “priorities” it mentions “driving cost reductions, improving service delivery and reducing red tape through investment in technology or process changes”. How will this investment in new information communication technology reduce red tape? How will the investment affect human capital and jobs? Will new jobs be created? The third part, if you would like to have it all together, is: are there strategic investments in ensuring that the ACT has appropriate security technology to ensure that the management of government data communications is protected against new age threats?

**Mr Barr:** In terms of the new initiatives, they include, as is outlined on that page, electronic tendering and invoice automation. There will be a significant level of activity associated with the entire ICT package for the ACT government. It is about \$85 million, so there is a lot of work and development that will generate jobs. Clearly,

we are conscious of the need to have a secure ICT environment. In terms of the detail of each, I will invite colleagues to talk on each of the three points.

**Ms Smithies:** The suite that has been put forward in particular in the Shared Services portfolio has a number of initiatives which actually leverage off our existing ICT base, and it is about improving our ICT base to actually drive cost reduction, improve productivity across the government and reduce red tape.

For example, with the electronic tendering system, we will be able to invite tenders online and manage the tender process online, which reduces things like our cost of advertising and reduces paperwork and the use of paper within Shared Services, across the whole of the government and outside in the community. For suppliers, hopefully it means that they are more able to respond or quickly respond to tenders because they are able to upload documentation and send it through an electronic tendering system.

Other sorts of examples will be areas such as invoice automation and cloud storage. For cloud storage for us, we have a fairly significant investment into a hybrid cloud. As with other jurisdictions, this would be using the technology of the cloud where appropriate to move a lot of the territory's computer and storage power on to perhaps a public cloud, a fully secure public cloud or a secure private cloud—our own network—which improves our ability to bring systems up and be more agile in bringing systems, storage and servers into our fleet. Also we will be able to take advantage of significant cost reductions that we are seeing world wide in relation to storage. We will obviously be having a look at a cloud policy that supports that. With that, we will look very much at how that will integrate with industry and local industry.

There are other things that we will be doing which will be looking at the whole processes of transactions within government. For example, we are bringing on board a whole new revenue system. As part of that we will be having a very close look at the conveyance system and hopefully bringing conveyances online and to be electronic, which means that the way we interact with the private sector will very much change. We will not have people wandering around town lodging documents at the Revenue Office and then taking them out and taking them over to the Land Titles Office et cetera. So there will be a lot more integration across our core business systems.

This is really about improving productivity and it is about changing the nature of jobs across government. Instead of perhaps being processing jobs, they will be more value-added data management jobs and process management style jobs. Those are some examples. We could go on for a long time. There is an awful lot in the portfolio which is around improving productivity.

**MS PORTER:** Could I ask for clarification, before we get on to the larger security issues, about the jobs. Are those people that are going to be doing the different kind of work going to be people that previously did the processing of these things who will be retrained and learn new skills, or are these people in danger of having difficulty in finding work within the public service?

**Ms Smithies:** What we will see over time—and these are longer term strategies, so

many of these take around two or three years for us to deliver through until completion—is business processes changing and a change in workforce. Those people who are involved in doing a particular style of work over time will be given an opportunity to do other types of work so that we can reduce the number of people that we have doing particular styles of jobs—like data entry, mail-outs et cetera—and have them moving into other jobs that are appropriate for their skills and upskill them in other areas, or over time look at upskilling and providing the appropriate management structures around people to allow them to try for different opportunities within the public service.

We are pretty confident with the time frames that we have long enough to manage our workforce and change our workforce. With the turnover in the public service and the growth in the public service, we are pretty confident that we have enough time to be able to manage that workforce to enable those who have jobs to keep jobs, but in a different guise or in a different area.

**MS PORTER:** With the security issues, when people talk about clouds, it really is beyond me.

**Ms Smithies:** There are a couple of things that we are doing in the security space. I will invite Peter Major to discuss it in a little bit more detail if you want. One of those is around updating our internet and our spam filters. What we have at the moment is coming to the end of life and we know that we need to upgrade them. A significant upgrade in this area will allow us to stop a number of the more elaborate attacks that we have seen across the portfolio and across the world, really. As hackers become more and more clever at how they are hacking into government systems, our level of systems and security need to change.

I will let Peter talk a little bit more about that, I will touch on the clouds. As part of that we are obviously looking very closely at the cloud security policy and at a cloud policy which will focus very much on the sovereignty of data, the security of information and the security of personal information that sits within the data that we put into the public cloud or into a non-ACT government private cloud, so that we can ensure that we protect identity management and people's personal and private information to the best of our ability.

There are some pretty good and robust security policies, processes and procedures that exist in this field. So we will be looking to put in place those sorts of policies. I will invite Peter to talk a bit more about these issues.

**Mr Major:** On the first point, the update of the internet and email content filtering, which is an initiative which was funded this year, will allow us to provide an additional layer of defence against my favourite subject of phishing and spear phishing which I covered last estimates.

**THE CHAIR:** It does raise the question of what encryption key you are using this year.

**Mr Major:** Please do not do that. It is 256, but anyway.

**THE CHAIR:** I have to tell you, minister, that Mr Major currently has a halo because of the light. I do not know whether we have to start calling him St Peter the Major. We are getting glasses later; we are going to be the members in black.

**Mr Major:** On the replacement of the email and internet content filtering, that comes with a lot of additional tools and functionality we do not have at present in the current system. We will have an additional layer of encryption so we will be able to encrypt, if it is desired, on a one-to-one basis. So whenever you are sending emails out to a constituent, if it is classified as sensitive, you will have the ability to encrypt it, but that is at your discretion.

We will have the ability to integrate the internet and email filtering. So if a spear phishing attack comes in and it gets through the email filter, the URL or the internet address will be blocked. Therefore, while it may get in, people will not be able to execute the code; it gives an additional layer of defence. It is not perfect, but it is a quantum better than where we are at present.

We also have the ability to look at data and data loss prevention and stop information leaking out that we do not want to exit.

On cloud storage, you mentioned the government's arrangements. All cloud storage arrangements go through a threat and risk assessment. Threat and risk assessments are based on the information provided by the Australian security directorate and also by the federal government. Based on the threat and risk assessment we then assess on a case-by-case basis what information should be going out to the cloud and the necessary protection to put in place.

**MS PORTER:** Thank you very much.

**MR DOSZPOT:** Mr Chair, can I have a supplementary on that?

**THE CHAIR:** Certainly, Mr Doszpot.

**MR DOSZPOT:** Mr Major, regarding the hybrid cloud computing that you were talking about, will all services be able to be hosted on cloud?

**Ms Smithies:** We will ask Sarbjit to answer that.

**Ms Sidhu:** Our hybrid cloud program is about setting up a hybrid cloud capability that comprises a mix of public cloud offerings and a private cloud for the territory. Our work has shown that not all applications used by the territory are suited to be hosted on public cloud. So these will be hosted on the territory's private cloud.

This is the approach that other organisations are also adopting to safeguard against the evolving security and the privacy solutions that are being deployed on cloud. Cloud is a disruptive technology, so it is evolving, and security and privacy solutions are evolving accordingly. That is why we have hybrid cloud, which is a mix of private-public cloud offerings, and private cloud for the territory.

**MR DOSZPOT:** Roughly, what percentage will you have on public and private?



**Ms Sidhu:** At present, public cloud is being used only for the information that does not have very high levels of security and privacy requirements. Those decisions are being made on a case-by-case basis, so it is not widely used at the moment.

**MR DOSZPOT:** In terms of the organisations that you are contracting to do this, are local companies given consideration for any of this work?

**Ms Smithies:** Yes. We will certainly go through a strategic procurement with this. We will do early industry engagement, particularly with the local industry, to gauge appetite and actually consult early in relation to how we deliver this within the territory. We are very keen to do that early engagement and strategic procurement around the whole set-up of our hybrid cloud technology.

Just on what goes public and what goes private, one of the obvious candidates for us in the territory, again, like other organisations, would be to put things like our development and test applications and servers out into the public cloud so we can pretty much ensure that all of the information is de-identified. It allows us to put what would otherwise sit on our servers permanently, to scale up in the cloud all of our dev and test environments and only use them when we need them, and then when we do not need them to take them down again rather than continue to pay an ongoing cost while they sit in the territory's own infrastructure.

The cloud gives us the ability to scale up and scale down pretty quickly, and particularly with those environments that we know we do not need to keep all of the time. There are some significant cost savings there for us. That is our first tranche of what we will look to put out in the cloud.

**MR DOSZPOT:** The efforts that you are putting into migrating to cloud: are they in a particular directorate or will they apply to all directorates?

**Ms Smithies:** Sorry; the cloud providers?

**MR DOSZPOT:** No. I am saying: how is this going to be translated into reality? Is it one particular directorate in the ACT that will start or are you migrating to all directorates?

**Ms Smithies:** I am sorry; migration. That was the word that I missed. Part of the procurement strategy is to engage vendors and for us to have a cost model that sits within government that allows agencies to choose what is the most appropriate solution for them in relation to data security, costs, agility et cetera. We will not be migrating all of one particular agency at one particular time per se. What we will be doing is enabling the platform, enabling the vendor panels and controlling the vendor panels and ensuring that it is appropriate for the ACT government. We will be setting guidelines and policies which go behind the use of hybrid cloud technology, how we manage it in the most cost-effective way and how we can manage the integration between the public cloud, for example, and our own servers and our own server storage, our print queues, our identity and access management issues and things like that.

So we put in place all the platforms and the policies and then over time we will be able to migrate particular parts of particular businesses based on threat and risk assessments and cost savings and the need to bring on systems applications in an agile and quick manner and to scale up and scale down. So it will not be everyone.

**MR DOSZPOT:** Could I have one follow-up?

**THE CHAIR:** I am sorry; we have a lot to get through this morning. We will get back to you in a moment. We need to finish this by about 10 so we can get through procurement, HR and human services. Ms Berry, have you got a new question?

**MS BERRY:** Yes. I was just going to ask about—I will be fast, but it depends on how fast they answer; it is not my question that is going to be slow—moving to this new ICT system and people who are uncomfortable with using computers who are now relying on shopfronts to do their work or pay their bills, or whatever it is that they do. Has the government ever considered using library services, upgrading or improving library services, to allow for people who do not have access to IT to use the computers in the libraries to do their work?

**Mr Barr:** In short, yes. That is a short answer.

**MS BERRY:** So that is going to be part of this?

**Mr Barr:** Yes. There is funding within the TAMS portfolio for upgrades to computer systems in libraries, I understand.

**MS BERRY:** But will assistance be provided for the person who comes in who does not know how to do it? That is the question.

**Mr Barr:** Okay.

**THE CHAIR:** It is a question for libraries, I suspect.

**Mr Barr:** Yes. Certainly, there is obviously some capacity within the skill set of the librarian to assist, but it will depend a little on the nature of the activity the resident wanted to undertake.

**MS BERRY:** I am talking fairly basic; I am not talking about business—

**Mr Barr:** Sure.

**MRS JONES:** Just as a supplementary to that: will there be any payments that cannot be made at the government shopfront after these changes have occurred?

**Mr Barr:** Cannot be made at a government shopfront? No, because you can pay online anyway. We may not accept coins, if someone wants to pay stamp duty in 10c coins—although stamp duty will only be 20 bucks, so we probably will accept that. I will take that on notice, but I would not have thought so, no. We will still operate shopfronts, but most people choose now and demand to be able to pay online.

**MRS JONES:** It is a good thing. Okay.

**THE CHAIR:** Just on that: how many transactions are there that you can do with the ACT government and how many are currently online?

**Mr Barr:** Does someone have that? Transactions across the board?

**THE CHAIR:** How many different transactions, yes.

**Mr Barr:** Well, that will—

**THE CHAIR:** Plumbers licence, electricians licence, rego—

**Mr Barr:** Good lord, that would take millions, and it would take a huge effort to get an answer to all of that across every directorate.

**THE CHAIR:** No, not how many transactions on each type but how many types of transactions and how many are currently online.

**Mr Barr:** I will take that on notice and get you an answer.

**THE CHAIR:** New question, Mrs Jones.

**MRS JONES:** Regarding the electronic tendering as per page 126 of BP3, what is the current annual cost of the ACT's existing manual and paper-based tendering system? Will the new e-tendering system cover all directorates for all goods and services? When will the system be fully functioning and available for use?

**Mr Purser:** Currently we have been out to market with a request for expressions of interest for an e-tendering system. That closed earlier this week. As the evaluation of that process is conducted, we will determine what the next phase might be. It is most likely that we will then shortlist into a tendering process. We would like to have something in place by the end of this calendar year.

**MRS JONES:** End of the calendar year. I also asked what was the cost of the ACT's existing manual and paper-based system. Is a cost allocated to that at the present?

**Mr Purser:** There is a direct cost involved with the public advertising. So e-tendering will directly resolve that cost, and that is approximately in the order of about \$350,000 a year.

**MRS JONES:** Plus staffing, presumably?

**Mr Purser:** Yes. So behind that there is the manual administrative process of handling a copy tender box, lodging and recording those. So that is an administrative burden that goes along with that. Then on the supply side, obviously there is the development of tenders, the printing of tenders and the process of sending them in and lodging them as well.

**MRS JONES:** And is there a number associated with that staffing cost, or FTE

equivalent?

**Mr Purser:** I think a broad estimate is probably around two.

**MRS JONES:** What annual savings will the implementation of the system provide year by year?

**Mr Purser:** Well, it is removing those direct costs from the public advertising and then that will depend, really, on what solution we implement for e-tendering. So there will be costs with implementing that and the delta that we achieve from the solution we implement.

**THE CHAIR:** Mr Doszpot.

**MR DOSZPOT:** Still on BP3, page 126, the human resource information system management systems upgrade, can you give us an update as to when it will be implemented?

**Mr Whale:** The implementation process will start in July. It will take up to 12 months. The aim and the deliverable from that funding is to remove a lot of customisations that were put into the system eight years ago when it was installed, and those customisations create a lot of risk and also inhibit some of the performance we can get out of the system.

So by removing those customisations we can go back to the core payroll IT system and we can also potentially in the future plug other alternative current, modern, contemporary systems into that system. At the moment those customisations prevent us from doing that because whatever we purchase has to not only work with the payroll system but it has to work with those customisations. Of course, every time you touch those, there is added risk.

That project for removing those customisations, which is what this funding will deliver, will start in July, and it will take the bulk of the 12 months to do it.

**MR DOSZPOT:** Is this being provided through a local company or external to Canberra?

**Mr Whale:** We have not gone out for any tender on this. We did a feasibility study last year and a lot of this we think we can do in house. A lot of it will be done with a combination of in-house staff and the vendor of the payroll system. So at this stage we are not envisaging much consultancy work from the marketplace.

**MR DOSZPOT:** What sort of annual savings will this implementation give?

**Mr Whale:** The key savings will be focused on risk. There are situations where—

**MR DOSZPOT:** But you said there are also risks associated with actually doing it.

**Mr Whale:** The costs associated with that are addressing the issues of risk, so the risk planning. The payroll obviously is a priority.

**MR DOSZPOT:** Sure.

**Mr Whale:** Where those issues tend to occur it is 90 per cent—estimate—around those customisations, and we then have to put in overtime and everything else to get those risks addressed. So it varies depending on what the issue is and the level.

The longer-term savings are that by getting rid of those customisations, directorates can look at more contemporary rostering systems or recruitment systems that should deliver long-term savings, but they are not identified as yet. We are creating a platform for that.

**MR DOSZPOT:** Now just on that, will there be a reduction in staff due to the added efficiencies of this upgrade?

**Mr Whale:** It is not expected. As I said, when there is a risk event or risk-related event, we tend to pool resources and prioritise it within ICT. We usually have to involve overtime because of the turnaround required on a payroll system. So it is not going to achieve significant savings, no.

**MR DOSZPOT:** But you mentioned that there will be ultimate savings in this. Has there been any estimation as to how much the savings will be?

**Mr Whale:** Well, as I said, the savings focus mainly on the time and effort in resolving problems that occur. Again, that varies relating to the problem. It is an inconsistent figure, so we have not put a ballpark on it. Longer term, the potential for more contemporary HR systems around rostering has not been costed. We have assessments of the cost of implementation of those systems through a feasibility study we did last year. But we have not worked through with directorates yet about the potential savings that could be reaped. That would be further work once we have got this platform done through this initiative.

**THE CHAIR:** We might move on from IT to procurement. We have still got to get through another three categories by a quarter to 11. Minister, I see on page 6 of the portfolio statement that there is a 145 per cent increase in the government payment for outputs from \$1.8 million to \$4.413 million. What is the reason for such a large increase?

**Mr Burton:** The increase there is an appropriation that was provided to procurement for the Supreme Court. It is around \$2.5 million in 2014-15. So that was a direct appropriation which will be received for the new Supreme Court.

**THE CHAIR:** What is the involvement there? Is procurement running the whole process, or is it being done in JACS?

**Ms Smithies:** I will ask George Tomlins to address that.

**Mr Tomlins:** The project to financial close is being run by Treasury in conjunction with justice. So there are three organisations—Treasury, justice and us. We are paying for the commercial adviser. We will be paying for some of the technical advice. There

is the involvement of our officers in the quite complex preparation of all of those tenders to bring all of the advisers on board, the preparation of the various contractual documents—and there can be a lot of those—and the complex evaluation process.

**THE CHAIR:** Minister, on page 2, under your priorities, it talks about embedding local industry procurement policy aimed at encouraging local content and involvement in the delivery of goods and services. How is the government going to go about that?

**Mr Barr:** We obviously changed our policies in relation to a loading for local content. So there is a weighting associated in the assessment process, and that includes capacity for larger firms to utilise local subcontractors as part of that process. And through a number of initiatives in this budget, obviously there is opportunity for locals to access a range of government projects and undertake the delivery of those for the territory.

**THE CHAIR:** What definition of “local” is the government using?

**Mr Barr:** Capital region. So there is the city and the surrounding SEROC councils.

**THE CHAIR:** And definition of “estimate”?

**Mr Barr:** I think is in the ATO definitions, but I will confirm that if that is incorrect. I am fairly certain that is the basis.

**THE CHAIR:** So in regard to this initiative, what consultation does procurement have with EDD?

**Mr Barr:** With EDD specifically?

**THE CHAIR:** Yes.

**Mr Barr:** The business development strategy had this as one of its elements. So there was collaboration between EDD in terms of designing policy and CWD in terms of the delivery of it, ensuring that there was a practical regime in place to support the policy intent of the business development strategy.

**THE CHAIR:** So what advice was provided to EDD about making all this happen?

**Mr Barr:** What advice was provided to EDD?

**THE CHAIR:** Yes, on how to make this happen.

**Mr Barr:** By CWD?

**THE CHAIR:** Yes.

**Mr Barr:** Advice on how to structure the arrangements to achieve the policy outcome that we desired.

**THE CHAIR:** And was that prior to or after the publication of the diversification strategy?

**Mr Barr:** There was engagement during the development of that, and then also obviously in the rollout of the policy.

**MR DOSZPOT:** I have a supplementary on that.

**THE CHAIR:** Yes, sure.

**MR DOSZPOT:** Minister, your description of “regional” would include Goulburn, I assume?

**Mr Barr:** I believe Goulburn is in the SEROC councils, yes.

**MR DOSZPOT:** There have been a number of issues in various directorates, but to pick one—Disability—wheelchairs were provided through an external-to-Canberra provider from Goulburn. People were greatly inconvenienced by having to lose the product that was being supplied to them through Disability. When you say “local”—and we do want local provision of services—is that part of your strategy, or can you consider that if it is not?

**Mr Barr:** So are you arguing that Goulburn is or is not local?

**MR DOSZPOT:** I am arguing that Goulburn cannot provide a two-hour service.

**Mr Barr:** Cannot provide a?

**MR DOSZPOT:** Two-hour service to fix a product such as in the disability-type area.

**Mr Barr:** That is a matter for Disability to resolve. Our government procurement guidelines support the capital region.

**MR DOSZPOT:** Your guidelines govern what is purchased?

**Mr Barr:** No, they do not.

**MR DOSZPOT:** They do not?

**Mr Barr:** No, they do not govern that. They provide an incentive, a five per cent weighting, for procurement that sources locally. So it does not guarantee you winning a tender.

**MR DOSZPOT:** I understand you.

**Mr Barr:** That just gives a positive weight. So if a requirement of a Disability tender is an ability to service within a shorter period than two hours—if that is the issue relating to wheelchairs from Goulburn—then that would be part of the tender.

**MR DOSZPOT:** It was not part of the tender. That is what I am getting at. The

purchases were made—

**Mr Barr:** That is a matter for Disability then, not a matter for this procurement policy.

**MR DOSZPOT:** I will not labour this point.

**THE CHAIR:** It does raise the point: have any hurdles been encountered in implementing the initiative and, if so, what was done to fix them?

**Mr Barr:** Not that have been brought to my attention.

**Ms Smithies:** None that I have been made aware of either.

**THE CHAIR:** Is the initiative consistent with the government's procurement policy both for value for money and fit for purpose?

**Mr Barr:** Yes.

**THE CHAIR:** And given the definition of "local" that you use, how does that align with all of the free trade agreements that Australia has signed?

**Mr Barr:** We needed to be consistent with our obligations, and this is consistent with what other Australian states and territories do and certainly what the other countries who are signatories to our preferential trade agreements do. They are not free trade agreements; they are bilateral preferential trade agreements between the respective countries.

**THE CHAIR:** So we are consistent with all of those?

**Mr Barr:** We are, yes.

**THE CHAIR:** Ms Porter.

**MS PORTER:** On page 7 under "Shared Services Procurement", the dot point on key outputs talks about a couple of things which I just wanted a little bit more information on. The first is "Coordination of Work, Health and Safety Active Certification Policy for ACT Government construction sites". How does that actually play out in practice? On the same page it states that one of the things to be delivered is pre-qualification arrangements. I just want a little more explanation of those, please.

**Mr Tomlins:** Starting with active certification, following a number of deaths the government had an inquiry which recommended the active certification process. That commenced on 1 July 2013 with a three-month bedding down period, and then a process has been introduced that essentially requires contractors to be audited by independent auditors about their safety systems essentially—are they doing on the ground what they say in their documentation they will do?

We have had 35 audits along those lines, and we have got another nine programmed at the moment. The results of those have been very good. The arrangement is that the first audit will focus on education and an open process. So there are no penalties



associated with the first audit unless the contractor refuses to make safe any deficiency that has been identified.

As a result of those 35 audits, mostly minor issues have been found. There have been a few more significant issues. They have all been closed out very quickly. So the process, we think, has been very successful. There have been very few provisional improvement notices or prohibition notices issued on construction sites since this process was introduced.

I think there has been a substantial change in the culture on construction sites. In fact, Mark McCabe, the Senior Director of WorkSafe ACT, has written to us saying that there has been a marked improvement in overall safety compliance on government sites in the past year and that this coincides with the implementation of some of the important recommendations of the *Getting Home Safely* report, especially the implementation of regular audits of government sites under the active certification regime.

I would also say that there has been a very good partnership with the building industry. The executive director of the Master Builders Association, John Miller, and Deputy Executive Director, Jerry Howard, and the presidents have been very proactive. We have had lots of meetings with builders. Initially they were very anxious. I think we have now got a very good relationship, and we are moving into a second phase of education. So I think that is going very well.

I will move on to pre-qualification. The pre-qualification process is essentially a way of helping the government get appropriate contractors and helping the contractors understand what range of government work they can tender for and will have a reasonable chance of winning. So we would argue that it is very efficient in those terms, helping them reduce their work and helping us reduce our assessment time.

We check their technical competence, their financial backing, their safety records and a range of related issues. They are rated and if they meet the criteria, they then are pre-qualified up to certain levels. I think I would argue that the pre-qualification process has been borne out, inasmuch as the people who got into financial difficulties have done so when they have stretched themselves well beyond those limits that they would have been within if they had stuck to our pre-qual scheme.

**THE CHAIR:** Ms Berry, a new question.

**MS BERRY:** Has there been an overview done by the government to determine whether it gets better value when contracts are contracted out as opposed to delivering direct services, and have we mapped where those efficiencies come from? Do you know, if there has been an overview done, why there are some services that might not be as efficient?

**Mr Tomlins:** We have not done a comprehensive review but the prime reason for contracting out, I guess, is that we do not have the skill. For example, if there is an archaeological study of Indigenous remains on a particular site, if there is a heritage study, if there is complex structural engineering or mechanical engineering, we cannot do that. So that is the first range.

The other issue, of course, is related again to pre-qualification. We do not have the scale or the resources to do the direct construction work. So it is another reason for going out to contract.

I suppose when we get into the grey area, if we are moving into an area, what we tend to do is probably bring in a consultant and try to do that in a way that there is transferability of skills. If it turns out that we only need 20 per cent or something like that and it is cheaper to use consultancy skills, that is the way we will go. We might move to a short-term contract. Then if we determine that essentially we are going to use those skills long term and constantly, it is probably going to be cheaper for us to go out and advertise for a staff member.

Essentially, one example of that is to do with work health safety where we have had advice on work health safety. We have got a contractor on work health safety and now we have advertised for a superintendent. So that is going through that process in the, if you like, grey area. It could well be that it could happen in the opposite area. If, for example, there are skills that we are not using as much, then we would reduce those and move to contractors.

**THE CHAIR:** Mrs Jones.

**MRS JONES:** I wanted some clarification, and I am not sure whether I missed something from the minister. My understanding is that in this budget there is \$93.6 million in savings. They are mostly in the last two years, I accept, as you go through the forward estimates. However, I have been pointed so far to ICT and this area of procurement, human resources, as the area where these savings are going to come from. Mr Whale described before that there has not been a complete and perfect understanding of exactly how much some of these things are going to cost. Where exactly is this \$93.6 million in savings coming from, which areas? And if it is ICT, are people going to be replaced with systems, which is fine, but I just want to understand how.

**Mr Barr:** There are savings associated with changes to service delivery. Mr Whale's comments related to an HR system and it is not at all a part of—

**MRS JONES:** Associated with the savings?

**Mr Barr:** Associated with this, no. The various ICT initiatives, as was outlined in great detail to you about 15 minutes ago, deliver huge savings in terms of our data storage costs, for example.

**MRS JONES:** How much will that add up to out of the \$93.6 million?

**Mr Barr:** The digital dividend investment strategy and the iConnect strategies are outlined in the budget papers and have—

**MRS JONES:** How much will they deliver in savings?

**Mr Barr:** Over three years, \$30 million in the digital dividend investment strategy of

transformation and iConnect, \$14.6 million over three years. And various other ICT initiatives that are outlined in the budget papers seek to save \$11.8 million over three years.

**MRS JONES:** So that is \$55 million. And will the other \$30 million be from reduced staffing?

**Mr Barr:** That is from the administrative efficiencies which we discussed yesterday.

**MRS JONES:** Which were?

**Mr Barr:** We discussed them yesterday. I refer you to the transcript. You can go and look at the transcript.

**MRS JONES:** If they are not clear in the transcript, can I put more questions to you when you come back?

**Mr Barr:** You can put questions on notice if you wish, but we went through this yesterday.

**MRS JONES:** Yes, I am trying to see how all the numbers add up.

**Mr Barr:** I appreciate that and we went through it yesterday.

**MRS JONES:** Yes, I am very happy with that.

**Mr Barr:** We apparently have got very short of time, Mrs Jones; so I am not going to go through stuff I went through yesterday with you again—

**MRS JONES:** Okay.

**Mr Barr:** for the third time.

**THE CHAIR:** You could have run through it quickly in the time you have just used up. Any further questions, Mrs Jones?

**MRS JONES:** No, I am fine with that, thank you.

**THE CHAIR:** We will move on to financial services.

**MS PORTER:** No, human resources.

**THE CHAIR:** Human resources; yes, my apologies. What is the intention of improving the performance of the HR payroll and information management systems outlined on page 2? What will it cost or—

**Mr Barr:** Mr Whale went through that just a moment ago, but would you like me to go through it again?

**THE CHAIR:** No, that is okay. That was a different issue; my apologies. What

systems upgrades are currently underway in the HR sphere?

**Mr Whale:** In regard to the Shared Services systems, because there are a number of upgrades occurring in directorates around their own systems to do with rostering or HR practices, there is an annual upgrade every year of the Chris21 payroll system. So we do that, which also includes all the tax information that comes in every year. We have a continuous improvement program around our recruitment management system which monitors and processes the recruitment that is done at the Shared Services level. They are the two key systems that we have in the HR space.

**THE CHAIR:** Does the HR system in any way track the incidence of bullying or complaints as a central location, or is that handled by somebody else?

**Mr Whale:** Within HR we have an area called employee relations. When a matter gets referred to us from directorates for investigation—we have a team of investigators that looks into those issues and provides a report back to the delegate within the directorates—there is a level of information collated from that, but it is only for those matters that are referred to us. So it would not give a picture across government of the amount of bullying claims, for instance. It is only where it gets referred to Shared Services for investigation.

**THE CHAIR:** So what is the threshold for it to be referred to Shared Services?

**Mr Whale:** It comes down to a decision by the delegate. When there is an incident within a directorate, usual practice in accordance with the enterprise agreement is to assign a delegate. The delegate may undertake a fact-finding preliminary investigation to see what validity or other issues there may be to investigate. They then make a decision as to whether or not a further investigation should take place or whether it can be dealt with within the workplace without that occurring, which is, where feasible and appropriate, the best option. Then it is a decision for the delegate whether they refer the matter for investigation to us or they may use an external provider for a range of reasons.

**MRS JONES:** As a supplementary to that, how is the delegate chosen back at the level of each directorate?

**Mr Whale:** It is up to the directorates. Some directorates have a designated one or two delegates across the whole of the directorate and all those issues are dealt with by those delegates. In some other directorates it is done on a case-by-case basis and usually involves a decision by a very senior executive of the directorate.

**MRS JONES:** I will go into that in more detail at each directorate level.

**THE CHAIR:** How long would it normally take to resolve an issue when it is raised?

**Mr Whale:** It depends on the nature of the issue. Again, a fact finding type issue should be dealt with within a couple of weeks. But for a full investigation, it can depend on how many witnesses are required, how many statements are required.

Often in an investigation you will go down a path, you will open up a door and there

will be some further things to look at there. So we will go back to the delegate and seek a decision as to whether the investigation should be re-scoped. So it can vary from being weeks. It is usually at least a month, or it could take many months, depending on how the investigation pans out.

**THE CHAIR:** If someone is suspended or stood down from pay, is there a maximum period in which they are on suspension and, therefore, in limbo?

**Mr Whale:** No, there are review processes, as outlined in the enterprise agreement, that have to take place for anybody on suspension. But it is up to the investigation and a decision by the delegate around issues of duty of care, health and safety or whatever other risk issues may be dealt with.

**THE CHAIR:** So you act on inquiries that are reported to you. Do you go back regularly and check on things that are not reported to you that are being looked at within the directorates?

**Mr Whale:** As a rule, the role that Shared Services play in that is that when a matter is referred to us, we deal with it. We are working more and more under the service partnership agreement in a collaboration forum. So we are looking at issues across all portfolios of ICT, procurement, HR and finance more collectively.

Issues like that are being looked at in a different way to what they were, say, 12 months ago. Themes and strategies are being discussed. There has not been a huge focus at this stage on that side of ER, but it is in the work plan for one of those collaboration forums. So there should be some more work done in that area over the coming 12 months.

**THE CHAIR:** So if one wanted to get an overall view of the level of incidents across the ACT public service, how would one do that?

**Mr Whale:** Again, it depends on how you define what an incident is. The data that we collect relates to matters that have been referred to us for investigation. The public service commissioner does collect some information as well. But there is stuff that does not get referred to us because it is dealt with within the workplace and for that stuff, those incidents, there is probably no register across government that would record all those.

**THE CHAIR:** Are incidents and bullying on the increase or on the decrease? Is the severity of what is reported to you on the increase or the decrease?

**Mr Whale:** I can take that on notice to look at the latest data. Yes, I will take it on notice.

**THE CHAIR:** Does Shared Services human resources provide training to each of the directorates so that they are all across the modern practices in dealing with bullying and/or incidents, or is that left to the directorates?

**Mr Whale:** The directorates are, of course, free to go and undertake whatever training they like, and there is the RED—respect, equity, diversity—framework that the

government has put out. We, as Shared Services, provide a training calendar which has a range of courses for all public servants across the ACT government. Anybody can go online and book into those courses or directorates can access those courses and customise them or tailor them.

We have just gone back to tender for all those courses; so there is a new range of those courses coming out. So the Shared Services role is that we have a course there that people can access, we review feedback on that course, and we consult with the providers around the quality and the value of that course.

**Mr Barr:** And that would be available for members of the Assembly and their staff.

**Mr Whale:** They certainly would be. They are a Shared Services customer.

**Mr Barr:** A few people could benefit after what Jorian Gardner went through.

**THE CHAIR:** When you talk about incidents of bullying and incidents, do the incidents include sexual harassment?

**Mr Whale:** Potentially. Again, from the Shared Services perspective, anything where a delegate believes a further investigation is warranted. So, hypothetically, it could range from stealing a pen through to something a lot more serious. So that would be the range. Again, there would be a decision from a delegate and we would have some input into that at times where a matter should be referred to the police.

If there is a police investigation underway, we would normally stand back. There are occasions where we would do some preliminary work because there may be a risk that the directorate wants to address immediately while the police or other investigation is undertaken.

**THE CHAIR:** So in the last 12 months, how many incidents have been referred to the police?

**Mr Whale:** Again, the majority of those would not come to us; they would go straight from the directorate to the police.

**THE CHAIR:** Straight from the directorate?

**Mr Whale:** Yes.

**THE CHAIR:** Ms Porter.

**MS PORTER:** Yes, thank you. Actually, I was going to ask questions around that same area that Mr Smyth has been talking about. Could you let us know if there are any other matters that come under employee relations processes other than the ones we have been talking about at the moment? Is there anything else?

**Mr Whale:** The large bulk of what we do in Shared Services around employee relations is investigations. It is probably 95 per cent. There are some other bits and pieces we do around collating information around employment instruments.

There are some things we do following machinery of government changes. I suppose the other critical role that we play is that because we have firsthand knowledge and experience from the work we do in those investigations, we work very closely with Chief Minister's and with directorates in the development of policy. We also input into employee relations, EBAs and how they can be managed. Again, it comes from the experience we have doing the processing work that we do. We have an input into the enterprise agreement process; so it is those sorts of functions.

**MS PORTER:** Is it from that experience that you decide what you are going to have in or coordinate for the training calendar? How do you make those decisions about what gets on there?

**Mr Whale:** The training calendar is very broad. It ranges from courses such as writing in government through to respect, equity and diversity and many things in between. We go through a tender process. In the previous contract for those, there were about seven providers that provided courses for a whole range of fields.

We have just gone through a tender process to upgrade that. To do that and to define the courses and the content of those courses, we spent 12 months consulting with the directorates on how they felt the previous courses and the range of courses were meeting their needs.

It has been agreed by government that the more that we can put in that training calendar, it is a more efficient process for the whole of government for training. We have expanded the range of courses that are going on. We are just finalising contract negotiations out of that recent tender process for those new courses that will be going on.

The short answer is we are consulting with directorates as to what are their training needs and then we work with industry in the marketplace to provide courses that are going to meet those needs and put them up on the calendar.

**MS PORTER:** Mr Smyth, when he was talking about relationship management, was talking about bullying and also sexual harassment. You mentioned equity, respect and diversity. Are there issues that you get referred as well?

**Mr Whale:** There are. There are training courses on respect, equity and diversity and there are also subcourses, if you like.

**MS PORTER:** But I am talking about reporting. Are you finding that there are a number of these kinds of issues that are reported to you? I am not asking you to be specific at all, but is this occurring in the mix of things that come to you?

**MR Whale:** We have no hard evidence that any spike in reporting is down to awareness or training. There is no particular data which we can draw on that shows a spike relating to some sort of education process. There is anecdotal but there is no particular spike, no, other than when a directorate might say that we want all our staff at a certain level to do courses in respect, equity and diversity. Then there may be a spike.

**MRS JONES:** Is there a spike in complaints; that is what I was asking?

**Mr Whale:** Again, not that I am aware of. I can go and check that. I am not aware of anything over the last couple of years.

**MRS JONES:** Please.

**MS PORTER:** Thank you very much.

**MS BERRY:** What is the cost of training that is provided through Shared Services?

**Mr Whale:** The cost per course or the cost of—

**MS BERRY:** Just to the government per year—the training that is provided through Shared Services.

**Mr Whale:** I can take that on notice. We would have some data on that. Yes, I can take it on notice.

**MS BERRY:** Regarding recruitment services, has the ACT government been looking at picking up staff from the Australian public service?

**Mr Whale:** There has been no direct campaign other than that every job that is advertised, certainly for permanent jobs, goes on the ACT job website. We are seeing a huge spike, in many of those jobs that are advertised, in the number of applicants. It is a market process, it is available to all the commonwealth, and they are all gazetted. It is a very easy process to apply externally through the jobs website, and we are seeing it in the numbers that are coming in on applications. I cannot directly say they are all from the commonwealth, but you can see—

**MS BERRY:** There has been an increase?

**Mr Whale:** There have definitely been increases, yes.

**MRS JONES:** On page 2 of the statement, it says that improving the performance of HR and payroll information management systems is a priority. Can you let us know where you are up to with that? What are the payroll performance issues that are being addressed or have been addressed? And how are they being addressed and how much will it cost?

**Ms Whale:** I will not go over it again, but there is the initiative for dealing with the risk. There are other processes that we are looking to introduce to improve how we manage issues across the payroll teams in particular. We are shortly going to bring in a new service desk for HR. The key advantage for that will be twofold. One will be an improved customer service. The second will be a greater tracking mechanism for queries that come in. We have the occasional experience where an employee will talk to somebody in payroll to seek to get something fixed. They wait for that person to address that problem, and there is no tracking or escalation of the issue recorded other than between those two individuals. The service desk that we are introducing will



provide a tracking mechanism that will make sure that those queries are dealt with and managed for that worker.

**MRS JONES:** And how much will it cost?

**Mr Whale:** The service desk will be zero cost, because we are moving staff from areas to take the service desk functions. There will be a small cost around licences for that CRM tool, which is the tracking tool.

**MRS JONES:** How much will that be?

**Mr Whale:** The licences are about \$1,000 each. We are looking for the service desk launch to be next month, and we have got 20 licences.

**MRS JONES:** Thank you.

**THE CHAIR:** We might move to Shared Services finance. Minister, I see on page 127 of budget paper 3 that we are about to have a revenue collection transformation. Why do we need the transformation, minister? How old is the current revenue system and what are the shortcomings that mean we need this transformation?

**Mr Barr:** It relates to the Revenue Office, which was yesterday. I will take that on notice if you would like a comprehensive answer, because it is not the area of these officials.

**THE CHAIR:** It is listed under the Commerce and Works Directorate.

**Mr Barr:** Yes, but it is the Revenue Office systems.

**THE CHAIR:** So what do we get for \$30 million?

**Mr Barr:** A new revenue system.

**THE CHAIR:** And what will the new revenue system be?

**Mr Barr:** I will take that on notice, as I said. You had an hour and a half yesterday with the revenue commissioner and did not ask a question.

**THE CHAIR:** Because it is listed in the Commerce and Works Directorate and we are asking you this question.

**Mr Barr:** Yes, which relates to the Revenue Office. Anyway, we will take it on notice and move on.

**THE CHAIR:** Perhaps it is your ordering rather than the committee working its way through its documentation. Indeed, it is listed, minister, if I could point that out, under Commerce and Works Directorate.

**Mr Barr:** Yes. The Revenue Office is in Commerce and Works. That is correct, yes. We had the revenue commissioner here yesterday for an extended period.

**THE CHAIR:** Can you outline what has happened with the transition of the whole of government to the new banking provider? How is that working?

**Ms Smithies:** The transition project was finished around October last year. We now have Westpac fully embedded across all areas of ACT government in relation to our banking. We are transitioning at the moment out from Commonwealth Bank. We are pretty much at the end of transitioning. That is about trying to pick up the end of the payments that are being made to the old Commonwealth Bank bank accounts and ensuring that people are fully advised and are now using the Westpac bank account. It is pretty much all done.

We have achieved some good efficiencies in relation to the number, to the pricing per transaction in relation to the new contract. We have managed to put QuickWeb in place with all of our schools so that we have an easy pay system in schools. And we have done a number of other things in relation to having single bank accounts in the Revenue Office which are really assisting in those payment mechanisms.

So pretty much it is done. We have done a post-implementation review and the project has been wrapped up.

**THE CHAIR:** You mentioned some efficiencies. Has the cost per transaction gone down?

**Ms Smithies:** If we take the same volume, if we assume last year's volumes for this year, the cost of transactions has gone down, yes. Obviously, transactions grow in governments every year, as in the volume of transactions, but the price per transaction has gone down on average.

**THE CHAIR:** From what to what?

**Ms Smithies:** The pricing is incredibly complex because it really depends on what channel, what methodology et cetera. I guess that in terms of total dollar costs we are getting around a \$400,000 saving, on a like-with-like analysis, across what I think was around a \$2½ million spend on transaction fees.

**THE CHAIR:** You said 2.5. It has gone down to about 2.1?

**Ms Smithies:** That is right. We are getting improved interest returns as well, so we are getting uplift on our revenue reduction in our costs.

**THE CHAIR:** Thank you. Ms Porter.

**MS PORTER:** Treasurer, tell me if this question should have been asked yesterday, and that is fine. On page 8 and also on page 35 it talks about the Oracle E-Business Suite.

**Mr Barr:** That is this output class, Ms Porter. Spot on. It is a perfect time to ask this question.

**MS PORTER:** Okay. I wanted to know how it will improve financial and taxation management services to directorates.

**Ms Smithies:** I will ask Calvin Robinson.

**Mr Robinson:** Your question was about how we improve taxation management for directorates?

**MS PORTER:** Yes.

**Mr Robinson:** Okay.

**MS PORTER:** Financial and taxation management.

**Mr Robinson:** It is two separate areas. With financial management, last year we implemented a new reporting tool called TM1, table management 1.

**MS PORTER:** TM1?

**Mr Robinson:** Yes, which stands for table management 1. It is a tool that we have integrated with Oracle, and it gives us greater flexibility in reporting on a monthly basis as well as in the context of financial statements. It has a front-end tool attached to it as well, which is Financial Statement Reporter. That allows us to produce the financial statements in conjunction with and working together with the directorates at the same time. Previously, Shared Services would do draft financial statements; they would get to a point and we would hand them over to directorates. We now work interactively with the directorates, improving our efficiency through those statement processes. It also has allowed us to automate the reconciliation and cash flow forecasts through this particular tool.

In the tax area, this is largely around compliance. Shared Services took over responsibility for management of the tax framework last year. Since then, we have conducted reviews across directorates in terms of FBT compliance and GST compliance, and we have created a community of practice in tax so that we work to develop the knowledge across government in those specialised tax areas.

**MRS JONES:** The continuing implementation of the tax reforms—can you give us an update on any changes to the systems? We are talking about services. Minister, I know you are not very happy with me today, but I do not expect to have eyes rolled at me.

**Mr Barr:** We are in output class 5, Shared Services finance. That does not relate at all to tax reform. This is about financial services—

**MRS JONES:** And the collection of taxation.

**Mr Barr:** That is the Revenue Office. That was yesterday.

**MRS JONES:** I would ask for it to be delivered in a respectful way. If I have made a mistake, I apologise for that, but I do not expect to have eyes rolled at me across the

committee room.

**Mr Barr:** We have had the same question asked three times this morning.

**MRS JONES:** Minister Barr, I understand this might be your area of expertise but this is not my area of expertise.

**Mr Barr:** I have been told to hurry up in terms of giving answers, and I am getting questions in different output classes. We structure the hearings in a way to ensure that the right officials are present to answer questions.

**THE CHAIR:** Minister, we do not need a lecture from you. Sometimes when you read the documents, things would appear to be in other areas. If we get it wrong, I am sure members are sorry for that. But I think the comment on rolling of eyes is kind of appropriate. If we work with each other, it will go a whole lot better.

**Mr Barr:** I am endeavouring to, and I have been here for a day and a half taking questions now.

**THE CHAIR:** Yes, you have.

**Mr Barr:** Yes.

**MRS JONES:** Which is the job that you have to do, and I apologise if it is upsetting for you.

**Mr Barr:** That is right, but if we can get the questions in the right area, that does help everyone.

**THE CHAIR:** It might go to some of the ordering in the documents as well.

**Mr Barr:** You chair this process.

**THE CHAIR:** Yes.

**Mr Barr:** You set it out this way.

**THE CHAIR:** But members are clearly working out of the documents, and the fact that a number of the members have made the same mistake might indicate that there might be a problem in the way some of the things are listed in the document rather than the category.

**Mr Barr:** If you want to do estimates in a different way, I am very happy to have that discussion. But if we are working through output classes, which we are, we are at output class 5 now.

**THE CHAIR:** I do not think we need the lesson.

**MS BERRY:** I think we are wasting time on something that is really silly.

**THE CHAIR:** Are there any—

**MRS JONES:** I do not think it is silly, if I find something offensive, to raise it.

**THE CHAIR:** Yes, that is right. Are there any final questions for this output class?

**MRS JONES:** No.

**THE CHAIR:** Minister, we will adjourn there and we will return just after 11 for ACTEW.

**Sitting suspended from 10.44 to 11.02 am.**

**THE CHAIR:** We will resume the Select Committee on Estimates 2014-2015 and look at ACTEW. I ask that you all acquaint yourself with the privilege card and acknowledge that you have read the statement and understand its privileges and obligations. Thank you, you all acknowledge that. Minister, would you like to make an opening statement?

**Mr Barr:** No.

**THE CHAIR:** All right. Is it possible to get an update on the final cost of the three projects: the Cotter Dam, the Murrumbidgee and the spillway?

**Mr Barr:** It certainly is.

**Mr Knox:** I will defer to Ray Hezkial, the general manager of project delivery, operations and maintenance.

**Mr Hezkial:** The forecast cost on the Cotter Dam has not changed from the last advice provided to the committee, so it remains at 409.

**THE CHAIR:** 409?

**Mr Hezkial:** Yes. That is subject to resolution of our insurance claim arising from the March 2012 flood, so that is still in negotiation with the insurer.

**THE CHAIR:** And what is the likely time frame on that?

**Mr Hezkial:** We hope to have it wrapped up by the end of this month, although negotiations have been pretty protracted.

**THE CHAIR:** And how much is at risk there?

**Mr Hezkial:** The claim as we put it for the March 2012 flood was \$8.8 million, of which \$3.6 million has been agreed to date. The remaining value of the insurance claim that is yet to be resolved is \$5.2 million.

**THE CHAIR:** And the Murrumbidgee to Googong?

**Mr Sachse:** That project has been completed at \$138 million, so around \$16.4 million under the approved budget.

**Mr Barr:** How many million under budget?

**Mr Sachse:** \$16.4 million.

**Mr Barr:** \$16.4 million under budget.

**THE CHAIR:** Under the approved budget or under the final budget?

**Mr Sachse:** Under the board-approved budget.

**THE CHAIR:** All right. And was that the \$138 million? Was that the number that was originally released?

**Mr Knox:** If we are talking about Murrumbidgee to Googong, we are talking about \$154 million. That was the board-approved number. That was the number that we were working to.

**THE CHAIR:** And what other major capital works have been completed recently?

**Mr Hezkial:** Our cap works program for this year is in the order of \$45 million. The bulk of those projects relate to growth and renewal. Next year's forecast is in the order of \$88 million.

**THE CHAIR:** And what will that cover?

**Mr Hezkial:** Well, it will focus on our expansion of our network, and the main focus on the sewerage network is renewals, particularly down on our lower Molonglo sewage treatment plant.

**THE CHAIR:** How much of that is for Molonglo and what is involved there?

**Mr Hezkial:** Next year we project to spend close to \$20 million on the renewal project.

**THE CHAIR:** Will the renewal lead to any improved efficiency—for instance, the removal of salts from the discharge?

**Mr Hezkial:** The project is largely around renewal of infrastructure that is reaching the end of its useful life. There are also opportunities to look for efficiencies in the process itself; so that extends to filters and also our incinerator and filter blowers as well.

**THE CHAIR:** Ms Porter.

**MS PORTER:** The book that I call book 1, under your purpose, it talks about your social responsibility. I was wondering if you could talk about how you deliver this and if you could also discuss with the committee your community service obligations,

which are mentioned on page 162 of budget book 3. How important are these measures to you?

**Mr Hezkial:** Customer management is one of our six key strategies. At the moment we are working our way through our strategy, which broadly encompasses a number of key elements. We are looking at revamping the ACTEW website to make it more accessible and clear. We are developing a business case for a whole-of-business customer relationship management system. We are also paying a bit more attention to what we call strategic customers, so we are looking at developing a strategic stakeholder engagement model which basically covers our top 10 users and places more emphasis on those customers than we have in the past.

There has also been a fair bit of work done within the organisation around the cultural change we are hoping to achieve within the organisation, which, in effect, we hope will result in better customer service not only outwardly facing but internally as well. What we mean by that is that by changing the culture within the organisation to be more customer focused, that will deliver efficiencies and better responsiveness for the community in delivering the services we provide. That is our focus on our customer strategy.

**MS PORTER:** So that is what you call your social responsibility, yes?

**Mr Hezkial:** We also have environmental strategies as well, which I will just turn to to to give you some more detail. Our key environmental priorities at the moment relate to finalising environmental management plans, particularly down at the lower Molonglo water quality control centre and the Cotter effluent absorption facility.

We are also focusing on implementing our source water protection strategy, which is obviously about managing the upstream end of our water supply business. We are looking to enhance our internal environmental management system in order to make sure that we continue to meet the requirements of our quality accreditation when managing environmental issues. That is a two-pronged approach in amongst a whole range of other strategies.

**MS PORTER:** And what about community service obligations?

**Mr Sachse:** We receive about \$17.5 million worth of community service obligations. That assists with making water and sewerage rates more affordable for those communities that are not as well off as other Canberrans. We receive those every year.

**MRS JONES:** What are those areas?

**Mr Sachse:** There is water use for schools and churches, sewerage services for churches, hospitals and charitable institutions and rebates on water and sewerage charges for pensioners and healthcare cardholders.

**THE CHAIR:** Ms Berry.

**MS BERRY:** Minister, can you take the committee through the impacts that the ICRC pricing direction of June 2013 has had on ACTEW's bottom line?

**Mr Barr:** Certainly that has impacted upon the territory bottom line by way of a loss of dividend and of income tax equivalent payments. Clearly that is the subject of a review by the independent panel that was established in accordance with the act. The bottom line for households, though, has obviously improved as a result of that particular determination.

In the end there is no magic money—it either comes from the territory's bottom line or it is paid by households or the consumers. In this instance the benefit has gone to households, from memory to the tune of about \$83 a year for the average household in relation to that price determination.

**MS BERRY:** Has there been a direct impact on the dividends that the ACT government receives from ACTEW?

**Mr Barr:** That is correct, there has.

**Mr Knox:** It is in the order of magnitude over the four years of \$180 million before taxes.

**THE CHAIR:** Mrs Jones.

**MRS JONES:** What I am going to ask is in the same vein. So when can the public expect a decision on the review?

**Mr Barr:** That is up to the panel.

**MRS JONES:** Do you have any idea?

**Mr Barr:** No, I have no capacity to direct them.

**MRS JONES:** No, I did not ask that.

**Mr Barr:** Through my meeting with them their expectation would be this year but, ultimately, the act does not give them a time frame; it allows for a full review. John, is there anything else?

**Mr Knox:** We have had one informal meeting with the independent panel and they have indicated that they would like to complete it this side of Christmas but that it could flow over into the new calendar year. Through that process we will also be facing the biennial review process with the ICRC as outlined in the initial determination. So the two will very much run a parallel process.

**MRS JONES:** On a separate area, what is the financial impact of ACTEW's organisational shake-up last year? Have savings been made?

**Mr Knox:** I have to be honest, it is a little bit difficult to comment on that because I do not really have the history to it.

**MRS JONES:** Who can?



**Mr Barr:** We will take it on notice.

**MRS JONES:** Thank you.

**THE CHAIR:** To go back to the review, the panel is in place and it is operational?

**Mr Knox:** That is correct, yes.

**THE CHAIR:** What is the budget for the review and who carries that cost?

**Mr Barr:** To a certain extent it depends on the panel itself and its processes, but in large part it is worn by ACTEW.

**Mr Knox:** We provided \$1 million in next year's budget for the review process, and in our conversations with the panel we have just asked them to confirm what their expectations are around that budget for them to undertake the work. They will communicate that to us moving forward and give us regular updates as to how they are tracking against that quantum.

**THE CHAIR:** So the review is housed inside Treasury? It is in Chief Minister's? It sits independently outside government?

**Mr Barr:** It is undertaken in accordance with the act, but there is some secretariat support provided through Treasury.

**THE CHAIR:** So it is housed inside Treasury?

**Mr Barr:** "Housed" is not a word I would use. Treasury has assisted the panel in making meeting room facilities available and the like. Obviously, in establishing the panel, both the Under Treasurer and I have met with them and provided some background to the process. The panel members are aware of their legal obligations and are very experienced regulators.

**THE CHAIR:** Staff support; how many staff do they have?

**Mr Barr:** I will need to take that on notice. There are a number of different inputs into their process. By "staff", do you mean ACT public servants?

**THE CHAIR:** Both ACT and staff they employ for their own use.

**Mr Barr:** We will take that on notice.

**THE CHAIR:** All right. What is the reporting mechanism? It goes to you?

**Mr Barr:** I believe so, yes.

**THE CHAIR:** Upon receipt, what happens then? What do you do?

**Mr Barr:** There will be a public release. There are three possible outcomes. They can

uphold the—

**THE CHAIR:** Win, lose, draw?

**Mr Barr:** Yes, essentially. That process, when it concludes, will result in either a changed determination or a continuing arrangement and that will be made publicly available when their report is published.

**THE CHAIR:** If the panel upholds ACTEW's position, when would new price increases occur?

**Mr Barr:** That would depend on the panel.

**THE CHAIR:** So it is up to them to make that recommendation?

**Mr Barr:** That is correct. They assume all of the powers of the ICRC in terms of determination.

**THE CHAIR:** If the ICRC position is upheld, what are the consequences then, long term, for ACTEW?

**Mr Barr:** That is an interesting question.

**THE CHAIR:** I would have thought all my questions were interesting, Treasurer.

**Mr Barr:** I will resist the temptation! If the ICRC position were upheld in its totality, including the periodic reviews, then, as Mr Knox indicated, it would be almost immediately into a two-yearly assessment, but we would go to volume—

**Mr Knox:** Correct. If I may, Treasurer?

**Mr Barr:** Yes.

**Mr Knox:** I think the broader response would be that a significant amount of the \$180 million that we referred to being lost over a four-year period would be recovered and ultimately there would be an increase in water and sewerage prices. It is a little difficult to comment because the panel may have a view as to how far that goes back, whether it goes back to its initial point, and there may be other components. But more broadly speaking it would reinstate profit and it would have an impact certainly on the water prices moving forward.

**MRS JONES:** Just a supplementary to that: am I understanding correctly that you are saying that there is a possibility that water prices, while currently a bit down—obviously it is all hypothetical—could rise again in order to make up the money that has been lost in revenue over the period while they have been down? Is that what you are saying?

**Mr Knox:** That is correct, Mrs Jones.

**Mr Barr:** In theory that could happen, yes.

**MRS JONES:** In theory. We will have to wait and see.

**Mr Barr:** We will have to wait and see, yes.

**THE CHAIR:** Any supplementaries?

**MS PORTER:** Mine is just around how the public information is handled; how that relationship between the government, ACTEW and the public is handled. When I am out there in the public or in my offices people just do not understand the relationship between the ICRC, ACTEW and the government. This is another layer. I just think that people can get the wrong end of the stick and get very upset because they do not understand those relationships, where the information is coming from or the necessity for these things to happen. How are we going to manage that in order to make sure the public understands?

**Mr Barr:** The Cohen review and the Auditor-General's report made a series of recommendations in relation to governance and future regulatory environments. I think, in the context of ACTEW's own internal reviews prior to those two processes, one of the issues—and I will invite John to talk about this in a moment—is that there has not been a clear understanding of the difference between ACTEW and ActewAGL. That is certainly something that the board and management are giving active consideration to.

In relation to the regulatory environment, there are a number of different options setting the price—that is one extreme—to outsourcing regulation to another body, possibly IPART, the New South Wales body, or maintaining our own capacity within the territory by the ICRC. I guess they would represent the three options.

Best practice tends to favour an independent regulatory environment. I think that is where public policy should head or remain. The question would then be: do we get value for money from maintaining our own independent regulatory body or would it be possible, in fact, to have that regulatory function that is performed only sporadically to be outsourced to an existing provider in a larger jurisdiction? The question would obviously be raised then about whether they would take on that work, whether they would want to undertake that regulatory function.

The issues around the public understanding of the differences between ACTEW and ActewAGL and, indeed, the joint venture relationships around retail and distribution, are ones that would benefit from a greater level of public understanding. John, you can outline a little of what the thinking is within the organisation now.

**Mr Knox:** Thank you, Treasurer. I think it is fair to say that everyone recognises deep brand confusion, and over the last 12 months that has been a very public issue. We are in the process of reviewing our position on changing the brand for ACTEW. That work is now underway. We expect to have that discussion with the board around September, which would also coincide with some broader strategy discussions. At that point in time we would then discuss that with the Treasurer and take that forward.

Through that process of establishing a new brand, which we are quite committed to,

we would go out there and make sure that the public understands quite clearly the difference between the two organisations—ActewAGL and the current ACTEW, or ACTEW Water, indeed, as it is known now.

**MS PORTER:** Would that be a web-based campaign or would it be an overarching campaign which would use lots of different platforms?

**Mr Knox:** Definitely an overarching campaign. I think it would be very targeted. I am just conscious of the cost to that effect, so we are going to look for bang for our buck with regard to how we approach the rebrand.

**MS PORTER:** Thank you.

**MS BERRY:** Just some supplementary questions to that: this is one of your priorities, to do this rebranding and get people to understand the difference between ACTEW and ActewAGL. Taking into account the cost of that, because it is not like you are going to get new customers when you start calling yourself something different—are you going to be calling yourself something different? Is that something that is in the pipeline or is it just new colours?

**Mr Knox:** No, it is highly likely that we will be called something different. At this point in time we are working through a process. We are doing a lot of internal work right down into our field crews and actually understanding what the business believes it wants to be or understands it to be represented as. It is a very important piece. I am very conscious of the fact that there has been some work done around this before and we want to make sure we get it absolutely spot-on moving forward.

You can make obvious subtle changes to the word “ACTEW”, but at the source of this we are talking about potentially removing “ACTEW”, “ACTEW Water” and reinstating a new legal name. That will then drive synergies as to how we undertake business as well.

**MS BERRY:** So there will be your legal name and then the other name?

**Mr Knox:** The legal name? We have yet to do the work around understanding what cost would be involved in changing our legal name. It would be my preference to have one name that is used synonymously or end-to-end through the business.

**MS BERRY:** Yes; that makes sense. Just on those priorities, I was looking at the safety management here—

**THE CHAIR:** Sorry; before you go off the brand, what is the time frame for that?

**Mr Knox:** So September will be discussions with the board.

**THE CHAIR:** And then rollout?

**Mr Knox:** Rollout will be subject to a time frame whereby we would hope that we would start turning the wheels on that probably in the last quarter of this calendar year. But I have not at this point done a full rollout program because, as I mentioned, it

would be—

**MRS JONES:** Sorry; the synergies you talk about: is that like centralised billing for both, for example? Is there a separation between ACTEW Water and ACTEW for billing?

**Mr Knox:** There is. It uses a common platform. Those services are provided by ActewAGL, but the brand can still be used separately. It can still go out under separate brands but a common IT platform.

**MRS JONES:** I think a central line for all the bills would be useful for members of the community.

**Mr Knox:** Absolutely.

**MS BERRY:** Just regarding the safety management, which is one of your priorities outlined in the budget papers, can you take us through what initiatives you are looking at to implement and build safety leadership skills?

**Mr Hezkial:** The safety story within ACTEW over the last few months has actually been quite a positive one.

**MS BERRY:** That is good.

**Mr Hezkial:** We are quite pleased with that. The LTI rate back in July 2013 was about 15. It has now dropped to three, so there has been a lot of focus on it from an organisational perspective. Our safety strategy at the moment is focused on expanding on that as a platform. There has been a lot of work leveraging off a lot of the cultural change program that we have been running within the organisation.

Specifically, we are now looking at the creation of asset risk profiles, asset class risk profiles, within the organisation, developing hazardous substance management plans and the implementation of a health surveillance program. That is designed to baseline employee health and then actively track that through their employment.

We have also recognised that there is an area of opportunity for us to improve, particularly around contractor management. There is a new contractor management system that we are looking at implementing.

The safety leadership program which you alluded to is being rolled out pretty much across the business not only at manager level but also at operational level; so anyone who is engaged in managing personnel on the ground or contractors. The focus of that exercise is really around accountability of actions and with a heavy focus on communication style. What we are trying to do in the organisation is encourage a more collaborative framework rather than one of policing, the theory being that we want people to be doing the right thing whether or not they are supervised.

We are also looking at including what we call ACTEW obligatory requirements. There are a number of areas in the organisation which we want to establish as being non-negotiable. The other positive indicator that has come out of the last few months

is that we have had a marked increase in the number of incident reports. We place a lot of credence on that given we see that as a positive lead indicator that people are engaging with safety and are actively reporting things.

That is generally a summary of what we are doing. At the moment one of our key priorities is that we are looking at process-related safety incidents. A major proportion of the incidents that have been reported relate to process and maintenance undertaken in a live environment. In response to that, there are a number of initiatives that are currently in train relating to lockout and tagout systems and permit-to-work systems. We have also recently completely reviewed our entire spectrum of safe work method statements in light of the recent change in legislation around that.

**MS BERRY:** It would be challenging, I guess, because lots of people would be working on their own to manage that.

**Mr Hezkial:** Yes.

**MS BERRY:** But clearly the system that you are implementing is working given the reduction in incidents.

**Mr Hezkial:** We see it as a positive sign. To be honest, at times we are often questioning ourselves: is it something that we have actively done or is this just a quirk of nature? We are not waving the flag and saying that we have achieved victory. It is something that we are taking encouragement out of and are continuing to work on.

Let me refer to one of the most positive things that has happened over the last month or so, particularly on the ground. We used to have quite disparate maintenance groups. Recently, in the structural change under John, we have consolidated that maintenance function. That enables us to apply a consistent management approach and a consistent approach to help people undertake work across the business; whereas in the past it was suffering from a bit of a syndrome of separation by Chinese walls, inadvertently. That has also, I think, contributed to the improved safety performance. There is a lot more work to do and we are doing it.

**MS BERRY:** Thank you.

**THE CHAIR:** Can we have a discussion about the staffing? Obviously there have been a few changes.

**MS PORTER:** Mrs Jones has missed her question.

**THE CHAIR:** I am sorry; I thought you had finished. My apologies, Mrs Jones.

**MRS JONES:** Just on debt borrowing and liabilities, I understand there is \$1.5 billion in debt in current and non-current interest bearing liability. Can you explain to the committee what the time frame is for those? When you build an asset, when we had the changes to the dam, what is your expected repayment schedule, over a period of what time and how much debt is reasonable to carry? Is the decision by the ICRC leaving you in a difficult position with repayment of those liabilities, I guess, is also what I would like to understand?

**Mr Knox:** Certainly. I will just make some general comments and then I will refer to our Acting General Manager, Finance. But obviously it has been out there recently and I do want to stress just a couple of comments, if I may. Whilst debt is increasing, so is the asset base. As I mentioned, currently we are forecasting at 30 June to have a \$1.5 billion debt and we are also forecasting to have a \$2.9 billion asset base.

The overall balance sheet at ACTEW is a healthy one. It is carrying a quantum of debt but the reality is that right here, right now, the governance between the earnings before we pay tax and the interest payments is 1.5 times, and that is still a very healthy indicator. Furthermore, the gearing percentage, which is staying within the 60s and moving approximately from about 60 to about 63 or 64 per cent over the next four years, is still a position that ACTEW and its balance sheet and its forward forecast can support—no problems at all. I just wanted to stress that.

**MRS JONES:** Sorry, I do not quite understand the last point that you made, that the money that you have got coming in can handle the level of debt that you have got. Is that what you said?

**Mr Knox:** Correct. We are in full ability to repay our current and long-term debt obligations.

**MRS JONES:** And what sort of time frame do you put on those larger projects for repayment? Some people's theory is that you do it over 50 years, and some governments' theory is more about getting it done.

**Mr Sachse:** We have a mixture of debt facilities. Some are being repaid over time. Some require a refinancing when it matures. So that varies.

**MRS JONES:** Can you give us some concrete examples?

**Mr Sachse:** Yes. There is a 2048 debt facility and there is a 2030 debt facility which need to be repaid within those time frames. We will either make a decision then whether we refinance or whether we have sufficient cash not to need to refinance those facilities.

**MRS JONES:** Is that for particular projects or do you finance across the aggregate or do you actually have specific financing for specific works?

**Mr Sachse:** We have general debt funding facilities. They are not tied to any specific project. As John said, we have \$2.8 billion worth of assets and we look at the whole portfolio when we manage our debt. There will be a general debt facility there.

**MRS JONES:** Can you give me some information, for example, on the dam? It is something people can tangibly understand about borrowings and expectations of the time. I understand it is only probably aggregated down in your accounting documents but you would have some idea of what you are trying to achieve?

**Mr Sachse:** Yes. As John said previously, we are looking at managing our gearing ratio. That is currently at 60 per cent. And that is probably seen from the market as a

best practice gearing ratio. The regulator picks up that gearing ratio as well and sees that that is our optimal gearing ratio as well. The dam has a 100-year asset life. So it is a very long asset. It is probably too early to tell today when we are actually going to fully pay down that debt.

**MRS JONES:** But you are looking at it for a whole of life amount of debt?

**Mr Sachse:** Yes, we look long term.

**THE CHAIR:** On page 294 of budget paper 3, it has a chart that shows the total borrowings and the PTE sector, which is largely you guys, which is continuing to go up. What is the strategy for paying the debt off? Is it simply to hold it? Governments have been known to have their providers of utilities hold debt and carry debt. Is it paid off? Is it just held? Is it refinanced? What is the long-term strategy, given that the government takes the 100 per cent dividend?

**Mr Knox:** If I could just talk about components, as the statement indicates, we are working on the financial strategy and the debt strategy as a subset of that. But, broadly speaking, there are a couple of initiatives in play at the moment. Twelve months ago we were looking at a debt facility off the ActewAGL distribution balance sheet.

**MRS JONES:** Sorry, I did not hear that.

**Mr Knox:** Sorry, a debt facility off the ActewAGL distribution balance sheet—that is, the energy company. So it is the joint venture we are referring to here. The joint venture currently does not hold any debt. There is a long story behind that but the reality is that there is a very attractive asset base sitting down there and we would like to raise some debt against that.

We were heading towards that, as I mentioned, about 12 months ago, with this introduction of an accounting standard, AASB11, which threw a bit of a cog in the works. The three owners of the energy investment had to go away and actually talk to their external auditors independently to reaffirm that they can continue to treat that investment as a joint venture investment as opposed to a joint operation.

We have only just received confirmation from the ACT Auditor-General that we can continue to treat—that is, ACTEW and the other owners—the energy business as that joint venture. What that means is that we can reinitiate the project that we had before to raise a debt facility. That is one issue. There are a couple of ways we can approach that debt facility.

We are talking of an order of magnitude here of a couple of hundred million dollars, and this is what we refer to as breaking the debt barrier with the energy business. That money that would be freed up from either funding their capital works or, alternatively, yet to be discussed and considered, could also be treated as a capital repatriation from the business. But that has got more complexities to it that we would have to work through. That is one strategy to free up cash, to get it to repay the ACTEW debt. We would be taking it out of the energy business and bringing it back up.

The other strategy would be the fact that, more broadly speaking, we are very focused



on working our assets hard. What I mean by that is this: optimising the absolute lifecycle and lifespan of our long-term assets and making sure we get that balance between when we buy, when we repair and when we replace. So we are going to work those assets harder and potentially free up more of that, moving forward as well. If we can continue to put pressure on how much capital we require, that will positively contribute to the overall debt position of the organisation.

They are two initiatives that we are looking at at the moment. I guess the third one, which is a longer term discussion and which was raised in the Cohen report, is the dividend policy. On the dividend policy at this point in time, we have not got to that and had an opportunity to talk to government about it because until I do the first part about understanding our capital structure, looking at that ActewAGL energy, there are a number of components that need to feed into this so that I can actually take a package solution forward to the government to consider our longer term position.

I think more broadly speaking, with the gearing level and the 60 per cent, there is no magic answer as to when is there too much debt versus when is there too little debt. And the issue probably is about ascertaining a level of comfort in the longer term about how we manage that, which is the core of your question. At this point in time, if I can contribute to reducing that debt or capping that gearing ratio, that is our long-term strategy. But that also needs to be racked with a long-term, sustainable price path, regulatory certainty, so that I can then provide sustainable water and sewerage pricing to the community more broadly speaking.

I am sorry if all that sounded a little scattered, but there are a number of strategies that lead into that. Economic certainty, looking at the ActewAGL joint venture, working our assets harder are all initiatives that we are looking at at the moment.

**MRS JONES:** As a supplementary, Mr Knox, how long have you been working on that for? You seem to be fairly new to the business. I am not an expert on how long you have been around working on that for.

**Mr Knox:** I have been around more broadly across ActewAGL. I have had involvement with TransACT, Ecowise Environmental, Grapevine, all of those organisations. I have been intimately involved in the energy side of looking at that debt facility for a number of years and understanding upstream impacts to fellow partners and the like. I am now taking that knowledge and obviously putting that into the benefit of looking at it from the ACTEW position, and more broadly speaking—

**MRS JONES:** And I guess the other question then on what you said before is: are you then hoping maybe at some stage to consider changing the model so that dividends do not always come as income to ACT government but you actually reinvest money that you get back into that asset base potentially?

**Mr Knox:** We have not really got to the detail of that at this point in time.

**THE CHAIR:** To go back to the start of your answer, you mentioned having a board strategy that started with a financial strategy, then as part of the financial strategy there is a debt strategy. Does that mean there is currently not a financial strategy or a debt strategy?

**Mr Knox:** No, they all exist. This is a question about one of the things the board asked me to do when I came into the role, which was to have a very close look at these issues. The board are quite across the debt facilities, the composition of GM finance that Sam referred to before, when they mature. They are right across all of these issues. What they have asked me to do is come in and have a fresh look at this and open that up for more discussion, moving forward.

**THE CHAIR:** So under the current financial strategy, what is the current strategy for the handling of debt by ACTEW?

**Mr Sachse:** As was said before, we have a gearing ratio of 60 per cent. That is in line with the regulator's view as an optimal gearing ratio. So we are still looking at very much long-term debt, which minimises our interest costs associated with that debt.

**THE CHAIR:** So how do you go about minimising your interest cost?

**Mr Sachse:** We have got specialists in the ACT government Treasury department that raise ACTEW's debt on our behalf. They look at the market, they have got market experts and seek external advice as well to ensure that the overall debt cost is minimised over the long term.

**THE CHAIR:** So you mentioned before debt at, I think you said, 2030, 2040 and beyond. Is it industry standard to hold debt for those time frames?

**Mr Sachse:** As I have said before, from a regulatory perspective, 60 per cent gearing is optimal. That looks at the mix between debt and equity funding. That reduces the overall return required for long-term investors. That will minimise prices for the community through that mixture of debt and equity. So it is the best outcome.

**Mr Knox:** With regards to Treasury, the composition of the debt very much goes out to the fact that we write off the back of the broader balance sheet of ACT government. If Treasury are going out there long term, they will read market conditions and understand what is appropriate as to long, medium or short-term debt, and they may have a composition of all of those time frames within the overall debt package.

**Mr Sachse:** It is also important to align the maturity of the debt or the tenure of the debt with the asset lines that we are talking about. We do try to match those up where reasonably we can.

**THE CHAIR:** The interest payments over the estimate period are significant, and of course, if you are paying interest, that reduces the money you can pay back as a dividend to the government. How does the government seek to improve the dividends, independent of the ICRC process that we are currently in?

**Mr Barr:** Through the board and the management to run the business efficiently.

**THE CHAIR:** What directions have the shareholders given the board in regard to financial management and debt?

**Mr Barr:** To maintain prudent budget, to continue with industry best practice and to run the business efficiently.

**THE CHAIR:** And specifically with regard to the dividend, have you sought higher dividends?

**Mr Barr:** No, because dividends are 100 per cent at the moment.

**THE CHAIR:** Have you given instructions to improve the size of the dividend?

**Mr Barr:** No.

**THE CHAIR:** When do you think the financial strategy and the debt strategy will be completed?

**Mr Knox:** We are presenting the debt strategy at the next board meeting. There is further work to be done more broadly around the financial strategy, and I would expect all of that to culminate certainly no later than September-October this year. That is the overall strategy. Then as to the execution of that strategy, I have not got a time frame on those issues. As I mentioned before, as to some of these issues with regards to trying to raise debt off the energy balance sheet, we have done a lot of work on that over the last couple of years.

We have never been better prepared to go out there and do that right now, because we had to understand some intricacies involved in raising that debt. But we have been speaking to the other partners of the distribution business, and they are ready to recommence those discussions in a very positive light.

**THE CHAIR:** Does it affect the dividend you get from ActewAGL if they are raising debt?

**Mr Sachse:** That will increase the distributions from ActewAGL. Instead of dividends, because there is a partnership, they issue cash distributions to the owners on a regular basis. Having a debt program, funding part of their cap ex program going forward will allow higher cash distributions to be paid to the partners.

**THE CHAIR:** You mentioned a capital repatriation. Is there a value that you are working towards there?

**Mr Knox:** We just need to consult further with Treasury, and indeed with regards to the capital repatriation, because the Territory-owned Corporations Act is quite clear about how debt can be raised and for what purposes it can be raised. We are conscious of those implications at the moment, and part of the strategy is to talk to the Treasurer a bit more about that.

**THE CHAIR:** When do you expect a resolution to those discussions with the other partners?

**Mr Knox:** Again, we align it with the sort of September-October-type time frame.

**THE CHAIR:** Thank you. I think that was a sup to your sup. I have a new question relating to staffing. There have obviously been some changes at senior management level. What is happening with the rest of the positions? Are they all being looked at? Is there renewal going on in the lower echelons?

**Mr Knox:** Essentially in respect of the changes to the executive structure and more broadly the organisational structure, what we have identified is that ACTEW currently has what we refer to as a product structure in the main; so it has been—

**THE CHAIR:** Sorry, a what?

**Mr Knox:** A product structure. So it has got a water and a sewerage component to the organisational structure. The two have sat historically quite separately. I understand why that was established. It was established for a very, very good reason. What we have seen, though, over the last couple of years since the integration of the I&M back into the broad business is that there is now an opportunity to bring those two together. We are moving essentially from a product structure to what we call a more strategic asset management model, which is more aligned to an asset-intensive business.

We will have asset management functions performed in one area as opposed to two areas. We will have planning done in one area as opposed to two areas. More broadly speaking, there are a number of functions across the organisation that we are re-mapping under other areas as a result of those changes.

So at this point in time, beyond the executive we have consulted with the broader staff, and about 40 people are impacted by those changes. It is not a dramatic change. We actually are referring to it as a realignment of roles and responsibilities. This is not about asking people to reapply for their jobs, spilling and filling or any of that. It is basically about putting responsibility for various areas into a different structure to make sure that that structure is supporting the key focus on where we want to go over the next couple of years.

**THE CHAIR:** So there is no spill and fill?

**Mr Knox:** No, not at this point in time.

**THE CHAIR:** So how do I move from the planning unit or the policy unit in each of those two areas into the new unit? Do people have to apply for the new jobs?

**Mr Knox:** No, not at this point in time. We will actually be co-housing. So if there are two asset management planning functions, for the next six months as we work through a very important part of, I guess, a regulatory process—a biennial review, the independent panel—there are different points of maturity. The water asset management planning and the sewerage asset management planning are both going to consolidate in due course. We are not up to that at this point in time.

We are just going to continue to basically get the maturity levels up to a point where they are equal. Then there is a new introduction of an asset management framework. We will be introducing that, and then in due course we will understand as we work through that what the end game of consolidation of those areas may mean. But I have

not done any advance planning on that.

**THE CHAIR:** You said that there will be co-housing for the next six months. What happens after six months?

**Mr Knox:** It may be six months; it could be 12 months. It very much depends upon the amount of work that is required. We are doing a very detailed review of our asset management plans. The reason why we are doing that is that I have to have a very clear understanding of our capital requirements over the next five, 10, 20 years—really going very, very deep into this process.

Essentially, the introduction of all of that work at this point in time I have not got a time frame on. It could be six months; it could be 12 months; it could be 18 months. I would be surprised if it was more than 18 months. It is more likely to be between the six and the 18.

**MS BERRY:** On the staffing, in one of the graphs in the papers there is an increase of 18 staff on the 380. I think it says in the note that that is just filling vacant positions. Is that the way that is reading? Am I reading it right?

**Mr Knox:** They are numbers that sort of broadly indicate that it is between about 380 and 400 in forward forecasts. Where we are sitting at the moment is about 390. I am quietly confident that we are going to stay around 390. I do not really see there being enormous pressure on the organisation to increase head count moving forward.

**MS BERRY:** That includes all of the staff, including the executive staff numbers and everything in that, does it not?

**Mr Knox:** Correct. I think it also picks up a few board members as well, actually.

**THE CHAIR:** New question.

**MS PORTER:** No, I am fine.

**THE CHAIR:** Ms Berry, a new question.

**MS BERRY:** No, I do not have anything at the moment.

**MRS JONES:** Thank you. As part of the government's plan for asset sales, what discussions has ACTEW had with the government about the possibility of buying the streetlights?

**Mr Barr:** None, because ACTEW would not be a purchaser of the streetlights.

**MRS JONES:** It would not be a contender?

**Mr Barr:** No.

**MRS JONES:** Okay.

**Mr Barr:** In the context of earlier discussion about the confusion between ActewAGL and ACTEW, that is another example. It is not ACTEW. ActewAGL might be an interested party, but not ACTEW.

**MRS JONES:** Right, because of its statutory situation?

**Mr Barr:** No, because it is ActewAGL's business—the street lighting would align with its business, not with ACTEW's, not with water.

**MRS JONES:** Okay.

**MS BERRY:** Electricity and water?

**Mr Barr:** Yes.

**MRS JONES:** Well, I mean, I do not know.

**MS BERRY:** No, I am just—

**MRS JONES:** I have not done these big businesses. Fortunately, I have not had to.

**THE CHAIR:** On page 40 of the portfolio statement, the other revenue has dipped by 58 per cent. What is the reason for that?

**Mr Sachse:** Really the 2013-14 estimated outcome is the outlier and not 2014-15. So the enlarged Cotter Dam; there was a 2012 flood which did damage some of the assets, and we will receive insurance proceeds from the insurer to recover those damages. That is why the 2013-14 estimated outcome number is higher than it would normally be.

**THE CHAIR:** But is the payment \$11 million?

**Mr Sachse:** Yes.

**THE CHAIR:** The other gains have halved. What is the reason for that?

**Mr Sachse:** Other gains relate to capital contributions from the land development authority in the main. Because we cannot forecast when capital contributions will be received—do you understand what a capital contribution is?

**THE CHAIR:** Yes.

**Mr Sachse:** We cannot forecast that in the long term; so we just forecast zero given that there is so much uncertainty around when we will receive those capital contributions.

**THE CHAIR:** In 2013-14, is it the assets coming over from Googong—

**Mr Sachse:** That is correct.

**THE CHAIR:**—that has caused that?

**Mr Sachse:** Yes.

**THE CHAIR:** There are no other large areas likely to come across?

**Mr Sachse:** There will be. As I said, we do not have any certainty around the timing and the value. So we forecast zero for those.

**THE CHAIR:** Further down, the other expenses have dropped by 66 per cent. But is that the same reason?

**Mr Sachse:** Correct.

**THE CHAIR:** That is the insurance again?

**Mr Sachse:** Yes.

**THE CHAIR:** Over on page 41, the 20 per cent drop in the cash equivalents, again, seems to be an outlier.

**Mr Sachse:** That is very dependent on when we receive debt draw down. Obviously we can only draw down debt at specific times. Then we will draw down on that cash that is sitting in the bank as we spend on our capital expenditure projects. It is just really a timing issue there.

**THE CHAIR:** Then further down, the growth in the payables.

**Mr Sachse:** Again, as inflation continues over time, our expenditure will grow. Therefore, a percentage of that expenditure will be holding as a payable until such time as we pay our suppliers.

**THE CHAIR:** I am moving a little further up to the intangibles. The drop down, according to the notes, is due to the write down of the Tantangera water licence. Why was that required to be written down?

**Mr Sachse:** During the drought period, as part of our water security program, we did buy some water licences to give us extra supply when we needed those. We bought those licences during a higher price and we revalue those every year. As the drought has diminished, the value of those water licences has diminished.

**THE CHAIR:** Why is that classified as an intangible?

**Mr Sachse:** It is just a licence. It is a licence to extract water. We do not really own the water, but it is just a licence to extract water.

**MS PORTER:** As opposed to the warm, fuzzy feeling that the Speaker gives us.

**THE CHAIR:** Careful!

**Mr Barr:** Mother of dragons, hey?

**THE CHAIR:** Mother of dragons? Is that how you refer to the Speaker?

**MRS JONES:** We are back to *Game of Thrones*.

**Mr Barr:** More than once she has referred to herself in that way.

**THE CHAIR:** Is there a likelihood as we move back to drought, as the natural cycle occurs, that the value of those will increase?

**Mr Sachse:** That is right.

**THE CHAIR:** The interest is fine. That is about it from me. Ms Porter.

**MS PORTER:** No, thank you very much.

**THE CHAIR:** Ms Berry.

**MS BERRY:** No.

**MRS JONES:** No.

**THE CHAIR:** I am done. Minister and representatives of ACTEW, thank you for appearing this morning. As we said, the proceedings have been recorded. A transcript will be provided. If there are any clarifications or corrections you wish to make, please forward those. You have taken a few questions on notice. If the answers could be provided within five days from the hearing, we would be most grateful. Thanks again for your appearance here today.

**Sitting suspended from 11.58 to 2 pm.**

**THE CHAIR:** Good afternoon, minister, commissioners, staff and interested persons. Welcome to the afternoon hearing of the estimates inquiry into the 2014-15 budget. In front of you is a pink privilege card. I need to ascertain that you have read the card and understand its protections and its obligations.

**Mr Gray:** Yes, we have read the card and understand its implications.

**THE CHAIR:** Thank you very much. For your information this is being broadcast and it will be transcribed by Hansard. When the *Hansard* is available we will forward you a copy; you might peruse it and, if you have any corrections or additions that you would like to make, we would receive them gratefully.

This afternoon we will hear from the ICRC, the Lifetime Care and Support Fund Commissioner for the ACT and the ACT Insurance Authority. We will start with the ICRC. Minister, do you have an opening statement?

**Mr Barr:** No, I am happy to proceed.



**THE CHAIR:** I will go straight to questions. On page 43 of the portfolio statement which contains the ICRC, under the 2014-15 priorities the first dot point reads, “Overseeing and implementing the pricing determination for water and wastewater services from 1 July 2013.” Commissioner, do you still stand by the methodology that you used for the water and sewerage price determination?

**Mr Gray:** Yes, the commission does stand by its determination.

**THE CHAIR:** You are aware an appeal has been made by ACTEW and the minister has now appointed a board to make an inquiry. What is your part in the process? Have you met with the board yet?

**Mr Gray:** The commission met with the industry panel on 22 May. I was not present at that meeting because I was on leave; Commissioner Buckley was there in my stead. Responsibilities to the industry panel are specified in the ICRC Act. In short, it is to provide any assistance that the industry panel request of us.

**THE CHAIR:** With the dividends and taxes that would come from ACTEW as a result of your determination, do you still believe those outcomes are valid and should be maintained or is there something we should change?

**Mr Gray:** No, there is no reason to advise any variation to those.

**THE CHAIR:** What is ICRC’s position regarding the Auditor-General’s finding that the price determination might be invalid?

**Mr Gray:** Our own advice obtained over a period of time, including most recently from senior counsel with expertise in this area, is that the price direction is valid.

**MS PORTER:** In section 7 of the act, the commission’s objectives include “to facilitate an appropriate balance between efficiency and environmental and social considerations”. How do you achieve that balance? Also, can you explain the commission’s role in maintaining consumer confidence in the ACT’s economy?

**Mr Gray:** The way we discharge the obligations that you have mentioned, Ms Porter, under the act—and there is quite a list of them; I think you have only given us two or three—is to carefully and systematically go through those requirements in the process of generating a report, certainly at the stage of finalising a report, to make sure each of them has been addressed within the context of the review we are undertaking. Obviously, some of them are more relevant for some reviews than others, but there is a systematic process which is reported in the final report of an inquiry itself as to how we have gone about addressing each of those requirements.

**MS PORTER:** And your role in maintaining consumer confidence?

**Mr Gray:** It is by having a transparent pricing process for those prices that we regulate so that consumers can get a full understanding of why their prices are varied.

**MS PORTER:** I talked to ACTEW about this before lunch. I am out in the community frequently and, when there are issues around water pricing, for instance,

that come up and the commission has made a determination, there is often a lot of confusion as to where that determination came from and whether the government is involved, ACTEW is involved or you have made the determination. They get very confused about the different roles of different bodies. How do you go about informing the public so that they are clearer about how these determinations come about, and the fact that you make them?

**Mr Gray:** First of all, by trying to write our reports in a way that makes them as accessible as possible. Some elements of the report involve technicalities which are hard to explain to a lay person, but we do our best. We try and ensure that the key features of the report are explained as simply as possible. All of our reports include an executive summary which strips out the technicalities and concentrates on the high-level stuff. We seek to engage the community in the processes by which we reach our determinations. We have had some success in that in terms of attendance at consultation hearings and public hearings. But I concede it is a very difficult task and, given the technical nature of much of what we deal with, it is hard to do much more than we do.

**MS PORTER:** How do you reach out to let people know that they have an opportunity to be engaged in this way? Through what media?

**Mr Gray:** For example, I never turn down a request from the media to talk to me, whether it be in the context of the emergence of a report or on some other issue that has surfaced. I try and maintain an open commission, a commission that communicates its thinking and is always prepared to answer questions, whether they be from members of the public or journalists. Also, by seeking to ensure that at critical stages of our review processes the public is made aware of the issues that are in play. A keen example of that was during the water and sewerage services inquiry. When it became clear that the propositions that ACTEW had put in their initial submission would have major pricing implications on which the community might wish to express a view to us, we took the trouble of issuing a paper drawing that to attention and eliciting specifically the views of the community on those issues.

**MS PORTER:** Through what means did you issue the paper? Was it web based or did you use other forms of communication?

**Mr Gray:** All our documents are up on the web.

**MS PORTER:** What about other ways of letting the public know that a paper was—

**Mr Gray:** Using the media, as I say.

**MS PORTER:** So seeking out the media and asking them to—

**Mr Gray:** Yes.

**MS BERRY:** I am interested in some of your priorities for 2014-15 that refer to overseeing the price determination for retail electricity for small customers on standard retail contracts. Could you give us an outline of the terms of reference for that, if you have any yet, and the price determination?

**Mr Gray:** The price determination for retail electricity 1 July 2014 to 30 June 2017 was issued by us last Friday. It included a 4.3 per cent increase in prices with effect from 1 July and contingently a 7.3 per cent fall in electricity prices, should the price on carbon be repealed. Towards the end of the coming financial year, within the scope of this budget statement, we will be doing our usual annual reset of electricity prices to take account of any changes in the parameters that have occurred since we last determined them.

**MS BERRY:** That was an increase of 4.3 per cent and a reduction? You will have to explain it to me; I do not quite understand.

**Mr Gray:** The federal government have flagged that they intend to repeal—as you probably know, if you have read a newspaper in the last three months—the carbon price legislation. So the price on carbon will go from where it is now, at \$25-odd a tonne of CO<sub>2</sub> equivalent, down to zero. But they have not repealed that legislation yet. So as of 1 July, when this price direction commences effect, the price on carbon will still be in effect and it will still be influencing the price of electricity. Therefore the price we brought down for 1 July has to reflect that. However, obviously, if the price on carbon is removed in the middle of August, say, for the sake of argument, we would want the rather strong impact of that on electricity prices to flow directly through to consumers with minimal delay.

We have determined not only a price for 1 July, which will take effect on 1 July, but also we have specified what the price will change to if that repeal takes place, so that that repeal can take immediate effect on the price of electricity for consumers in the territory.

**MS BERRY:** What lessons have been learnt from this process, from the water and sewerage pricing process, that would be taken into account for this particular review?

**Mr Gray:** For the electricity review?

**MS BERRY:** Yes.

**Mr Gray:** In the wake of issuing the draft report on water and sewerage services, we did a review of our processes and instituted some immediate changes, particularly to planning, communication and interaction between the commission and its staff, to improve efficiency and the quality of outcomes. We also instituted a process of continuous change, revisiting regularly the way we do things. Those learnings would have been reflected in the way we undertook this electricity inquiry, which has been proceeding basically for the last nine months.

**MRS JONES:** I have a supplementary question to Ms Berry's question. From your understanding, do you envisage an electricity price increase—just looking also at that same priority that we were talking about before—as a result of the government's community large-scale solar scheme that has been announced? I think today there has been an announcement.

**Mr Gray:** One of the things we have to reflect in the price of electricity is the

network charges that ActewAGL Retail has to pay for the transport of its electricity from the generators, through the transmission system, to the distribution system, through the distribution system in the city to its customers. The scale of those charges is determined by the Australian Energy Regulator. In its most recent determination, which is reflected in the 4.3 per cent increase I have referred to, the AER took account of the imminent commencement of the new large-scale solar facility in determining what network charges ActewAGL Retail would have to pay.

**MRS JONES:** Would you imagine that, as the cost of the network will presumably go up with the cost of expenditure on this, there will be justifiably an increase in the cost of providing electricity?

**Mr Gray:** The more solar facilities there are and the more energy that the distributor has to pay for and on-charge the retailer, the higher prices will have to be in consequence, yes.

**MRS JONES:** On the carbon price that you mentioned before, you have noted that the contribution of the carbon price is up to 7.3 per cent of the cost. How certain are you that if the carbon price is removed by the federal government electricity prices will actually decrease directly for Canberrans?

**Mr Gray:** Absolutely certain.

**MRS JONES:** So you would ensure—well, you would be overseeing that, presumably?

**Mr Gray:** The effect of the price direction that we brought down, which is a legal instrument and legally enforceable, is that, from the date of effect of any repeal of legislation, ActewAGL is required to reduce its prices to regulated customers on average by 7.3 per cent. In fact ActewAGL has already advised us what its pricing schedule will be in that event. We have given it approval for that, so there should be no delay whatsoever in the implementation of that price decrease.

**THE CHAIR:** Just for clarity, because you have made the determination, when the Governor-General signs the repeal bill into law, midnight that night the prices change?

**Mr Gray:** Yes, that is exactly right.

**THE CHAIR:** I have another supplementary. When the feed-in tariff is fully realised, how much more do you think it will contribute to electricity prices as the government brings more schemes into being?

**Mr Gray:** It is hard for me to comment on that, Mr Smyth, because those determinations are made by the AER and they are not entirely transparent, I have to say. The cost of the domestic feed-in tariff, which is the PV on people's rooftops, is basically stable now. What impact the successive tranches of the solar farms will have is hard to say.

The determination that the AER recently made is an interim determination and they

will be revisiting that at the end of this year, as well as hopefully announcing a price path to extend over the next four years. So at the moment things are in a fair degree of flux. Since the new facility has not produced any marketable energy as yet, there are any number of unknowns which will obviously become clear with the passage of time. The AER has mechanisms in place to correct for misestimates that have occurred prior to that knowledge being available.

**THE CHAIR:** So you stand by your statement in your press release that one of the main drivers of the increase is the cost of the large-scale solar facility, supported by the feed-in tariff?

**Mr Gray:** That was the cost that the AER factored into its most recent determination, which we are pretty well bound to pass on because it is an unavoidable cost for ActewAGL Retail.

**MRS JONES:** With respect to the same point in the portfolio statement, I understand the determination that you have made will lead to an \$85 increase in the annual bill for an average customer. What component of that is as a result of the rise in these transmission costs?

**Mr Gray:** About two-thirds.

**MRS JONES:** And how much have transmission costs increased by?

**Mr Gray:** I cannot tell you that. I would have to take that on notice.

**MRS JONES:** Thank you.

**MS BERRY:** Can I ask a supplementary on the \$85 price increase?

**THE CHAIR:** Yes, certainly.

**MS BERRY:** Is that an average?

**Mr Gray:** That is done on a domestic consumer who uses 8,000 kilowatt hours per year, which is about the average for domestic users in the ACT.

**MS BERRY:** 8,000 kilowatt hours?

**Mr Gray:** 8,000 kilowatt hours per year.

**MRS JONES:** A supplementary on that. Minister, we have seen some price reduction that households are experiencing. With this sort of information, are you then able to have consultations with the minister responsible for changes in our electricity production scheme about the impact on people in the community of the decisions that are being made?

**Mr Barr:** Certainly the cost of living implications of renewable energy are factored into the decisions about how much renewable energy we source. Clearly what has transpired is that the estimated costs have ended up being higher than the actual costs,

only marginally. But the scheme, we thought, would add about \$50 a year. I have seen a press report to the extent that it came in at about \$47, so it was actually a fraction cheaper than was modelled. Clearly there are costs associated with using renewable energy. However that is an abundant source that goes on forever and does not destroy the planet in the way that utilising coal-based electricity does.

We have a range of choices before us about where we source our energy and if we want we can continue in the short period, in the short term, using non-renewable resources that have a negative externality on the environment or we can make a transition to more reliable long-term renewable energy. The question is at what pace you make that transition. That has obviously been the subject of some fairly intense political debate in this country over a period.

**MRS JONES:** Do you use a formula to determine what you think is reasonable, or that is purely for the minister for—

**Mr Barr:** Decisions around renewable energy are cabinet-level decisions, and we bear in mind a range of factors including, obviously, the provision of concessions for low income households, which we have increased in this budget by more than the price increase that the commissioner has determined. Certainly, if carbon pricing is removed, there will be a five per cent increase in concessions and a seven per cent drop in price.

**MRS JONES:** So you are hoping we get into that better place perhaps.

**Mr Barr:** Going to this question of electricity costs in the ACT, for the average household they are about \$1,000 a year cheaper in the ACT than they are across the border in Queanbeyan, so there is considerable—

**MRS JONES:** Yes, but there are other costs.

**Mr Barr:** Yes, but overall they are \$1,000 cheaper here, so you are much better off as an electricity consumer in the ACT than you are across the border in Queanbeyan. In fact, that price difference, that \$1,000 a year, is probably one of the most significant costs for any household, particularly in this climate. It is very expensive to consume electricity in Queanbeyan.

**MS BERRY:** Just on the 8,000 kilowatts, I am interested to know what that looks like in a house.

**Mr Barr:** Presumably that involves some heating and hot water utilising electricity. Obviously many households have a combination of solar or gas or the like, but there are some households that are entirely electric.

**MS BERRY:** And that is just their consumption?

**Mr Barr:** Yes, and some consume more because they have very large houses that they centrally heat in winter. Others do not. Some people have gas, but, yes, certainly heating costs in Canberra are considerable for 4½, five months of the year.

**MRS JONES:** Just back on the per household cost that is cheaper across the border, is there an active attempt to maintain that position because of the other costs that are higher in the ACT, or is it seen as a pillow that can be sort of eaten up? I know that sounds rough, but, as you know, it is a difficult cost.

**Mr Barr:** Depending on your view, Mrs Jones, of the implications of the privatisation the New South Wales government are proposing, there may well be significant further cost increases in New South Wales as a result of those particular decisions. To be fair to New South Wales, they have a much bigger transmission network than we do here, so one of the advantages of a city-state is that we are able to distribute electricity in a more cost-effective manner. To give credit to ActewAGL, they run a good business that is properly supported by Canberrans, and we have a regulated environment.

New South Wales may choose to have significant deregulation and privatisation of their network, and that has obviously split the coalition parties in New South Wales. I heard the member for Monaro was very upset about that proposition. Undoubtedly, in the context of Queanbeyan residents who already pay \$1,000 a year more than ACT residents, they would probably be rightly upset about that. So the local member is probably just reflecting the views of his constituents.

**MRS JONES:** We have got some pretty good rates for our coal power, I understand, from agreements that were made many, many years ago and that those are due to expire at some stage in the future. Are we still working on a low cost price?

**Mr Gray:** The ACT specifically do you mean, Mrs Jones?

**MRS JONES:** Yes.

**Mr Gray:** No. The ACT buys the bulk of its electricity from the national electricity market.

**MRS JONES:** Just on the normal cost terms?

**Mr Gray:** For what is a New South Wales uniform price. Our savings, as the Treasurer indicated, are in our network costs. There are important differences which are of a fairly technical nature but are nevertheless significant in the way the commission regulates prices in the territory and in the way that IPART had been regulating prices in New South Wales until relatively recently. That has had the effect of keeping prices in the territory down.

**Mr Buckley:** The difference between the territory and New South Wales is that IPART is required to set prices on the basis of the highest of long-run marginal cost or the wholesale price, whereas in the territory the price is based solely on the market-determined and price in the wholesale market, and that is lower than the hypothetical long-run marginal cost.

**THE CHAIR:** We are going to have to finish up, but I have a quick closing question: Mr Gray, how is the regulatory regime that is currently established under the Utilities Act operating? Are any changes required to improve its operation?

**Mr Gray:** Do you mean the licence-type administration or the price—

**THE CHAIR:** No, is the Utilities Act working well?

**Mr Gray:** Yes, and going back to a question you asked me I think 12 months ago, the negative changes are bedding down. I think they are pretty well bedded down now. There was a period where we were making sure we got to every corner and made the changes, but I think we have done that now.

**THE CHAIR:** And are you happy with your own act and the way it operates?

**Mr Gray:** No, the act should be reviewed. There is scope for improvement, including removing this ambiguity that we discussed earlier. There is nothing seriously impeding our operation, but it could be done more smoothly, more efficiently and more transparently.

**THE CHAIR:** Minister, will we have a review of the act?

**Mr Barr:** Yes, we agreed to one some time ago, yes.

**THE CHAIR:** So when will that occur?

**Mr Barr:** Work is underway, and it is essentially part of the government's forward legislative program.

**THE CHAIR:** And when will we see the review and when will we see the—

**Mr Barr:** Well, you may not see a review; you will see an amendment bill. Cabinet will see a review and then we will determine at that point how to progress.

**THE CHAIR:** So you will not make the review public?

**Mr Barr:** I am not going to pre-empt the decision of cabinet. Likely we will, but I am not in a position today to commit to that before cabinet has had the opportunity to consider the matter.

**THE CHAIR:** We will finish there. Mr Gray, thank you very much. The transcript will be made available when we have it. If there is anything you want to correct or enhance, please contact the secretariat and we will be delighted to see any suggestions that you have.

**Mr Gray:** Thank you.

**THE CHAIR:** Welcome, commissioner. I think you were present when I made the opening comments, so we will just get right into it. Minister, the commission is meant to start on 1 July. Are we in shape for it to commence? And could you please detail for us what you can about the agreement that has been reached with New South Wales.

**Mr Barr:** Yes, we have a commissioner, and I will invite Karen to respond.



**Ms Doran:** Yes, we are well underway for commencement on 1 July. Of course, the legislation has been passed. We are in the process at the moment of developing the supporting guidelines and determinations that will facilitate the operations of the scheme. The levy determination has in fact been made. That was made prior to commencement in order to allow the registration fee collection processes to occur, which happened six weeks in advance of the date of registration. We are also well underway in terms of communication materials for the scheme, with information going out in the registration notices, and a radio advertisement program to make people aware of the commencement of the scheme just recently commenced.

In terms of the administration of the scheme from 1 July, we are proceeding with discussions with New South Wales. Those discussions have progressed from the point we were at when the bill was being considered by parliament. They are still in train, still very positive. It is probably unlikely that formal arrangements will be in place for 1 July. By that, I mean formal signed MOUs or agreements. But that aside, there is still commitment from New South Wales to provide the support that we may need from 1 July should an accident occur in those early periods. Of course, all the frameworks will be there. But the real first test of things, I suppose, will be the first accident that may occur.

**THE CHAIR:** So just for clarity, we have not signed an arrangement with New South Wales?

**Ms Doran:** Things are looking very positive in that respect. There are processes to be gone through on both ends in terms of final approvals of government.

**THE CHAIR:** So, again, we have not signed a deal with New South Wales?

**Ms Doran:** No.

**THE CHAIR:** We have no signed arrangements with New South Wales?

**Ms Doran:** We have no signed formal arrangements, no. We have an in-principle commitment from them to enter into an arrangement.

**THE CHAIR:** Minister, I thought you said yesterday that we had struck a deal with New South Wales.

**Mr Barr:** No, I did not say that. In principle, yes, we have. But we will proceed according to the schedule that is outlined.

**THE CHAIR:** All right. We will check yesterday's *Hansard*. New question.

**MS PORTER:** How does the lifetime care and support fund collaborate with the NDIS or intersect with the NDIS?

**Ms Doran:** The two schemes have been developed in parallel under the same broad policy initiative of the commonwealth government. They are, though, mutually exclusive. They complement each other but they are separate.

The NIIS is specifically targeted at catastrophic injuries, providing lifetime care and support to persons who suffer catastrophic injury. The first tranche, which we have implemented through this bill, is looking at motor vehicle accidents. There are proposals for that to be extended to other forms of accident. The NDIS is a broader scheme that provides for a broader range of disability issues, not necessarily linked to an accident, catastrophic injury.

As I said, the two schemes are mutually exclusive, so the definitions of the types of people to be eligible under each scheme have been carefully developed to ensure that there is that clarity of who falls into which scheme. The arrangements for their operation are also different in that the NIIS is a federated scheme in that each state, each jurisdiction, is setting up its own arrangement but under a national framework. So they are all consistent. We all agree to meet minimum benchmarks that have been defined nationally. The NDIS, by contrast, is a national scheme operated under commonwealth legislation.

**MRS JONES:** I have a supplementary to that. Will anybody potentially come under both if, as a result of an accident, they have an ongoing disability?

**Ms Doran:** They can potentially come under both, but the extent of coverage under each will be still mutually exclusive, so separately defined. And there are offset arrangements between the two schemes to—

**MRS JONES:** A bit like we have international pensions where you lose some from one when you are getting some from the other?

**Ms Doran:** That type of arrangement, yes.

**MS PORTER:** I have bundles of questions.

**THE CHAIR:** Have another one.

**MS PORTER:** On page 53 it says that the provision of lifetime care and support scheme is to have an independent actuarial review to advise on the required fund contribution. When will this review take place? Is there any indication of when information on this review will be released to the public?

**Ms Doran:** The first formal review will take place probably in about the third quarter of this financial year. We will have a regular annual process of revisiting the levy determination and having an independent actuarial review to facilitate that and to look at the existing liabilities of the scheme. That will occur around, as I said, March-April in order to feed into the budget process.

In order to get the scheme up and running for 1 July, we have had some preliminary actuarial advice to allow me to set a levy for the commencement of the scheme. That advice was necessarily fairly high level in that there is, of course, no past experience to look at and there is no existing data as yet. So it is not a full actuarial report in the sense that it could be usefully released at this stage.

**MS PORTER:** And the reviews will be made public at the time? After the review,

will there just be announcements around the determination of the levy or will there be more information than that?

**Ms Doran:** There will certainly be announcements around the new levy. There will be announcements around the liability of the scheme, the provisions that are being held for claims, the claims experience and the like. All of that will be released in the annual report of the fund. As to the actuary's report, I cannot see any reason why that could not be made public either.

**MS BERRY:** Do you have any idea—this is probably a question nobody can answer—how many people will come under the scheme? Has there been any work on those sorts of figures? It is a horrible thing to talk about really, isn't it?

**Ms Doran:** It is, yes. We of course hope that there will be no claims in the scheme, but that would be unrealistic in the long term. Of course, we have undertaken some analysis to inform the initial financial costings for the scheme, the determination of the levy. That was done in consultation with the actuary.

As I said before, there is no past experience, in the sense that a scheme of this type has not existed in the past, so even when we look back at previous claims—either in the context of the CTP arrangements, which are a similar form of insurance scheme, or more broadly, in terms of the types of accidents that may have been coming through our hospitals, which is something our actuary did—it is difficult to totally identify by the criteria which will apply under this scheme because people were not necessarily looking for that at the time. So even in that respect, we are very conscious that at this stage the numbers we have been able to gather are only approximations. But from those approximations we are working to claims of somewhere in the range of three to six a year. That has been the basis for determining the initial levy.

We have also been able to look at other jurisdictions, mainly New South Wales, where they have had a scheme of this type in operation for a number of years. But there is, of course, a very different motor accident profile there, and that is something we have had to take into account.

Necessarily, by its nature, the claims for this scheme will be volatile over time, and we will never be able to predict the number of claims with any accuracy, particularly in any particular year. The financial management of the scheme will always operate on broad averages, but those averages will be refined as we look at experience as the scheme is in operation.

**MS BERRY:** Hopefully, we have enough driver education and things like that in place so that there will not be too much of an increase in the numbers of people who find themselves in these circumstances, but if there is an increase over time, do you think there is a chance of the cost of the levy going up? I am guessing a bit now, but I suppose those sorts of things need to be thought about when you are setting up this kind of scheme.

**Ms Doran:** Yes, but I would make a couple of comments in that respect. Of course, if the number of accidents is consistently higher than what has been assumed at a point in time, then yes, the levy would have to go up to provide for that. But the number of

accidents is only one variable which will affect this. The other significant issue will be the claim amount, the cost of the benefits that are provided to scheme participants. That would depend very much on the nature of the injury that is sustained and the types of care and treatment that they are provided with. There are a number of variables, and each of those will be monitored over time.

The second point to make is that some of the claims costs that are being covered by this scheme and by this levy do overlap at the moment with what is being provided through the CTP arrangements. It is not a one-for-one coverage, in that this is a no-fault arrangement; the CTP is not. Of course, these are only the catastrophic injuries, but they are that high cost, volatile end of the CTP insurance arrangements. So over time we would expect to see the CTP premiums come down as a consequence of this scheme being in place.

**MRS JONES:** That is an either-or scheme then as well, with CTP? So you will not be double paying or—

**Ms Doran:** Certainly. The two schemes need to exist to get the full coverage, but a person's—

**MRS JONES:** But what I am saying is that if someone is eligible, they will not be eligible under CTP then?

**Ms Doran:** They will not be eligible under CTP for the treatment and care benefits that are provided under this scheme. There will still be scope for them to claim other non-economic loss benefits under the CTP arrangements.

**MRS JONES:** So they might get a broader type of coverage by having the coverage of both?

**Ms Doran:** It is not broader; it is just that it may come from two different sources.

**MRS JONES:** I have a supplementary to an earlier part of Ms Berry's question. You mentioned the funding for the scheme. The budget papers obviously have \$9½ million. Is that to be put into a fund to be then dipped into, will it be invested, or is the idea that it is just money that gets budgeted in and used up?

**Ms Doran:** No, it is definitely a separate fund. We have established a separate reporting entity and an independent commissioner to oversee this fund. The levy will be put into a separate fund. It will be invested in time as appropriate to the quantum of the money that is there and the assessed length of the liabilities for the duration for which we can invest the moneys. In the short term, the assumptions in this financial budget are fairly simplistic in that respect, in that we are just assuming it will be held in fairly basic cash-type instruments initially.

**MRS JONES:** I do not know who understands the intention, but is the intention to have a fund eventually that is self-funding, or is the idea that it will always have to be topped up? Are we getting the settings in order to try and achieve that?

**Ms Doran:** The fund is set up on a fully funded basis, so the levy in any one year is

set to cover the full costs of assumed claims that may occur in the next 12-month period. If those claims were to occur exactly as assumed, there would be enough money in the scheme to cover the lifetime costs for those persons, for those participants.

**MRS JONES:** Is there an intention to eventually get to a point where maybe those funds can be less, where the premium is less over time?

**Ms Doran:** It will always be necessary to have an ongoing premium for ongoing claims that are going to occur into the future. The premium could be less as the parameters that drive the premium may change over time—as I said, if there are less claims, if the nature of the benefit payments is different to what is assumed. The investment earnings will also become a critical factor going forward in contributing to the costs and hence lessening the premium as the fund builds.

**MRS JONES:** My substantive question is about the key outputs that are to be delivered in 2014-15—eligibility, treatment needs and reasonable expenses. How are you progressing with detailing out all the details of that, and are we able to be supplied with some detailed information about how those decisions will be made, like the details of who will be eligible and how?

**Ms Doran:** Yes. Of course, the legislation has set the initial high level framework for that. We are now in the process of developing the guidelines which will sit under the legislation. Those guidelines will detail the eligibility criteria, the criteria and the provisions for treatment and care, rehabilitation and care needs. It will also set out the provisions for disputes around all of those elements. “Disputes” is a strong word, but there is a strong framework there for resolution and discussion around those issues. Those guidelines are developed in draft form at the moment. They are just going through the approval processes. They have leveraged largely off the guidelines that exist in the New South Wales arrangements. The New South Wales scheme has been the basis for the minimum benchmarks and is considered best practice at the moment. As soon as they have been through the formal approval processes, we will be releasing them to the market.

**THE CHAIR:** When do you expect the guidelines to be available?

**Ms Doran:** It will be within the next week or so, probably. A week.

**THE CHAIR:** And they are disallowable or notifiable?

**Ms Doran:** They are disallowable.

**THE CHAIR:** Page 53, under your accountability indicators, talks about an independent actuarial review to advise on the required fund contribution. Will that be done this year? Is that the intention?

**Ms Doran:** It will be done, again, in nine months or so. It has been done in an approximate way already to inform the levy.

**THE CHAIR:** How much do we expect that to cost?

**Ms Doran:** The actuarial review?

**THE CHAIR:** Yes.

**Ms Doran:** We have budgeted for about \$50,000 in actuarial costs per year for the scheme. That will cover the levy, the advice and the determination of a liability or the claims provision at the end of the year.

**THE CHAIR:** Who will do that for you? Will you go out to tender for that? Have you got an actuarial adviser at this time?

**Ms Doran:** We will go out to tender for next year's cycle. For our advice to date we have been using the actuary that is in place for the CTP scheme.

**THE CHAIR:** Who is that?

**Ms Doran:** That is Cumpston Sarjeant.

**THE CHAIR:** Any further inquiries for the commissioner? If not, thank you very much. Did you take any questions on notice? No, I do not think you took anything on notice. We will provide you with a transcript when it is available. We ask you to peruse it. If you have any corrections or additions you would like to make, we would like to hear from you.

**Ms Doran:** Thank you.

**THE CHAIR:** We call the ACT Insurance Authority. I think you are aware of the privilege statement. Could you confirm for the committee that you have read the statement and understand its implications?

**Mr Fletcher:** Yes.

**THE CHAIR:** Thank you. We will get straight into it. Part of the Insurance Authority's operation is to review the risk that the territory might incur. Does that extend to capital works projects?

**Mr Fletcher:** It does. We have a fairly strong relationship with Procurement Solutions in terms of their capital works delivery. We have been involved with them in terms of rolling out what is a risk management policy and framework that the authority developed several years ago. That risk framework is applied fairly broadly within Procurement Solutions. We have in place a contract works policy that is in place for property damage, liability and personal injury associated with the delivery of a capital works project. What it does is insure the work as it progresses.

We have a general policy that covers the territory's general capital works program and then a number of separate one-off policies in place to deal with large projects like large roads projects or the health capital works project at TCH. So that is really our involvement with the capital works, with every process.

**Ms Smithies:** There are other parts of the process around risk for capital works which have been particularly augmented through the capital framework. That relates to considerably more work around procurement risk, the contract risk and project risk. There are a number of workshops that are held while developing capital works process proposals before they reach cabinet for endorsement et cetera. So the capital works framework in and of itself has bolstered a lot of the risk analysis and risk considerations of these projects on top of the work that John does with the Insurance Authority.

**THE CHAIR:** In the case of a PPP which the territory may or may not enter into in the near future or the further future, what advice does ACTIA offer on that particularly, for instance, in risk transferred and risk retained in the contractual arrangements?

**Mr Fletcher:** The risk management team within the authority is only very small. We have three staff involved in risk management at the moment. Our approach to assisting larger projects has been to not offer up our own resources to do that because we quite simply do not have those resources, but to encourage and link up those projects with someone in the private sector that can advise them.

For example, in respect of the capital metro project we have been speaking to them about insurance and risk management. We have suggested to them that they need to have someone within their organisation that is specifically appointed to manage project risks. Once they have identified those risks, it will assist them in what might be an insurance solution to their situation.

PPP is a bit different because it depends on who owns the asset, at what point and what responsibility you have. In terms of the project delivery, our involvement in those types of projects I would expect is going to be as a mechanism to introduce people who can assist those types of projects.

**THE CHAIR:** Is it the case that the three staff you have do not have the experience in PPPs or those large capital works, or is it that the workload makes it impossible?

**Mr Fletcher:** I think it is fair to say that it is a fairly specialised area. It is about their skill set. It is also about the resourcing of that, which I think is a full-time role for someone in a project that large.

**THE CHAIR:** You mentioned capital metro. Did they approach you or did you approach them to ensure they had appropriate risk mitigation in place?

**Mr Fletcher:** I think I started having conversations with people from that organisation two years ago in terms of what they might do. We have had some recent contact with them in the last three months as they have started to ramp up what they are doing. We have an underwriter manager who can discuss the types of cover, the types of policy, and we obviously send people who have risk management experience that can help identify the right people to assist.

**THE CHAIR:** For instance, does capital metro have insurance policies in place at the moment?

**Mr Fletcher:** They are insured by us, in terms of our cover as an entity. But not in terms of the project. They are an agency that comes under our cover; so they receive the benefit of our liability policy, our property cover and directors' and officers' cover. It is not about the project.

**THE CHAIR:** So before the project commences they would have to take out specific insurances?

**Mr Fletcher:** Yes, they would need some different cover to apply.

**THE CHAIR:** In respect of those other major projects—for example, the UC sub-acute facility—did you have discussions with Health on that project?

**Mr Fletcher:** We have not, but we have, like I said, an arrangement already set up with Procurement Solutions and with the capital works team in ACT Health to provide them with the cover that they need, for example, for everything that happens within TCH in the last four years. The new projects that are coming online replicate those types of arrangements.

**THE CHAIR:** For instance, in JACS the new Supreme Court will potentially be our first PPP.

**Mr Barr:** It will be now. That decision has been taken now.

**THE CHAIR:** It will be, according to the minister. What discussions have you had with JACS over that project and what cover have they got?

**Mr Fletcher:** I do not think we have had any discussions with them to date.

**THE CHAIR:** Should you have had discussions with them by this time?

**Mr Fletcher:** We try and be as proactive as we can. Having obviously the budget and now a list of initiatives for capital works projects, some we will approach and offer a similar type of assistance, once they start to ramp up. We have had conversations with people in the past in terms of the capital works framework and what those arrangements might look like, just in terms of a general approach.

**THE CHAIR:** Is that a bit ad hoc, that you will approach some or you—

**Mr Fletcher:** Sorry?

**THE CHAIR:** Is that a sort of ad hoc arrangement? Is it appropriate that you would approach some and not all?

**Mr Fletcher:** No, it is more a case of having to wait until the budget came down to see the specific list of projects that are on the capital works schedule. Then, I suppose, it is a case of having the resources available to assist those organisations. But really they are the same group of people who are involved with us in terms of the delivery of the general capital works process.



**THE CHAIR:** Ms Porter.

**MS PORTER:** Thank you and good afternoon. I wanted to ask you about what is listed under priorities, which is the general and targeted risk management training program for agencies. What does that consist of?

**Mr Fletcher:** It consists of a number of different training courses that we make available to agencies. It is one of our KPIs. It is on page 6 of our statement of intent. It is unfortunate that it spills over the page. We run an introduction to a whole-of-government risk management course, a managing risks and events course and a managing risks in projects course.

They are all based fundamentally on the risk management policy and framework that we have developed. Obviously the introduction course is a bit more broadly targeted at the general population, the public servants out there who are involved in delivering services and outputs.

The events risk management course and the project risk management course are a little bit more targeted. The events course we specifically developed because of a risk that we identified with small events and major events in the territory. TAMS I think leads off a major events committee that looks at large-scale public events where they anticipate, I think, more than 10,000 people. In particular, there is another whole range of smaller-type events all the way down to community festivals and other organisations that may want to use a public space, in particular, to run an event.

We have worked with some of the events management people. A group of people in TAMS, in particular in parks and city services, who do licensing-type activities to assist them to assess that type of activity and assist particularly in some cases to protect the territory's interest, but also actually protect the person who is organising the event and using our public space.

The project management course is targeted towards projects. That can be a whole range of different things. We have had people turn up at those that are involved in a whole range of different project-type activities. It is very difficult to try and narrow it down to a particular type of project management, but we try and cater for the group that is in the room. There are a number of those planned for 2014-15: seven of the introduction courses, two in events and three in projects. Then in the outyears we think that the demand for the events course is going to taper off a little.

**MS PORTER:** Correct me if I am wrong, Mr Fletcher, but I think I heard you say that you identified some particular risks around events. What could these be?

**Mr Fletcher:** In organising those types of events there are, I suppose, a number of key things that people need to try and deal with. If your event involves things like road closures or large groups of people, you might need to have some sort of first aid or ambulance presence. There is a whole road closure process that you need to go through, and that is managed through ACT Roads. So it is really about trying to highlight, for the person who is involved with the event, the types of things that they need to think about when they use, in particular, a public space.

For example, if food is being served, what sort of health issues do they need to try and deal with? Is there a potential for fire? There is a whole range of those types of issues that event organisers need to cover off in a risk management plan. The TAMS people obviously have the experience in using a risk management tool and they are able to assist people: “Here is a start point for your event, the types of issues that you need to try and deal with.”

**MS PORTER:** For instance, to have a traffic management plan, a parking management plan or something like that.

**Mr Fletcher:** Yes, those sorts of things.

**THE CHAIR:** Ms Berry.

**MS BERRY:** In respect of these sorts of events, does it make a difference whether it is a community organisation or a private organisation? Will they just have a plan?

**Mr Fletcher:** They need to have a plan. An “event” covers a wide range. You are talking about—

**MS BERRY:** You are talking, for example, about events like the Colour Run.

**Mr Fletcher:** The Colour Run. If it is a commercial entity they are usually pretty good at understanding because they are usually professional events management companies. It is same with the marathon events and triathlon events. Those types of events are usually run by organisations. It is their business and they have an insurance arrangement that protects them. Part of that arrangement is appropriately managing the risk. It is the smaller organisations that do not tend to have those resources that we are trying to help. People in the territory have contact with them to bring them along so that their event is a success without any difficulty for us, for the territory or for them as an organisation.

**MS BERRY:** Is that a problem for lots of people who hold their rallies and protests down in Garema Place but they are not necessarily a registered group? It is just a mass of people that have been organised by other people. How does—

**Mr Fletcher:** I cannot say that I am aware of the types of arrangements that need to be in place for those types of events. Usually the types of events that I am talking about require some sort of a use of public space. That usually involves a licensing-type activity through parks and city services. They have particular criteria that they need to meet before they will issue a licence to use a public place. I am sure they will be able to give you some more detail on that if you like.

**MRS JONES:** No need for flush mobs to get insurance.

**Mr Fletcher:** No.

**MS PORTER:** I seek clarification in relation to jurisdiction. Say, for instance, the land that the event is being held on is not territory-owned land but is owned by an

institution. There may not be space for parking—I use that as an example—associated with the particular event, because it could be very popular. What advice would you give TAMS? They would not have to issue a licence to use the land because the institution could say that you can come onto my land and run your event. So how do those two things intercept as a sort of case study?

**Mr Fletcher:** I do not know. You would have to ask—

**MS PORTER:** But that could be problematic, could it?

**Mr Fletcher:** It could be if—it certainly is, I think, a question you need to put to TAMS because I would assume that there are requirements under the road transport legislation in respect of parking and traffic control on roads. That is usually the thing that triggers TAMS' involvement in a lot of these activities. Sorry, I cannot help you there.

**MS PORTER:** No, thank you.

**THE CHAIR:** A new question, Mrs Jones.

**MRS JONES:** I think Ms Berry has a question.

**MS BERRY:** Yes, I do. Noting that a lot of the claims have largely been from medical malpractice and liability, is this still the case, and in what other areas do you receive significant claims?

**Mr Fletcher:** Certainly medical negligence and personal injury claims that are liability claims are the key drivers of the fund. They are two types of claims that probably make up 90 per cent of the claims we handle.

**MS BERRY:** So, public liability, that is people falling off a bus or something like that?

**Mr Fletcher:** It is liability cover under the civil wrongs act, so it can include people who are injured through slips, trips and falls or any loss that results from what is a breach of duty of care by the territory.

**MRS JONES:** Are you aware of any insurance provisions for the government's involvement in the loose-fill asbestos insulation removal program that operated between 1988 and 1993?

**Mr Fletcher:** No, I am not. But the policy arrangements the authority has in place and that are general provisions within most reinsurance policies exclude asbestos claims.

**MRS JONES:** Currently?

**Mr Fletcher:** They are excluded from the policy cover.

**MRS JONES:** That we have as a territory?

**Mr Fletcher:** Yes, and that is pretty much a standard practice for those types of policies, unless they are specifically in place to deal with someone who is involved with asbestos.

**MRS JONES:** And you are not aware of any insurance that existed at the time of the program?

**Mr Fletcher:** Not that I am aware of.

**MRS JONES:** Would your agency be aware of any?

**Mr Fletcher:** They are all shaking their heads. No, I am not aware of that type of cover.

**MRS JONES:** Because it would have been a different agency at that time?

**Ms Smithies:** Well, it pre-dates the insurer.

**Mr Fletcher:** It pre-dates ACTIA presumably, as an agency.

**Ms Smithies:** Yes, as an agency.

**Mr Fletcher:** The authority was created in 2000, and I am certainly not aware of any arrangement that existed at that time to meet that risk.

**MRS JONES:** While we are on the current insurance, do we have any development on the government's end to insure the trees at the arboretum?

**Mr Fletcher:** They are insured by us.

**MRS JONES:** What are they insured for?

**Mr Fletcher:** Loss.

**MRS JONES:** Fire?

**Mr Fletcher:** Yes.

**MRS JONES:** And to what value?

**Mr Fletcher:** I would have to take that on notice, but the people at the arboretum provided us with a detailed schedule of repayment costs. So the trees are insured to the value advised by the arboretum, and the built assets are insured under our property policy.

**MRS JONES:** And you will get back to us with the numbers for those?

**Mr Fletcher:** Would you like to know the total value?

**MRS JONES:** Both—the trees and the assets separately.

**MS BERRY:** Are the trees worth different amounts?

**MRS JONES:** They would be, yes.

**Mr Fletcher:** Yes.

**THE CHAIR:** Apparently so. Going back to the asbestos issue, do any of the policies we hold cover asbestos at all?

**Mr Fletcher:** They have a general exclusion.

**THE CHAIR:** So we purchased specifically a policy against asbestos-related claims?

**Mr Fletcher:** You cannot buy a policy with asbestos as an inclusion. That is the problem.

**THE CHAIR:** So they are not included and you cannot buy a policy, so there is no asbestos coverage that you can get?

**Mr Fletcher:** There is no asbestos cover.

**THE CHAIR:** Any final questions?

**MS BERRY:** I want to mention the make-up of the employment profile at the insurance authority and the very high numbers of women working at that agency. That is not a common thing. A lot of the boards or agencies that come to this place are not usually dominated by women, and I wondered if you had—

**Mr Fletcher:** I have no comment to make.

**Ms Smithies:** But I am very happy.

**THE CHAIR:** A small sample size.

**Mr Fletcher:** We have, I think, a happy little workforce. We have flexible arrangements in place in the authority. We have a number of people who work in the authority who work part time. We are open to people's family situations and their personal situations and provide them some flexibility around that.

**MRS JONES:** Good to hear.

**MS BERRY:** Yes, that is good to hear.

**THE CHAIR:** We will end it there. Thank you, Mr Fletcher and your staff, for attending. If we could have a response to the questions you have taken on notice within five working days that would be appreciated by the committee. When the *Hansard* is available we will forward that to you for your perusal. If there are any corrections or additions you would like to make, please contact the secretariat and the committee will consider those.

We will take a short tea break and return at 3.30 for 2½ lovely hours, I am sure, with the Chief Minister.

**Sitting suspended from 3.12 pm to 3.29 pm.**

Appearances:

Gallagher, Ms Katy, Chief Minister, Minister for Regional Development, Minister for Health and Minister for Higher Education

Chief Minister and Treasury Directorate

Leigh, Ms Kathy, Director-General

Kefford, Mr Andrew, Deputy Director-General, Workforce Capability and Governance Division

Ogden, Mr Paul, Chief Finance Officer, Strategic Finance

Peffer, Mr Dave, Deputy Director-General, Policy and Cabinet Division

Perkins, Ms Anita, Acting Director, Communications, Engagement and Protocol

Colussi, Mr David, Director, Service ACT

Territory and Municipal Services Directorate

Steward, Ms Fay, Executive Director, Parks and City Services

Alegria, Mr Stephen, Executive Manager, Arboretum, Parks and City Services

**THE CHAIR:** Good afternoon all and welcome to this part of the afternoon sitting of the estimates committee for the 2014-15 budget. We will be looking at the Chief Minister and Territory Directorate output class 1 government strategy, output 1.1 government policy and reform, output 1.2 public sector management, output 1.4 coordinated communications and community engagement, the ACT executive, and TAMS Directorate output class 1 municipal services, as it relates to the National Arboretum.

If people have to take a question on notice if you could, for the sake of the transcript, say, "We will take that question on notice," so that we can track them all. The committee would expect a reply within five working days.

Chief Minister, would you like to make an opening statement?

**Ms Gallagher:** Thank you, and I look forward to spending the afternoon with you all. Perhaps I will make some opening comments about the context in which this budget was put together. It was a challenging budget to put together, there is no doubt about that. Part of that was due to the commonwealth government's budget and the fact that that impacted not only on our broader economy but also directly on the budget that we were putting together.

So the government has taken some decisions. Our main focus is to support confidence across the community and to invest in the future of the city, and I think you can see that scene as it is displayed right across a number of directorates. We also took the decision to cover some of the shortfall the ACT budget experienced in relation to the cessation of or the reduction in commonwealth funding, mainly into health but also into other areas.

I think the response to the budget across the community has been largely positive. That is my own assessment of that. There may be mixed views across the estimates

committee, but that is my honest assessment of the responses that I have had, both as a local member and, indeed, as Chief Minister, from the various stakeholder groups that have provided that feedback to the government.

In terms of the Chief Minister and Treasury Directorate, the next 12 months will see the strengthening of the central agency's role across government and, in particular, leading a number of the pieces of substantial reform that are required to drive efficiency and effective government service delivery, which is something that I am very focused on. So you will see in this budget there are priorities and initiatives around red tape reduction. There is also the beginning of us pulling together the service ACT reforms, the strategic service training that has been done across directorates, also leading in the digital space with some work that we will do across shared services, Chief Minister and Treasury in the digital dividend investment strategy.

Importantly, Chief Minister's also has responsibility for our regional relationship. We have done quite a lot of work in that area over the last 12 months, and that will continue and, indeed, there will be work in promoting Canberra as a study destination.

When I look at some of the opportunities ahead for the ACT, a lot of those opportunities will be driven from the central agency. I see its role and its importance in leading reform across the ACT only growing over the next 12 months. I am very happy to take questions that the committee may have.

**THE CHAIR:** I have some broad questions to start with. You are the Chief Minister. You work in consultation with the Treasurer on economic matters and other ministers as such. Deloitte Access Economics managing partner, Lynne Pezzullo, was quoted as saying that the ACT budget was in worse shape than its economy. Why is the ACT budget in worse shape than the ACT economy?

**Ms Gallagher:** I was not at that event where she made those statements. In the discussions I have had with people in response to the ACT budget, I think there is an acceptance that the ACT economy is travelling pretty well. It is something we should be all very happy about. In fact, it has withstood probably two years of contraction of commonwealth spending and has held up much better than most people, including those that watch the economy's performance, expected and has withstood that contraction very well.

I cannot speak for her because I was not there. I am not sure of the context in which those comments were made. It is difficult to take one line out of what could have perhaps been a broader discussion about governments running deficits to promote investment, stabilise and show confidence in the economy. Perhaps that was what it was about. But again, whilst you can say that, I still do not think that is a negative response necessarily to the budget that we put together.

**THE CHAIR:** But if, as you say, it is travelling pretty well, how is it that we have got almost \$5 billion worth of debt and deficits in the majority of the outyears?

**Ms Gallagher:** You know better than I do that the economy and the ACT budget are two different things.



**THE CHAIR:** Correct.

**Ms Gallagher:** Whilst there is interaction between the two at times—and I think everyone would accept that we have a role as a significant player within this economy—people would look to us, at a time when sentiment was not as good as it was perhaps six months ago, to provide a stabilising influence. I think the response that we have had from the business community and the community sector—I think if you go and speak to almost every business and community leader, without exception they will say—is that this budget is heading in the right direction.

**THE CHAIR:** So what are the drivers for our debt and deficit if the economy is doing so well?

**Ms Gallagher:** The economy is travelling reasonably well. I think there are signs there that sentiment probably is not where it should be, confidence is not where it should be. But I think you can point to a number of indicators—and I am not going to talk the ACT economy down; that is not my job—where we have seen softening in some of the latest results. But as a whole, our unemployment remains low. Our housing starts remain pretty solid. The housing market remains reasonably solid. So there are areas where it is travelling okay.

There are also areas where it is not, and that is in private sector investment, public sector investment from the biggest player in town, and that is impacting on confidence. As you well know, when that becomes an issue, that can have quite a negative impact on the economy overall. People post the federal budget were looking to the ACT government to provide leadership and stability where we could, and that is the reason we took the decision to stay on the path on the investments that we have determined to be priorities in terms of our capital expenditure and also cover some of the cuts that the budget experienced from the cessation or the winding back of commonwealth payments.

We could have done things differently. We could have run smaller deficits. We could have not revised our land program. We could have done a whole range of things. But I am not sure that would have been the responsible response from government, which was to give an honest update on where we thought our own revenue lines were going, cover the cuts from the commonwealth and, instead of winding back our infrastructure plans, to hold firm on them. As I said, I think pretty universally the stakeholder response to that has been positive.

**MR HANSON:** A supplementary: one of the business groups you referred to called for the government to introduce a debt reduction strategy. Do you have a debt reduction strategy? Have you got a plan to tackle the \$5 billion worth of debt?

**Ms Gallagher:** Yes we have had that. We have had borrowings for a couple of years now. So we have a plan around that, and it involves paying down the interest, making sure that interest is reflected and budgeted for and keeping an eye on the overall debt as—

**MR HANSON:** Paying the interest does not reduce the debt, does it?

**Ms Gallagher:** No, but it is part of managing the debt.

**MR HANSON:** Service of the debt.

**Ms Gallagher:** It is a part of managing your liability. Are you suggesting that we should not do that?

**MR HANSON:** What I am saying is that there is a difference between servicing a debt and reducing a debt. The business group did not ask for a plan of how you were going to service the debt; they are interested in how you are going to reduce the debt. I am saying: do you have a plan to reduce the debt?

**Ms Gallagher:** Yes, and it is to reduce that over the longer term, similar to how other state governments manage their debt and the commonwealth government manages theirs. Ours would be no different.

**MR HANSON:** But if you are delivering deficits how are you going to do that? I do not understand.

**Ms Gallagher:** Because you head back to surplus. That is what you do, and you make sure your expenditure shows restraint. I think the assessments of most on the budget will accept that we have showed restraint with our expenditure growth and that you have a plan to work back towards surplus. And I think the budget clearly lays that out.

**THE CHAIR:** A new question, Ms Porter.

**MS PORTER:** My question relates to page 13 about whole-of-government policy and project initiatives, and it says

Scope, delivery and timing of initiatives may vary depending on emerging priorities that impact on resource availability.

You were speaking about those, I think, in your opening remarks. What do you think might be those emerging priorities that impact on resource availability?

**Ms Gallagher:** Sorry, I am just trying to find where you are at.

**MS PORTER:** It is in the notes.

**Ms Gallagher:** Yes, 1(a).

**MS PORTER:** Yes.

**Ms Gallagher:** I think I did outline in my opening address that increasingly we are ensuring that the central agency is having a whole-of-government leadership on those important areas of reform. Part of our drive back to surplus will be running the most efficient and responsive government that we can. And that is where projects like the digital dividend investment strategy, service ACT as it rolls out, understanding expectations around service planning, come into play. What is everybody currently

doing? What are they planning to do in the future?

It goes beyond that as well. We have got big issues like asbestos. We have got big issues like workers compensation. They are all being managed effectively within the central agency. So there will be the reform side, including things like the red tape reduction, the regulatory reform team. They will be focused on doing all of that business and leading that across government. Then on the other side will be managing some of those really important initiatives, including, for example, the healthy weight initiative. I go back there to things like asbestos, which is growing as an issue that the government has to manage.

**MS PORTER:** There is a new measure put into that output class which is about ensuring effectiveness and efficiency of government priorities. So how do you, I guess, ensure that? It is, I would imagine, a fairly big task, with such a huge number of directorates and a lot of initiatives, a lot of work to be done in this coming year and the outyears.

**Ms Leigh:** Would you be able to point me to the exact page that you are referring to now?

**MS PORTER:** Page 13. We are having difficulty describing these books.

**Ms Gallagher:** The old budget paper 4, broken down.

**MS PORTER:** It is the budget statement which has “Chief Minister and Treasury Directorate” on the front.

**Ms Leigh:** Yes.

**MS PORTER:** Have you got that one?

**Ms Leigh:** At page 13. And the particular words that you were just referring to about efficiency and effectiveness?

**MS PORTER:** This table here under the output classes has:

g. Regulatory and process reform initiatives.

Then it has a new measure, No 7.

**Ms Leigh:** Thank you. As the Chief Minister has said, with the challenges being faced in the ACT economy, one way that we can support business and also ensure that government is using its resources as efficiently as possible is to look at regulation of business, on the one hand, and how we do things within government to make sure that we are as efficient as possible there.

In relation to impact on business, we have some specific initiatives. We have got a regulation reform team and we have a panel of business representatives. We meet together to discuss areas identified by business where they consider that perhaps there would be a more efficient way of regulating the particular problem that the regulation

is directed at.

It is a very collegiate working relationship where we actually seek to sit down and work through those issues and identify whether there are other ways of achieving the social objectives that government set, while imposing less of a burden on business. And often that is possible. By just sitting down and working together you can usually identify a range of options in relation to more efficient and effective regulation in terms of business. That is one major initiative that we are following.

Again, we are doing the same across government to look at how we operate as a government and whether we are using our resources as effectively as possible. That, again, is always incumbent on us as public servants to make sure we are doing that and that we keep reviewing that over time. But now more than ever, with the pressures on the budget, it is even more important that we do that.

One of the things that the Chief Minister mentioned was looking at service reform. Last year all directorates reviewed how they do business and identified areas where they might operate differently. We are about to go through a second phase of doing that this year. We will do that collegiately through the strategic board.

**MS PORTER:** You mentioned coming together with the business sector. Is there a similar way that you come together across government directorates in order to have these discussions with senior people from those directorates?

**Ms Leigh:** There is. We have the strategic board, which is the meeting of all the directors-general. The strategic board of all of the directors-general meets every fortnight. We have a number of working groups that sit under that that can carry out work in particular areas.

**MS PORTER:** What about the community sector? Is there a similar group of, say, peaks in the community sector that meet together with government?

**Ms Leigh:** Yes, there is. The Community Services Directorate take the lead in relation to a number of those peak bodies and the government's relationship with them. They could probably talk to you in more detail about that. Again, that is a very important part of government making sure that it is operating as effectively as possible.

**THE CHAIR:** Just to follow up on some things the Chief Minister said in response to those questions, you talked about CMD taking a role on asbestos. What is the role of your directorate in regard to asbestos and the Mr Fluffy homes?

**Ms Gallagher:** It is a key role. Obviously, the industrial relations and WorkSafe policy sits within Chief Minister's. In the past asbestos has sat within there. I will let Andrew Kefford answer, and I will add some comments at the end.

**Mr Kefford:** Mr Smyth, the policy responsibilities, as the Chief Minister was saying, for dangerous substances, including asbestos, sit with us, although in that context we report to Mr Corbell as the minister for workplace safety.

The other element of our role in relation to the Mr Fluffy houses that you mentioned

is that for some time now the asbestos coordinator position has sat as part of the Office of Industrial Relations. In that context we have a more operational role in responding to issues as they are raised, but working very closely with our colleague the Work Safety Commissioner and his inspectors. So in that sense we are really coordinating the government's response at an operational level while also providing policy advice around the response to both Mr Corbell and the Chief Minister.

**Ms Gallagher:** I think it is an unfolding and developing situation that we are involved in at the moment. In the short term it is going to require more resources from the government to deal with some of the outcomes of what we are learning across the city and also from our formal engagement with the commonwealth. I see it as probably needing to be lifted out of its traditional home in industrial relations and more into a stand-alone response from government. That is already being done, in a way, but it is going to become an increasing priority for us in our response to those householders affected, in particular.

**THE CHAIR:** Have you had conversations with the Prime Minister or have you had conversations with the commonwealth, and what is the outcome?

**Ms Gallagher:** We have had dialogue between governments—including the previous Labor government—around trying to encourage the commonwealth to the table on some of the discussions around asbestos. That has not just been around loose-fill asbestos; it has been around contaminated land and things like that.

There has been a reluctance, I would have to say, from the commonwealth to formally engage with us on it. I think that, from an administration point of view, they feel that when self-government came in, they washed their hands of a lot of these issues. I think there is a very strong moral argument for them to maintain contact and be at the table with us. What we are learning from the Mr Fluffy homes, increasingly, is that it confirms the need to have the commonwealth there and actively engaged with us.

In the last fortnight we have had some response from the commonwealth, at least in convening early meetings. I think they are understanding the predicament that some householders find themselves in in the ACT. So they have shown a willingness to at least come around the table, and we hope that continues.

**THE CHAIR:** Have there been any conversations between ACT ministers and federal ministers in the new government, and have you spoken to the PM?

**Ms Gallagher:** I cannot recall a verbal discussion with the Prime Minister. I have written to him, and the minister for industrial relations has written to Senator Eric Abetz, particularly around the comments from the asbestos eradication agency, which entered this space and made some comments around what it thought was the required response, and that seems to have assisted us to bring the commonwealth to the table.

The minister for industrial relations has primary carriage of this at the moment. He is meeting with the residents that are concerned and is managing that. We are going to need a short, medium and longer term response. I think there are some quite urgent responses needed, particularly for some families that have had to move out and then are faced with some of the difficulties around remediation of their homes, and the

disruption and dislocation that it is causing.

There is no doubt that the issue of asbestos is going to be a long-term one for this city because of its prevalence and the fact that we know more today than we knew a year ago, and we knew more last year than we knew the year before. It just seems to keep growing as an issue.

**MRS JONES:** I have a supplementary on that. Chief Minister, are you hoping that the commonwealth will take a large responsibility in this area? Would that be your hope?

**Ms Gallagher:** I am hoping that, at a minimum, there is a shared responsibility. I think there are legal arguments and then there are moral arguments. I would hope that the positive signs we have seen in the last fortnight would be without prejudice and would allow us to have that discussion. There is no doubt that there is a legacy issue of asbestos in this town. There is no doubt that in 1989 the people who signed over all the papers understood exactly what that legacy entailed, or indeed how much of that stuff was buried in the ground—and, of course, what we are learning increasingly about what is in people's roofs.

**MRS JONES:** Presumably there was not such an understanding then of government responsibilities and how they legally interact across generations because it is not like territories get handed over often.

**Ms Gallagher:** That is right. We are trying to have those good faith discussions. I know there is a level of anxiety, particularly on the part of a small number of residents who have had their lives turned upside down by some of the events of the last—

**THE CHAIR:** I am not so sure it is a small number, or that it can be characterised that way. We will move on. A new question, Ms Berry.

**MS BERRY:** Yes, I want to talk about the role of government policy and reform in its support of the ACT government's membership of SEROC. Chief Minister, can you please provide us with an overview of the ACT government's participation in SEROC?

**Ms Gallagher:** Yes. It has been a very positive engagement with SEROC. There is no doubt that we are part of a very fast-growing region. We are the service centre for that region for a whole range of various services. It is very clear, in my membership of SEROC and the relationships I have formed through that, that we rely on the regions being strong and healthy, and they rely on us being strong and healthy as well. So there is a mutual beneficial relationship there.

There are some changes afoot with how councils are organised in New South Wales, but overall the relationship is strong to the point that we have all of the local mayors arguing for us to be retained, in whatever shape is finally determined by the New South Wales government, as a key member of their local organisation of councils, which I think speaks to the importance of the relationship.

Where I can, I attend those SEROC meetings. We take part in some of the planning work that is underway. In fact there has been quite a lot of work done across a range

of areas which I am happy to provide to the committee when I come across the notes. I will mention a couple. Obviously there is the engagement we have with SEROC, and then there is the formal collaboration we have put in place with the New South Wales government as well.

SEROC recently signed off on their priorities document for the region. The last meeting we had was a week after the federal budget, in Queanbeyan. At that meeting we had the opportunity to discuss the impacts of the federal budget on those regions with Dr Peter Hendy, who had come along to that meeting. There is no doubt that there is a lot of concern from the local councils about how the cuts will affect them, not just from the Canberra effects, but also there are things like the capping of the FAG grants, and the capping or removal of other infrastructure payments to the outyears. There is no doubt that it is going to put a fair bit of pressure back on the local councils to manage some of that, and they are all cash strapped; they have limited ability to raise revenue.

The other area would be the work we are doing with the New South Wales government. I have not formally had a meeting with Mike Baird on that since he took over the premiership, but under Barry O'Farrell's leadership it was travelling along very well.

**MS BERRY:** It must have been a very different meeting, the post federal budget meeting with SEROC, to previous meetings with SEROC—talking about individual regional issues and then talking about one big problem that had been put on everybody by the commonwealth government.

**Ms Gallagher:** They are not really political meetings. They do not tend to be political. My experience is that mayors tend to not be political, or not as obviously political as perhaps we are in our work here. The story of the budget was unfolding at that point, but they were aware of what some of the immediate hits were going to be and how that would translate for them.

As an outcome of that meeting, we are pulling together as a region the impacts of the cuts and the decisions. We have organised a meeting with the three federal members—Senator Seselja, Angus Taylor and Dr Peter Hendy. A delegation of us will meet with them and say, “This is what the budget actually means for the region,” and see what response we get from that.

Putting all of the politics aside, that will pull together in one meeting all the regional leaders to talk about what this means for the region. If all of those decisions stay, what are the areas for opportunity for us as a region? Should we lobby the federal government for support with other infrastructure? At my meeting with the Prime Minister he made it pretty clear that he was not that keen on investing necessarily in Canberra, but he would consider proposals around road infrastructure for the region. That would lead you to believe Barton Highway or Kings Highway were the two roads.

**MRS JONES:** Regarding output class 1.1, what is the reason for the increase in the budget total cost to \$14.3 million and what progress has been made on the one-government model?

**Ms Gallagher:** Is that on page 17?

**MRS JONES:** The figure is at the bottom of page 8—total cost, 1.1.

**THE CHAIR:** Total cost has gone from \$11 million to \$14 million.

**MRS JONES:** Portfolio budget statement, page 8, the second-last line.

**Ms Gallagher:** You want to know about the difference between \$11.6 million and \$14.2 million?

**MRS JONES:** Yes. What is the reason for that increase?

**Mr Ogden:** The main movement is new initiatives—movements of regulatory reform and iConnect. There is about \$2.7 million there. Then there are some adjustments for rollovers between financial years and removal of some general savings.

**MRS JONES:** With the ICT changes, presumably iConnect is involved with the overall ICT. I understand there is quite a saving going on in ICT as a whole in this budget. How does this figure play into that saving, because it is obviously an increased cost in the 2014-15 year? Is it anticipated that after that it will go down?

**Ms Gallagher:** Yes. The digital dividend investment strategy is up-front investment for savings, to drive the savings in the outyears.

**MRS JONES:** Can you comment on staffing in that area then? Is there an intention after that has been rolled out to have fewer staff?

**Mr Peffer:** I can comment on that. Under the iConnect initiative there is a small amount of recurrent funding which will be provided to the Chief Minister and Treasury Directorate. Overwhelmingly, we expect the majority of the budget will go to the Commerce and Works Directorate on the basis of a fee-for-service purchaser-provider model.

**MRS JONES:** As in fee for service between those two departments?

**Mr Peffer:** That is right. iConnect is a whole-of-government initiative so it will have implications right across the board for services that are delivered in all agencies. For that reason, leadership will come from the strategic board and through the chair to Head of Service. That is why CMT has been appropriated that funding.

In terms of the funding which will be retained within the Chief Minister and Treasury Directorate, in 2014-15 there will be \$396,000 in recurrent. In 2015-16 there will be \$401,000 in recurrent. That represents funding for two FTEs, one band 1 and a part-time SOGC, 0.8 of an FTE.

**MRS JONES:** That is for the rollover of iConnect?

**Mr Peffer:** That is right. With that project we will be working across government to



establish a high-level strategy and the actual policy for rolling this out across all the service delivery areas. That is what that funding will achieve.

**MRS JONES:** Have the calculations for the savings and staffing over the forward estimates been done?

**Mr Peffer:** That has been done in a sense. We have worked off benchmarks and experience in other jurisdictions where these sorts of projects have been undertaken. Obviously, as we go further and further into that project and we undertake that work, we will refine on both the expenditure and the savings.

**MRS JONES:** What are the current expectations for reductions and staffing as a result of iConnect?

**Mr Peffer:** It would be premature to make any comment about any sort of staffing reductions. The government has said that these savings initiatives are not about staff reductions. It is about increased productivity; it is about delivering services differently. And in many respects that is not just about efficiencies. That is also about changing community expectations and making the best use we can of the technology that is available.

**MRS JONES:** The savings that are expected in the current years are from calculated productivity increases. Is that what you are saying?

**Mr Peffer:** No, that is not correct. We have done benchmark preliminary analysis into things like reduced storage, postage and processing time; cost reduction from reduced paper correspondence; reductions in cost per transactions through the use of ICT; and reduced manual processing in terms of keying and rekeying inputs.

**Ms Gallagher:** Duplication.

**Mr Peffer:** That is right. It is on that basis that we have framed up an estimate of what those savings should be.

**MRS JONES:** Thanks very much. Just on the one-government model, I was asking what the progress has been. What are the changes in structure that have occurred in the directorate to achieve the one-government model and what is the structural relationship between the new Head of Service and the other heads of directorates as a result of the change?

**Ms Leigh:** I think when we talk about one government there is a whole range of ways that we need to achieve that. Fundamentally, it is about people in Canberra interacting with one government.

**MRS JONES:** It is a one contact point?

**Ms Leigh:** Well, one coherent relationship with government—whether that is always one contact point—but that it is a seamless contact. That is probably the best way to describe it.

**MRS JONES:** Rather than the current incoherent model!

**Ms Leigh:** Public servants work very hard to be helpful, but I think that we can get better.

**Ms Gallagher:** I think it is about improving all the time how you provide the service. Being incredibly candid and honest, at times I think our structures have not supported a one-government approach. People have gone to health and then they have had to go to education. If you have a sick child that has a disability or whatever you can feel like you are engaging on a number of fronts, and to some extent that it still true. We are trying to focus and drive reform to ensure that, for the customers of our service, they are the No 1 and that we work out how to make our services as seamless as possible for them.

It is not always perfect. It is not perfect now, but I think improvements have been made. The work that is being done in terms of vulnerable families, for example, is a great example of where we have pulled health, justice, education, community services and treasury together to drive, I think, a reform program for those people that have contact with our services. From that we are learning how to look at it in other ways as well.

**MRS JONES:** So it is more of a slow process than something that has been well mapped out already?

**Ms Gallagher:** I think it is. It is an organic—

**MRS JONES:** Organic, yes.

**Ms Gallagher:** We are looking at it again in terms of the administration changes that will be put in place. When the sixth minister joins the cabinet, that gives us an opportunity to again look at how we are making our administration arrangements promote a one-government model. Kathy Leigh is Head of Service. Whilst that means she is the leader of the public service, there is a very collaborative framework that exists around the strategic board.

**MRS JONES:** Are you getting all the directorate heads together? Is that what you are saying?

**Ms Gallagher:** Yes. In my view, it is working really well in terms of taking responsibility for whole-of-government activities. So it is not just, for example, the head of health sitting there worried about health. Kathy is asking the head of health to engage in: how do we do iConnect that is going to work for your clients and staff? There are countless examples of that.

**MRS JONES:** It is not that there is a significant defined plan of change. It is just that you want to change the methodology in general or the general way of interaction between the agencies and with the clients as well.

**Ms Leigh:** I want to take every opportunity we have. One of the things that we are now doing is reviewing the Public Sector Management Act. There is an opportunity to

make sure that there are clear messages in there about how we operate as a service and that there are clear structures in there that facilitate us operating as one service so that there are not any unnecessary barriers to that. There is another way that we can tackle it. I think we need to grab every opportunity we have.

**MRS JONES:** It is a bit more like a third bottom line; you are taking this rule to new initiatives?

**Ms Leigh:** Yes.

**MRS JONES:** Thank you.

**THE CHAIR:** Before we go to Mr Hanson, just remember, members, that we have output classes 1.1, 1.2 and 1.4, which we probably need to complete by about 5 o'clock. So feel free to range. Mr Hanson.

**MR HANSON:** Feel free to range? Okay.

**THE CHAIR:** Not specifically you, but anyway.

**MR HANSON:** Chief Minister, a significant part of government policy is the tax reform. I want to go specifically to rates. Late last year the Treasurer said that rates will not triple until the second half of the century, but in a press conference during the budget you were saying that they just will not triple during this term of government.

**Ms Gallagher:** No, that is not what I said.

**MR HANSON:** Well, when will—

**Ms Gallagher:** I said the Liberal Party said that they would triple in this term of government, and they will not.

**MR HANSON:** That is not true.

**Ms Gallagher:** That was the answer I gave to the question.

**MR HANSON:** That is not true, for the record.

**THE CHAIR:** Well, you should give correct answers then.

**Ms Gallagher:** That is my recollection of the press conference—

**MR HANSON:** Right. Well, there seems to be some—

**Ms Gallagher:**—and my recollection of the campaign, actually, and the scare campaign that was run by you.

**MR HANSON:** That aside then, there seems to be no doubt now that they are tripling; it is just a matter of when. Can you give us a more up-to-date date on when rates will triple?

**Ms Gallagher:** I support the comments made by the Treasurer.

**MR HANSON:** That rates will not triple until the second half of the century?

**Ms Gallagher:** I support the comments made by the Treasurer.

**THE CHAIR:** So rates will not triple until the second half of the century, another 36 years away?

**Ms Gallagher:** I support the comments that have been made by the Treasurer. I am not going to be a pawn in the little scare campaign of tax reform by the Canberra Liberals. You can see from this budget and the budget before that, on average, rates increased by 10 per cent. There were three components to that: the yearly increase that we have had since self-government, then a component to replace insurance tax, which will finish in two years, and a component of revenue replacement for stamp duty, culminating in an average increase in the order of 10 per cent. This is a decision that the budget cabinet reviews and takes each year as we embark on years 4, 5, 6 and 7 of a much longer program of tax reform.

**MR HANSON:** If you take \$1,000—I do not think anyone's rates are that low—or whatever your rates are, and extrapolate that out at 10 per cent a year, your rates will triple in 11.6 years.

**Ms Gallagher:** That is all things remaining as they are. We have already indicated that, once insurance tax is abolished in two years, you will see that come off the rates. We will not need to seek revenue replacement through the rates system.

**MR HANSON:** What is the period of the tax reform?

**Ms Gallagher:** In terms of replacement of revenue for the initiatives that we have outlined, we have outlined a 20-year program of tax reform.

**MR HANSON:** A 20-year program. So that gets to—

**Ms Gallagher:** That will be the final year of abolition of stamp duty, as we have planned it at this point.

**MR HANSON:** So 2031, is it?

**Ms Gallagher:** That is how we have planned it at this point.

**MR HANSON:** And at that point rates will not have tripled?

**Ms Gallagher:** But—and I have said it before—we have this under review. We have the tax reform work under review as a central part of each year's budget.

**MR HANSON:** If you replace all of the stamp duty revenue with rates revenue and all the revenue from insurance taxes and the other taxes being abolished, can you explain to me how it is that rates will not triple under that scenario? It is a

mathematical impossibility, isn't it?

**Ms Gallagher:** That is the plan, to replace revenue over a 20-year period, and the government updates this and reports through the budget process every year. We will continue to do so, we will continue to review it and we will continue to engage with the commonwealth on structural tax reform, which you have been lobbying for with the commonwealth, because that will inform our own decisions as well, I have to say. If there is a change to federal financial relations and some of the structural tax reform that you have been seeking federally, that will also inform—

**MR HANSON:** So you are calling for a GST?

**Ms Gallagher:** No, that is not me calling. I heard you on the radio calling for structural tax reform.

**MR HANSON:** I do not think I mentioned the GST. I think it is you that has been calling for a GST.

**Ms Gallagher:** I heard you. My recollection is that there was a call from you for structural tax reform at the federal level. I did not hear you necessarily not include any revenue lines in that. If that process, the tax reform white paper and the federalism white paper, actually determine an agreed outcome, then that will also inform decisions that we take here locally.

**MR HANSON:** All right.

**THE CHAIR:** Just as a supplementary to something you just said, Chief Minister, you said that when the general insurance and the life insurance finish, the rate of increase will drop. We are on page 226 of budget paper 3. As to the increase in general rates, the total take is 13 per cent this year. It is 12 per cent in the last year of both those taxes, but there is a 12 per cent increase in the year when those taxes have been relieved.

**Ms Gallagher:** I imagine that has something to do with more rateable properties.

**THE CHAIR:** You have just scaled back your land release program, so you are not expecting the same sort of growth that you have had.

**Ms Gallagher:** There will be growth in—

**THE CHAIR:** There will be some.

**Ms Gallagher:** Hopefully, Mr Smyth. We would hope that there would not be no increase in rateable properties over that period. What I said was correct, that the insurance tax replacement will drop off, but we would still expect that there will be normal growth in the land values that underpin your rates and an increase in the number of properties paying rates.

**THE CHAIR:** But there is normal growth in each year—a 13 per cent, 12 per cent and 12 per cent increase. When you get rid of those other taxes, the increase seems to

be the same as the year in which they disappear. It will be interesting to see.

**Ms Gallagher:** Yes, and I am sure the Treasury has the detailed analysis if you wanted to put that on notice. I am sure you would get an answer, but I imagine it has something to do with what I have just said.

**THE CHAIR:** Sure. What support does your part of the directorate give to the light rail project?

**Ms Gallagher:** We are involved in the sense that I chair the subcommittee of cabinet for capital metro. Also, as the central agency and policy think-tank for providing support to me, there is involvement across government and particularly with the Chief Minister's and Treasury part of CMTD.

**THE CHAIR:** What is the sum of money that you are willing to spend on light rail from Civic to Gungahlin?

**Ms Gallagher:** I think I heard you quoting it the other day in estimates.

**THE CHAIR:** I am asking you what you understand it to be.

**Ms Gallagher:** As I said, I always tell the truth, Mr Smyth. I said I felt that cabinet's appetite was in the order of the 2011 budget—indicative budget—updated for 2014 figures.

**THE CHAIR:** So what does 2011 to 2014 look like? Have you done that calculation?

**Ms Gallagher:** That work is being done now.

**THE CHAIR:** How do you know you have an appetite for an amount that you have not calculated yet?

**Ms Gallagher:** They were the terms with which we took a decision and made an election commitment on this project. The point I was making to the journalist in question was that the terms with which we engaged with this project at the beginning remain the terms with which the government will make decisions around this project. I am not going to give you a dollar figure and I am not going to play silly games on a project that is of such importance.

**THE CHAIR:** Why not? You have said it is 614 adjusted for three years.

**Ms Gallagher:** The question that was put to me was that the understanding of the journalist was that the budget was in the order of between \$800 and \$900 million. I said, "That is not my understanding."

**THE CHAIR:** So what is your understanding?

**Ms Gallagher:** That will come out when the final draft or the final business case has gone through the cabinet process, which it has not at the moment. I have not seen it. I have been briefed by the project director and I have been briefed by the minister about

the work as it is ongoing, but that final piece of work has not been lodged for the consideration of cabinet.

I can say that if it was in the order of \$900 million, I do not believe that we would be in a position to support it. That was the point I was making. I felt that in relation to the cabinet and where we understood the project to be, the work that we have seen to date is certainly in line with that budget, updated for reasonable escalation. That was the terms with which we entered the project.

**THE CHAIR:** But how do you set a limit when you do not know what that limit is? You have just said you do not know—

**Ms Gallagher:** I have not set a limit. I have said that is my feeling of where the decision making would land. Because of the nature of this, particularly how some of the information is getting out and with some of the games that are being played by you guys, to be honest, I am constantly being asked—

**THE CHAIR:** What, seeking information on behalf of the community?

**Ms Gallagher:** I am constantly being asked, “What is your upper limit? Is it a blank cheque? Will you do this whatever?” My response, I thought, was a reasonable one that put some limits and rationality around it, but I also said at the time that the final business case has not been brought to cabinet and we will make decisions when all the information is before us. That remains my position now. We have got a period of probably the next three months for a whole range of work coming in for the subcommittee of cabinet to consider. On a project like this, we need to be careful, thorough and diligent before we make any final decisions. And that is exactly what we will be.

**MR HANSON:** Chief Minister, you just said that there was an election commitment.

**Ms Gallagher:** Yes.

**MR HANSON:** If it is an election commitment, how do you then say that you are not sure whether you are going to deliver it or not?

**Ms Gallagher:** The election commitment was to spend, as I recall, \$30 million on progressing capital metro to the stage where a financing model could be determined. We have delivered on that.

**MR HANSON:** You said repeatedly that light rail would be delivered by 2016. There are numerous—

**Ms Gallagher:** No. No, I have not. No.

**MR HANSON:** statements where repeatedly—

**Ms Gallagher:** Do not verbal me. No. Do not verbal me. I have not. The commitment that we took to the election was \$30 million to do the detailed work that Mrs Dunne calls for in the paper that she has written on light rail—and, indeed, that Zed Seselja

used to call for, as well, from my recollection, to do the detailed work that underpinned the final decisions around this project.

We have a commitment with Shane Rattenbury, through the parliamentary agreement, that the first tracks will be laid in 2016. All the information I have seen to date shows that this project stacks up, shows this project to be a visionary project for Canberra that could have a significant impact in terms of job creation and development opportunities along that corridor. I do not want anyone to say that I am not supporting this project. I am; I think it is a very exciting project for the city. But we also have a job to do to get all the information out to people about what it means, how it is going to work, what it is going to cost. All of that work will happen. But we did not have a commitment that light rail would be in place in 2016.

**MR HANSON:** When will we see all of that work, Chief Minister?

**Ms Gallagher:** The cabinet will be looking at it—probably over the next four to five months, certainly well before the end of this year.

**MR HANSON:** All right, and when will the decision be made yes or no?

**Ms Gallagher:** There is no reason why that cannot be taken by the end of this year either—once all of those pieces of work finish.

**MR HANSON:** And if you do backflip, what is the status of the parliamentary agreement that you signed that said that it would be delivered?

**Ms Gallagher:** That is a hypothetical situation, and I am not going to be drawn on it.

**MR HANSON:** You are the one that raised it. You are the one that said that you may not go ahead if the costs are too high.

**Ms Gallagher:** Well—

**MR HANSON:** And then you said that you have signed a piece of paper saying that you are going to do this.

**Ms Gallagher:** No. My view on capital metro is this. It is a project I am committed to. All the work I have seen to date and I have read would indicate that the project stacks up and will have a very positive impact on Canberra. I have no intention of backflipping, but I am going to be responsible and sensible. Decisions will be taken when all the information is before me and I am in a position to do that.

That will answer questions that people come and talk to me about all the time. My feeling is that the community are interested in the project, they do want to see a different type of public transport system in Canberra, they do want to see investment that generates jobs, and they do want to see a change to Northbourne Avenue and how it looks. But they want to know how much it is going to cost, how long it is going to take and what it means for them. All of those questions are incredibly legitimate, and I say to them, “The work is being done. We will have those answers for you. That information will be made available.” I think that is an important part of getting the



community to support the project overall.

**MRS JONES:** Just as a supplementary to that, let me say that I am not sure that I would characterise it as silly games to ask questions about the cost and whether it is worth while for the ACT taxpayer to fund it. We had Tony Hedley from the ACT Property Council come and speak to us the other day. He said, “Many of our members believe it is unlikely that the private sector would invest in the project unless there was a substantial quid pro quo in terms of additional development. The only way you can have the light rail is to say, ‘Here, you can have EPIC or Thoroughbred Park.’ Then there is the question: is that the right allocation of resources anyhow?” That is what Mr Hedley told the hearing. He suggested that the developer would have to be allowed to build a substantial number of units on the land given. Is this a suggestion that it is actually a potential for this project in order to finance it?

**Ms Gallagher:** I do not think it is that surprising that you have had local property developers, through their public statements, encouraging the government to hear their concerns around, say, deliberations that might impact on their investment decisions. That is probably the best way of saying it. I do not think that is unusual. When I read Tony Hedley’s comments, I was not surprised by that.

**MRS JONES:** But is that a consideration?

**Ms Gallagher:** Nor do I think that being lobbied for large areas of land to make it attractive to investors is an unusual position for a potential investor to put to a government.

**MRS JONES:** No, of course not.

**Ms Gallagher:** So—

**MRS JONES:** But is that being considered?

**Ms Gallagher:** Is what? Are the development rights around light rail being considered? Yes.

**MRS JONES:** Is there a quid pro quo being considered to make it worth while for private development if the money does not stack up for the development as it is as a development in and of itself for the benefit that a company could derive from building it?

**Ms Gallagher:** I have to say, and I have had a number of meetings with international investors around this project, that if local developers are not interested I can assure you—

**MRS JONES:** As it is.

**Ms Gallagher:** As it is. I can assure you that there are other investors that are.

**MRS JONES:** So you would not bargain off a piece of ACT land?

**Ms Gallagher:** Again, decisions need to be taken in an orderly and organised way. That is the work that is being done now so that we have the business case, we have the work that is being done around the corridor and the potential for development sites along that corridor, and we have details of the financial arrangements that might underpin any agreement around the operation of light rail. That is all part of our consideration.

I would not rule out that you would treat it perhaps as a special development area to generate interest and to attract people to that site. If that added to it and improved the project overall, I would not rule it out. But I would not necessarily say that it is mandatory either. Again, this is part of the issue.

I accept that we are in a period of time now where people can raise a lot of concerns, and there are not a lot of definite answers to provide you with, because of the work that is underway. That work is being done as fast as possible. There are a lot of hardworking public servants in the ACT government, and a group of them are at capital metro. They are acutely aware of the need to provide some certainty and some information to people. I think that over the next three to four months you will see that, but particularly once all the final reports are completed and we are able to provide that.

**THE CHAIR:** I have a supplementary to Mr Hanson's question. It was put to me that you recently had to call Mr Rattenbury and Mr Corbell into your office—the words “carpet the boys” were used—

**MRS JONES:** Oh, God.

**THE CHAIR:** over some of the infighting that has been going on over capital metro.

**Ms Gallagher:** No.

**THE CHAIR:** Is that true?

**Ms Gallagher:** No.

**THE CHAIR:** And have you had to caution your ministers over their attitudes?

**Ms Gallagher:** No, not at all. But I was told today—this is how the rumour mill works: you just start a rumour.

**THE CHAIR:** Yes.

**Ms Gallagher:** I was told today that I was apparently the one who was not keen on the project and was going to can it.

**THE CHAIR:** It is your fault?

**Ms Gallagher:** So—

**THE CHAIR:** So the boys called you in and carpeted you for not being keen on the project?

**Ms Gallagher:** That is not the way it works in our cabinet. It is a very friendly arrangement. Anyone who has worked with me long term knows that you have got to do a fair bit before I lose my temper and call anybody in to do anything.

**MRS JONES:** That is what happens when you raise children.

**Ms Gallagher:** It is not my style.

**THE CHAIR:** Given the large amount of money at stake—I do not know if you have seen the latest Lego catalogue, but Lego has now brought out a train set and train tracks. Have you thought of just buying Shane, Andrew and Simon a train set each and saving the taxpayers of the ACT \$613 million and change?

**Ms Gallagher:** I will treat that as a comment, or a joke perhaps. My response to you would be this: is there an acceptance that the city needs a rapid transit solution to move large amounts of people around the city over time?

**THE CHAIR:** Which you earlier said was buses—that buses were the better option.

**Ms Gallagher:** If the answer to the first question is yes, and we accept that there needs to be hundreds of millions of dollars in investment in a rapid transit of some type in the city—

**THE CHAIR:** Only in trains, not buses.

**Ms Gallagher:** Of some type. Then you get to the discussion about whether you choose buses or you choose rail. Then, once you start drilling down and having that discussion, and if we accept that the congested corridor is Gungahlin to Civic, which I do not know that there is any dispute about, though I have heard some talk that Belconnen to Civic is being seen—

**THE CHAIR:** It has more nodes on it.

**Ms Gallagher:** Yes. I think I heard Alistair saying that. But all of our work would indicate that Gungahlin to Civic is the corridor. It is the one that is going to have the growth that supports a rapid transit solution and also generates congestion.

You then look at the two different options—bus rapid and light rail. There are issues with bus rapid. First, it is still a very large investment of hundreds of millions of dollars. But also it is how you implement that along the corridor. That would have substantial impact. You could use one of the existing lanes and therefore force all the cars into two lanes. That is one option, still requiring large amounts of infrastructure. If you had a bus rapid lane, you would have to stop all the left turns off Northbourne Avenue. That would be inconvenient for a lot of cars.

I do not think people should diminish the project and make it into some sort of Lego game. This is about providing a sustainable public transport solution for a busy corridor in a growing city. It is not as easy as I think some would portray. There are significant issues with bus rapid transport as the preferred method down that corridor

as well, even if it is your preferred one.

**THE CHAIR:** But your own report says the uplift on bus rapid transport is double that of the train system.

**Ms Gallagher:** Sorry?

**THE CHAIR:** Your own report says the uplift on bus rapid—

**Ms Gallagher:** The one to Infrastructure Australia in terms of the benefit-cost ratio? Is that what you are talking about? Yes, and I accept that those figures at that point in time said that. I think we should wait and see what the really detailed reports which are being done now come out with with light rail. But I just do not think you should think that if it is not light rail it is nothing, that we do not need to spend this money.

**THE CHAIR:** Nobody said that.

**Ms Gallagher:** You just said, “Save people \$614 million.” By saying that, you would indicate that it is light rail or nothing. That is not realistic.

**MS BERRY:** Buying Lego is not going to make a lot of difference to my children’s future or the future for everybody else.

**THE CHAIR:** Yes, but it might amuse some people. Minister, in output class 1.2, there is an increase of \$2 million and a bit in the total cost for the output class. What are the drivers of that?

**Ms Gallagher:** Sorry—

**THE CHAIR:** It is page 9 of the budget portfolio statements, marked book No 2 by Ms Porter.

**Mr Kefford:** While my colleague Mr Ogden comes back to the table, I think that again this is a story of new initiatives in here. Part of it is the funding which we discussed last time to continue the workers comp improvement plan. The other is an element of the savings packages that we have already referred to. There is some up-front funding for one of the measures in terms of streamlining the administration function within directorates; there is \$500,000 in funding for one year to oversee that project. But the significant element in there is the funding for the healthy weight initiative, which has been appropriated to Chief Minister’s and coordinated by us as a whole-of-government initiative.

**THE CHAIR:** Is Mr Ogden going to help us?

**Mr Kefford:** He has just handed me his notes, Mr Smyth.

**THE CHAIR:** That is his cheat sheet. All right. Is it possible to have that reconciliation and the reconciliation for output class 1.1 handed to the committee so that we can have a written reconciliation to peruse?

**Mr Ogden:** I can provide it on notice, yes.

**THE CHAIR:** Thank you very much. The public sector management output class looks at workplace issues for the public service. Chief Minister, over the years there have been a number of high-profile cases, for instance, the CIT and bullying. What is happening within Chief Minister's, the area you are directly responsible for, in terms of bullying and unacceptable behaviour, the management of bullying? Are incidents on the increase or decline?

**MRS JONES:** And can I ask a supplementary to that?

**THE CHAIR:** Yes.

**MRS JONES:** I am interested in the bullying reports within the department—whether they have been officially raised or just raised casually; how many of each; how many have been made in the last five years; how many of the reports were substantiated; and how many of the people who it was established were suffering bullying have had time off work on workers comp. Over the same period, have there been any reports of sexual harassment or other types of harassment, such as pregnancy harassment? And what is the nature of the reporting dealings—how they are dealt with—for all the three different types over that time period?

**Mr Kefford:** Sure.

**MRS JONES:** I do not mind if it is taken on notice.

**Mr Kefford:** There are a number of matters wrapped up in those two questions; I might answer them together. Certainly some of that detail we are happy to take and provide on notice, although one of the things that we find in a small agency like ours, especially going back over time, is that the numbers historically in Chief Minister's are very low, as in single digits, and so to give too much of the information which you have sought risks identifying the individual. We will have to balance that perhaps over a time frame.

**MRS JONES:** The other departments have been very happy to produce that data.

**Mr Kefford:** I am sure they have, but in Health there are 5,000 staff, and in Chief Minister's, over time, there are about 250, so there is a sensitivity. All I am saying is that we will be sensitive in providing some of the detail you are—

**MRS JONES:** I do not want any names; that is for sure.

**Mr Kefford:** No, indeed; I accept that. But coming back to it, for us as a directorate, historically our numbers are low. This year there has been one complaint of bullying and harassment, and none of the others that you have described. The distinction between formal and informal is one to which I do not necessarily subscribe.

**MRS JONES:** There are delegates as part of the EBA process, aren't there? And if the delegate chooses not to continue it on, is it still reportable?

**Mr Kefford:** Where that language comes up at the moment is that, yes, there are formal misconduct procedures under the enterprise bargaining processes. And delegates of the Head of Service make decisions. What we also have, though, are mechanisms like the respect, equity and diversity framework, which permit staff who are concerned about workplace behaviour to raise those concerns. Like a lot of these frameworks, in some cases we do not necessarily require that to be formal in the sense of writing it down on a particular form and lodging it. My approach to this is that if a concern is raised, the concern has been raised and we need to deal with it. Certainly that is the approach that we have taken to the new discipline procedures in the new enterprise bargaining agreements which are in the process of being implemented.

So the particular answer to your question is that there has been one for us in the Chief Minister's directorate this year. It has been raised through an informal channel and it is a live concern.

As I have said, there are a number of officers to whom a complaint about misconduct can be made. There is someone's immediate supervisor, the RED framework, contact officers and sponsors. They can go to the Work Safety Commissioner directly. They can come to the Commissioner for Public Administration directly. In some cases, they take it to the Ombudsman and elsewhere. There are a range of channels through which these concerns can be raised. Part of what we do is seek to bring those back into a sensible process so they can be dealt with (a) to support the individual who has made the complaint and (b), if necessary, to undertake investigation and formal conduct action under the act.

Coming to Mr Smyth's question about what we are doing under this output to support proper standards of behaviour, principally the work in that space has focused on the development and implementation of the new ACT public service—not new anymore—and the code of conduct. And as part of the work the Head of Service referred to previously, significant effort has gone into developing the new public sector act, which is now out for consultation with staff, to further embed the values and signature behaviours and expectations of proper conduct in the enabling legislation for the service.

So we take it at a number of levels. There is the conduct; there is the new act. Also, in July last year, Mr Cappie-Wood launched the new ACT public service performance framework; again, those same values, behaviours and expectations were embedded in a framework which values both what we deliver and how we behave while we are doing it.

The other significant piece of work that we are undertaking in this space—and it builds on the work that my colleagues do as part of our workers compensation improvement processes—is putting a very deliberate and increasing focus on training and support for managers of people and recognising that as a particular skill that people in the service need. Like a number of bureaucracies, one can often be in a position of supervising staff because we have been technically good at doing something else. It is recognising as a skill, and as something that we value as a service, the importance of managing others to deliver what we need to do.

**MRS JONES:** And you will get back to me with the numbers of—

**Mr Kefford:** I will come back to you on notice with the details that you have sought. I have made some notes but we will check the *Hansard* and come back to you.

**MRS JONES:** Thank you very much.

**THE CHAIR:** You mentioned the public service act.

**Mr Kefford:** Yes.

**THE CHAIR:** If my memory serves me right, last year we were told that that would be put off for two or three years because of change of authority. Is that back on the agenda? Is that what you are saying?

**Ms Gallagher:** Yes. I would have to check what was said last year.

**Mr Kefford:** I do not remember that particular comment.

**Ms Gallagher:** Yes.

**Mr Kefford:** Anyway, Mr Smyth, the answer is that there is a—

**Ms Gallagher:** I think that what we were saying last year is that we needed to finish the EBAs and then move to the next stage of changes to the public sector act. But anyway, we are moving—

**THE CHAIR:** Last year you said:

I think the advice to me was that it is a two to three-year project.

You said:

There will be a very public process undertaken as part of the review.

You said:

It is just going to be a very thorough response.

So that is now back on the agenda and you have released a copy of the draft act?

**Ms Gallagher:** Cutting time.

**Mr Kefford:** We have been working on this for some time, Mr Smyth. The Head of Service—

**Ms Gallagher:** Ahead of budget.

**THE CHAIR:** What drove the change? Why is suddenly something that was going to take two or three years now being acted on so quickly?

**Ms Gallagher:** Again, I cannot recall saying that. I do remember saying that we wanted it to be very thorough. A new Head of Service has come in and led some work in conjunction with her colleagues. We have got it to a point now where I think we are ready to proceed.

**THE CHAIR:** What will be, as you said, the very public process undertaken as part of the review? Detail that process, please.

**Ms Leigh:** The bill has been released publicly for consultation. There are roundtables being held, with staff and unions being consulted as well. That relates to the overarching bill. There will also be regulations and standards developed to sit under that bill. So the bill is a much more streamlined piece of legislation than the current act. It will be much more accessible for public servants—to understand their employment relationship and their obligations as public servants. It embeds the values that we were just discussing; it elevates them to make clear the importance of observing those values and how we operate as public servants. It also sets down some public sector principles about efficiency, effectiveness, responsiveness and accountability, which I think are key to the good performance of a public service. It emphasises collaboration, again, which goes to that question of one service and making sure that we operate as effectively as possible as a public service. These are really important messages that I think will strengthen our performance as a service.

**THE CHAIR:** When is it intended to pass the act, minister?

**Ms Gallagher:** I am just trying to think what the date was. It was to be passed to become operational on 1 January 2015. If we get it in in August, it can sit for a period of time. It is convenient to do it from then, but it is the will of the Assembly, of course, that would determine that.

I would just raise one matter while we are on the subject, and that is executive contracts. This is an issue that is covered in the Public Sector Management Act and, indeed, by the draft bill. It will be about looking at the best process for that. At the moment it is cumbersome, and I think in a way it is set up to fail. That has been our experience. We have processes in place to make sure it is all done properly now, but it takes a lot of work and a lot of coordination.

The issue I would just raise with you in general—I do not expect an answer—is that my view is that it is about the information being public and transparent, having that information. Whether that is for long-term contracts and all short-term and acting contracts I think is the question that I would be interested in the estimates committee's opinion on. It is the short-term contracts that we have the most difficulty with. Some contractors are engaged for very short periods of time. In large agencies, there are a lot of them as people move around. Is that the issue that the Assembly wants to monitor, or is it the long-term contracts, the amount that they are being paid et cetera?

**THE CHAIR:** Members may have an opinion when we get to that.

**Ms Gallagher:** Yes.

**THE CHAIR:** What is the public consultation process?



**Ms Gallagher:** Ms Leigh has just outlined the consultation we are going through at the moment.

**THE CHAIR:** So is that all that will be undertaken, or will there be more?

**Ms Leigh:** That is the essential consultation intended.

**Ms Gallagher:** We also have a letter to send to you—I just need to sign it off—with all of the information and inviting you to a briefing before anything goes into the Assembly.

**THE CHAIR:** To me as chair or to MLAs?

**Ms Gallagher:** To colleagues, sorry.

**Mr Kefford:** Mr Smyth, if I might just add to the Head of Service's answer, the other group that we are particularly seeking out in this context is the statutory office holders.

**THE CHAIR:** Sorry?

**Mr Kefford:** The statutory office holders will be another particular group we will seek to engage.

**THE CHAIR:** So what are the other changes? We have said we would have a two or three-year process and very public. We are now doing it in a very brief time, driven, I understand, by you, Ms Leigh?

**Ms Leigh:** I thought it was a key piece of work to get out, to set some of those standards. The work was well underway when I came into this role, but I engaged quite directly in that. We have had a number of discussions at strategic board because I thought it was very important that all directors-general have input and are happy with the direction we are setting. We have had, as I say, a number of detailed discussions at strategic board and we have brought the draft to the point where I think it sets the standards we need to set and where all directors-general are keen on that approach.

**THE CHAIR:** So when was the email sent out?

**Ms Leigh:** That is only in the last fortnight, if not the last week.

**Mr Kefford:** It was last week, I think. We will provide it on notice, if you want, Mr Smyth.

**THE CHAIR:** Last week, and take it on notice, thank you. When does consultation end? What is the government's standard normally on big projects? Three or four months?

**Ms Leigh:** We have sought responses to that email over a fairly short period, but we have also offered roundtables. Depending on the take-up of that we have made it clear

we will facilitate as many people being involved as wish to be involved. Then, of course, the bill will go before the Assembly, which is the full public consultation.

**THE CHAIR:** So when you say a short period, what is that? It is not 12 weeks?

**Ms Leigh:** No, it is not. In the first instance, we have only set a number of weeks, and I need to check exactly what that is. But in terms of putting that out and seeking those comments, we have set a relatively short period. If there is concern about that, I am certainly happy to facilitate as much input as people feel is necessary.

But we have had discussions with the unions already and, as I say, we have offered roundtables. We have scheduled a number of roundtables and made it clear that we will hold as many as there are people wishing to attend. I am very keen that we get active and proper involvement. And I do not think that just comes down to time frames; you can put something out for months but not get very engaged conversation—

**THE CHAIR:** But you are talking a couple of weeks, two or three weeks? What are you talking? Twenty-one days?

**Ms Leigh:** As I say, there have already been discussions with unions in terms of the general approach, and I am very keen that people engage a lot.

**Ms Gallagher:** If it has to be longer it will be. My experience on these things is that people are not that interested and do not get involved unless they have a particular issue. So if that comes up, we will know from the feedback we get from those stakeholders, and if we have to revise and push the time out, then so be it. My feeling is public consultation and input on the public sector act will be minimal.

**THE CHAIR:** Well, we will see, won't we?

**Ms Gallagher:** Yes.

**THE CHAIR:** A new question. Ms Porter.

**MS PORTER:** Under public sector management, on page 9 of the book that is headed "Chief Minister's", the second dot point talks about supported and coordinated workforce planning and change management across the government including a whole-of-government learning and development and capability program. This morning we heard from Shared Services and they talked about putting out a training calendar and supplying training or suggestions of training to the whole of government. How is this different, or is it the same thing that we are talking about?

**Mr Kefford:** Ms Porter, it is two ends of the same process inasmuch as we seek to deliver training using the Shared Services reach across the whole of the service. So rather than having each directorate go away and arrange a particular course, discussions are held at senior levels in the service about where our learning and development needs are and there are a range of programs we have put in place to address those. One part of that package of training is arranged and coordinated by Shared Services, and that tends to be programs that can be run generically across

directorates where it makes sense for them to do that. Others like, say, the graduate program or the ANZSOG masters and fellows program are run differently because it does not make sense to do that at the same scale. But we work very closely with our colleagues in Shared Services. They are represented on the performance council, which is the deputy directors-general group which I chair and which has responsibility for the overall training program for the service.

**MS BERRY:** Can you tell me what role you play in developing whole-of-government community engagement policies?

**Ms Perkins:** The CMTD communications unit is responsible for providing whole-of-government advice and assistance on community engagement policies and practices. A guide to community engagement was produced a couple of years ago and that outlines best practice for whole-of-government and community engagement practices across the service. Some work is being undertaken at the moment to bring that up to date to include contemporary communication practices including social media and other digital communication activities.

**MS BERRY:** So is social media community engagement something that you are looking at including or you include now?

**Ms Perkins:** Include now. Some specific initiatives have come into play in the last year. Specifically, a whole-of-government digital mail service has been created through Canberra Connect, and our team at CMTD is facilitating a whole-of-government approach to utilising that service. It is an outreach email service that provides government information in a timely and targeted way. Subscribers can subscribe based on topics of interest and also geographic locations. To date we have about 27,500 subscribers to that list, and they have opted in to receive information via email.

Similarly the *Our City Our Community* newsletter has traditionally been a print newsletter and that is moving to a digital newsletter. The next issue of that will be distributed in September this year. Whilst there will still be a small number of printed copies available through libraries, shopfronts, community groups, nursing homes and the like, we will also be providing that digitally to the subscriber base that has already signed up. We will be promoting it through other existing government digital channels and through different directorates' social media accounts to try and increase the reach.

**MS BERRY:** Is there a common framework for how directorates are supposed to engage with the community?

**Ms Perkins:** Yes, certainly. A bit of work has been done on that this year. Across the communications network, CMTD chairs a network of the communications teams from across the service. It is called the coordinated communications network. It meets on a weekly basis and we very much work across the directorates to ensure we are all keeping each other in the loop and making sure our initiatives and communications are in line.

A communication template and guide to preparing a communication strategy was developed last year, and that sets out the basic guidelines for best practice community

engagement and communications for programs and initiatives. It also includes a checklist of the considerations that need to be included in communication strategies, with everything from traditional communications like media releases, media alerts, and then also gets into web content, stakeholder engagement, ensuring that stakeholders are engaged not only through traditional means but also so we are providing information for their digital platforms and then also going through to what is available for other online content, whether that be through engagement with surveys and polls or videos et cetera.

**MS BERRY:** How do people in the community engage back with the government departments? So there is a lot going out, but how do they get their voices in?

**Ms Perkins:** Sure. There is a range of mechanisms for the community to speak back in through the customer service mechanisms. For instance, Canberra Connect is always a central point of contact that directorates are expected to engage with when they have communication activities. They provide Canberra Connect with scripts and with content for their website et cetera and ensure that the call centre always has information to provide when people make contact. That is also sent through to the relevant contact officer.

Obviously there are also social media channels. The websites also have feedback forms that come back direct to specific contacts. There are also initiatives like Twitter cabinet. The most recent—the seventh—was held last week. That Twitter cabinet had the largest reach it is had so far when it received 827 tweets in the hour.

**Ms Gallagher:** Our fingers are getting faster.

**MS BERRY:** I noted—probably many others who were following the Twitter cabinet did too—how people were requesting moves to other forums as well, so not just Twitter but maybe Facebook or even virtual community cabinets. Is that an option that is being considered as well?

**Ms Perkins:** Certainly. All forms of digital communications are an evolving practice, and there are certainly things within the coordinated communications network that we are looking at to keep providing options to our directorates and our ministers.

**Ms Gallagher:** We still also do face to face.

**MS BERRY:** I was just going to say that nothing beats face to face, but, of course, that is resource intensive as well. Is there some measure for what you believe is appropriate for community engagement on different projects?

**Ms Perkins:** A community engagement and communications strategy needs to outline who the target audience is and then be tailored appropriately. If it is a sector of the community that is perhaps elderly and unlikely to be sitting on Facebook or Twitter, it will be unlikely that there will be a significant digital strategy. So the first questions addressed in the preparation of a communication strategy are: who is the target audience and, therefore, what is the most appropriate way to get to them? In that instance we address all of the traditional forms of consultation, whether it be through face-to-face stakeholder meetings, information through letterbox drops and the like

right through to what digital strategies would be appropriate.

**MS BERRY:** In fact we found in one of our hearings that more older people than we think are accessing information online.

**Ms Perkins:** Sure, and evaluation is a really important tool for us, too.

**MS BERRY:** Because they have more time than the rest of us.

**Ms Perkins:** It is important for us to continually monitor the segment we are getting to and the numbers, and how we can increase that.

**MR HANSON:** How many discrete users were there for the virtual community cabinet, Twitter cabinet, excluding ministers?

**Ms Perkins:** I do not have that number in front of me, but we can take that on notice.

**MRS JONES:** I would like to say that Ms Perkins is the clearest communicator we have had appear before us since the start of estimates.

**Ms Perkins:** That is good. Thank you.

**Ms Gallagher:** That goes with the territory.

**THE CHAIR:** We have to move on, members, but just before we do, I see at the end of output 1.2 that one of the priorities is to coordinate the implementation of the whole-of-government healthy weight action plan. Is it still the government's intention to ban the sale of sweets at checkouts and, if so, when?

**Ms Gallagher:** I could have predicted that that would be the first question I would get on the healthy weight initiative, which is absolutely critical to the health of our city, and that it would be to the extreme end of, "When are you going to ban my five-year-old from getting a lollipop at the checkout?"

**THE CHAIR:** It is a serious question.

**Ms Gallagher:** It is one subset of a much broader important strategy for the health of our city.

**MRS JONES:** Well, I think the community is quite interested in it.

**Ms Gallagher:** Well, they are always interested in the things that are going to be the most divisive across the community as opposed to being the most helpful for effecting change.

**THE CHAIR:** Irrespective of the commentary, is the government still going to progress that initiative, and when is it likely to happen?

**Ms Gallagher:** Part of the allocation of funding for this initiative will allow the cabinet to make full and informed decisions about any regulatory approaches that

should be taken. There is no doubt that, when you look at countries that are dealing with reducing the burden on the health system from unhealthy lifestyles, in places like Denmark, where there are regulatory responses and essentially fat taxes on high-fat and high-sugar foods, they are making inroads.

It is always the one that gets the most attention but we have to do a whole lot of other things first that will be a priority for us—promoting active lifestyles, making sure it is easier to walk and ride around the city, making sure active transport is thought of in all of our infrastructure developments, making sure that as a government we lead the way, that we are encouraging our employees to lead healthy lifestyles, and that food being served is healthy in our schools, hospitals and jail. There are a whole range of steps that we can and will be taking. I do not walk away from the fact that we will examine regulatory responses and then take decisions about that appropriately.

**MS BERRY:** Chief Minister, how does the government intend to involve the staff in working out the whole-of-government healthy weight action plan? If people in the government are going to be implementing policy around healthy weight initiatives, how are they going to be involved in that initiative themselves, in their own government workplaces?

**Ms Gallagher:** In terms of the Health portfolio, we have been looking at it from a directorate point of view. There was work put into food in vending machines across the health system. We have used that as a way of understanding a bit more about what we do across the service. It required quite a bit of consultation because we have a lot of staff who work out of hours, who are isolated in their workplaces and who might not be able to cook dinner or might get hungry at 11 o'clock at night. There is a junk food machine in this building.

**MS BERRY:** It took me six months to find it.

**THE CHAIR:** I can keep tabs on who comes down from upstairs if you want—which ministers!

**Ms Gallagher:** It is very appropriately located for the healthy weight issue. It is so tucked away that you have to be a long-serving employee before you find your way there. But staff will be very much involved. Probably the areas that we have worked in the most have been in health and education as primary areas. There are other areas in our workforce where we can certainly do a lot to improve the food and people's understanding of living healthy lifestyles.

**THE CHAIR:** We might leave it there and move on to the ACT executive. Mr Hanson, you can start.

**MR HANSON:** Chief Minister, when will Mr Gentleman be appointed as the ACT's sixth minister?

**Ms Gallagher:** The caucus will take a decision about the sixth minister. I am not going to tell you when the caucus meets. It is not any of your business and I do not need to answer that.

**MR HANSON:** That is open and accountable government, is it?

**Ms Gallagher:** I have been up-front with everybody. I have told people that my expectation is that the sixth minister will be appointed in July. There is a process to go through internally for that to occur. But beyond that I do not think I need to provide a running commentary on it.

**MR HANSON:** Have you worked out already what changes will occur in government? Will the number of directorates stay the same? Will there be any substantive change to the government or is it really just a reallocation of the existing portfolios as they are currently structured? Does this generate some more substantive change or is it simply spreading out what you have currently got?

**Ms Gallagher:** No; there will be a change to the administration arrangements and structures across government. I am in the process of finalising that with the Head of Service now.

**MR HANSON:** When will that information be—

**Ms Gallagher:** I would envisage that that would be announced at the same time as the sixth minister is announced.

**MR HANSON:** I will look forward to that.

**THE CHAIR:** Any questions on the executive?

**MS PORTER:** My questions were around what benefits there will be for the executive once you get the sixth minister on board, Chief Minister.

**Ms Gallagher:** The major benefit will be a more balanced workload. What is currently being handled by five will be handled by six. I think that will give people more reasonable workloads to be able to support the government's priorities and to work with the public service in delivering that.

**THE CHAIR:** Six ministers means you may end up with 3-3 votes in the cabinet. Does the Chief Minister have a deciding vote in the cabinet if it is a draw?

**Ms Gallagher:** The cabinet does not traditionally work by votes, a show of votes. It is not the way I run the show. I do not expect there to be any situations which would require a casting vote. Indeed, in terms of the arrangements with the Greens member of cabinet, if Minister Rattenbury disagrees with cabinet there is a process for how to deal with that which does not involve a show of votes or, indeed, conducting a vote. I do not know how it worked in your day, Brendan, but the cabinet is too small for that kind of arrangement.

**MRS JONES:** If you were dealing with a controversial issue where people had strong feelings on either side you would never call a vote of the executive?

**Ms Gallagher:** I have not been involved in that—

**MRS JONES:** So what you are saying is that there is—

**Ms Gallagher:** in my 10 years or so in the cabinet.

**MRS JONES:** You do not believe you will need a structural option for if that does occur at some point in time?

**Ms Gallagher:** No, I do not believe so. There is always a range of options. If you cannot agree, there is opportunity for people to disagree and for that to be identified in the official record. There is also the opportunity to bring the paper back, have it reconsidered, take it offline, work with the ministers that might have a different view to see whether you can reach agreement. The whole point about, ultimately, an effective working cabinet is that you have signed up to a shared agenda. You are not forcing people to agree to things that they might not agree with. In a cabinet of five, I honestly believe that is the only way to run it. If you get down to 3-2 votes or 4-1 votes, it gets really difficult.

**MRS JONES:** In a larger cabinet you cannot have those one-on-one discussions all the time, so you do not have—

**Ms Gallagher:** That is right. That is one of the strengths of the collaborative model that we have been able to implement here.

**THE CHAIR:** In the budget papers, on page 2 of the ACT executive budget statement, there is an additional \$661,000 per annum for the new minister, indexed in the outyears. I recall you saying this would be perhaps a minister-lite or a junior minister. Is that still the intention?

**Ms Gallagher:** I certainly made some comments about how we could try and do this at minimal cost. Is that what you are alluding to?

**THE CHAIR:** I am thinking more of the responsibility. Will all the ministers be equal or is this considered as a junior minister's position?

**Ms Gallagher:** It will be a junior minister in the sense that they will be the newest minister. There is always that hierarchy that exists. I would not expect that the new minister would take on the Health portfolio, for example. It is a pretty hard portfolio to manage. I do not think you would give that to someone on day one of their job. I think that would be hard and unreasonable. But they will have a reasonable workload. They will have a fair workload. They will have a big, major portfolio and then, because of the nature of the arrangements, how they work, a series of smaller portfolios. That is my expectation.

**THE CHAIR:** The office space on the second floor would not allow the new minister to have a similar staff to existing ministers?

**Ms Gallagher:** Would not?

**THE CHAIR:** Yes. It is not as big as, for instance, the other suites—not your suite.



**Ms Gallagher:** Yes, it is tight. They do not have an ensuite, for example, as the other suites and the Speaker's do. We have cut corners. That has really been about the broader discussion on the 25-member parliament. If this was going to be a long-term arrangement, there was another solution that we were discussing with the Speaker, which was over on the Hansard-library side of the building. That would have required quite a lot of expenditure for a relatively short amount of time. I think both Madam Speaker and I felt that that was not warranted. The solution, which was paid for out of the Assembly funds, so I appreciate it very much, was to look at cutting off some of my suite. So I lost the hospitality part of my area, a bit of the associated rooms and the functions—the kitchen and stuff. To cut a long story short, they have a small suite. It will require perhaps some staff to share some office space in my office. I do not think it is a huge problem.

**MR HANSON:** I have a supplementary. With the change to the size of the Assembly, and with one of the rationales being to potentially increase the size of the executive, given the discussions that you have been having about restructuring government and so on, have you given thought to what the optimal size of the ministry would be if the number of—

**Ms Gallagher:** In a 25-member—

**MR HANSON:** If you had 25 members.

**Ms Gallagher:** I think it would be eight or nine.

**MRS JONES:** In that vein, have you given any thought yet to housing the new number of MLAs and whether the executive will have to go over the road or somewhere?

**Ms Gallagher:** I have been waiting for the bill to pass the Assembly. It is very difficult to start those discussions until the Assembly has clearly demonstrated its view and then we can really kick that off. I would imagine that if the Assembly passes the bill a task force of sorts should be commissioned—say, the Leader of the Opposition, the Speaker, Chief Minister and Mr Rattenbury—to get together and prioritise the work that needs to be done, because there will need to be work done by the Legislative Assembly in terms of scoping the space requirements.

My understanding is that the chamber is relatively well set up and would not need significant adjustment, but obviously a refit would be required of this building. With respect to how we would manage that and what it would mean in terms of allowing time for that to happen if it occurs in 2016, there is only a relatively short window in caretaker and in the lead-up to the election until the election is determined and you are going to have 25 people wanting to move in. So there is quite a bit of work to be done. We have had some early discussions with the Speaker's office and we would set up a formal collaborative arrangement—

**MRS JONES:** So you are not yet considering moving to City Hill?

**Ms Gallagher:** Under a teepee or something?

**MRS JONES:** Build the chamber over there and put all the people here.

**Ms Gallagher:** We might all have to move out; I do not know. Ultimately, if they needed the second floor to fit out—you could probably do one floor at a time. I have not got there. But there are other alternatives.

**MRS JONES:** Build into the courtyards.

**MR HANSON:** Have you thought where you would like to be in opposition?

**Ms Gallagher:** I am not planning for opposition, Mr Hanson.

**MR HANSON:** Both of us are planning for government then.

**Ms Gallagher:** I am not planning for opposition at all.

**MR HANSON:** I guess that is the way the system works.

**THE CHAIR:** The line below the additional minister funding is general savings of \$50,000 a year. Where are they coming from?

**Ms Gallagher:** Largely from stationery and travel.

**THE CHAIR:** In what proportion?

**Ms Gallagher:** Of that \$50,000, I think it was broken down—\$28,000 for telecommunications, \$20,000 for flight-related travel and \$2,000 for stationery. So telecommunications was the big issue there.

**THE CHAIR:** Chief Minister, we will end that part of the discussion there and offer thanks to you and your staff from CMD for their attendance here this afternoon.

**Ms Gallagher:** Thank you.

**THE CHAIR:** A number of questions have been taken on notice. We would ask that they be responded to within five business days. A transcript will be provided for your perusal and, if necessary, correction. If you could do that quickly that would be appreciated also.

With that, we shall move on to Territory and Municipal Services, output class 1.4, land management. That is the National Arboretum. Chief Minister, most of the officials were not here when we did the introduction; so we will do the introductory thing. Welcome, Chief Minister, as the minister responsible for the arboretum, and your staff from the Territory and Municipal Services Directorate.

In front of you is the pink privilege card detailing your protections and obligations under the privileges afforded by the Assembly. If people could nod that they have read that and understand the protections and obligations. They all nod. That is fantastic. Thank you very much. There is the standard rule for questions on notice—five days to answer.

Have you an opening statement regarding the arboretum?

**Ms Gallagher:** Yes, thank you, only that we have had a very successful 12 months since the arboretum officially opened on 1 February, the kick off to our centenary year. In the last 15 months we have seen almost 600,000 guests/visitors to the National Arboretum. We have obviously hosted a number of high-profile events at the arboretum.

The visitors centre is open and functioning well. The Margaret Whitlam pavilion is the same. We have got some important capital works which are being done at the moment, which is improving the pedestrian amenity from the Margaret Whitlam pavilion to the visitors centre, and also the car parking and lighting in the car park. The car park sealing should be finalised by the end of this week.

The forests are proceeding. There are 94 forests planted. We are focusing on really getting those forests established. There were some existing forests, a handful of existing forests, in that number. The 90 new forests are being established. We are focusing on those before finalising the final plantings of the 100 forests as outlined. We are happy to take questions.

**THE CHAIR:** I thought you would comment on Saturday night's outcome.

**Ms Gallagher:** Saturday night's outcome? I cannot even think what—

**THE CHAIR:** From the Australian Institute of Architects.

**Ms Gallagher:** Yes, the awards.

**THE CHAIR:** I am in shock that you did not mention that.

**Ms Gallagher:** They have won a number of awards for the visitors centre. It is really lovely. I had the President of Singapore and a group there on the weekend, and they were really taken with the place, as were the Duke and Duchess of Cambridge and all of their entourage when they visited. It is one of those spectacular places that you take people to and they go, "Wow," because you just do not get those views of Canberra anywhere else. And the buildings are majestic. People have done a really good job there. It is going really well.

**THE CHAIR:** On page 2 of the budget portfolio statement, the fifth dot point states:

continue to establish and maintain the National Arboretum ... and improve infrastructure and provide long term water security.

What has happened with long-term water security for the arboretum?

**Ms Gallagher:** Yes, we can answer that. Do you want to answer that, Fay?

**Ms Steward:** Yes.

**Ms Gallagher:** The four-year program.

**Ms Steward:** Yes. Through the budget process last year, we were given four years in order to implement water security at the arboretum. We are now into our second year. That will involve basically putting in a reticulation system and linking existing reserves, underground tanks, and setting up, I suppose, a network beyond what we currently have, which will mean ultimately that we will not have to draw upon potable water nor have to rely on any water to be trucked in in times of really extreme weather conditions, such as we saw over Christmas. Yes, that project is on track, and that will give us the kind of security that we need in terms of the health of the forests.

**THE CHAIR:** Can we have a brief description of the capital works in the budget papers and time frames for their delivery, please?

**Mr Alegria:** The capital funding that we will receive next financial year and the year after relates to the completion of the events terrace. That is the main focus area for visitation. And the money will be used essentially to complete the pathways there that are currently still unsealed, to establish more lawn areas, to establish power and water supplies there so that we can actually cater for larger events and, really, just to finish off basically that visitor area there. So that is \$1.48 million over two years.

**THE CHAIR:** So that is from the main pavilion around to the Margaret Whitlam pavilion? It is not to actually do any more work on the amphitheatre?

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

**THE CHAIR:** Ms Porter.

**MS PORTER:** The satisfaction rate mentioned in the papers for the National Arboretum is currently 85 per cent. What is the process for measuring the satisfaction rate, and do you expect that this will rise? I would anticipate, from what the Chief Minister was just saying, that it will. And will, therefore, the target be raised?

**Ms Gallagher:** We did an independent survey in April, which I just released today, which was done by a private research company, and that had a result of 89 per cent satisfaction rating amongst the feedback. That was a survey of 1,000 Canberra residents. Sixty-one per cent of those surveyed had visited the arboretum in the last 12 months. That is 89 per cent of the 61 per cent of the 1,000.

**MS PORTER:** That is very good. In your survey, was there a section that asked whether they had brought to the arboretum, after their first visit, their family from, say, interstate to visit the arboretum at some stage, or was there any measure in relation to the word of mouth that brought other visitors to the arboretum?

**Ms Gallagher:** Yes, some of that data is captured in terms of overseas visitors. I am not sure whether that was part of the survey, whether we asked that. But we know there are repeat visitors, obviously. We have had 600,000 in the 15 months, and they are tagged when they come into the visitors centre. We have a lot of recreational activity going on there where you do not go into the visitors centre. We have got a lot of people on horseback, people riding, running. So it is attracting people there as well.

But we have got a lot of people who are visiting from overseas and bringing people. And I think those return visitors are bringing their relatives and friends. I think the fact that we now have got the pod playground open means that any visitors with children that come to Canberra are going there.

**MS PORTER:** I have certainly taken my grandchildren from interstate and the ones that are here.

**Ms Gallagher:** Yes, it is a fantastic playground.

**MS PORTER:** Have you got plans to put some shade structures into the—

**Ms Gallagher:** Yes, we are prioritising that. Anyone who has spent any time there during last summer with their kids would appreciate that. It was not on the immediate short-term agenda, but after last summer it is. And I think it was really hard for parents. I spent a fair bit of time standing there. There is no shade at all. So we need to prioritise that.

**MRS JONES:** I have got a supplementary on the fantastic playground. As you know, I am a big supporter of it. Gates have now been put on the playground and they cannot be closed. The gates are there, and they are beautiful gates, but they do not provide any functionality to parents who want to know that a toddler is not wandering out behind them. I know it is not into the car park, but once you have got more than two kids that you are watching, it is really quite difficult. Is there any consideration given to gates which shut during the day, like at childcare centres? In many parks, when you are driving down to Melbourne and back, the playground is gated. The playground here is quite long, and you actually cannot see from one end to the other from any particular point. It is a fantastic park. It is just that there is that additional stress.

**Ms Gallagher:** I would have to check. I think there are some issues about exit in emergency or the need to get out. Like in childcare centres—

**MRS JONES:** I have heard that before, yes.

**Ms Gallagher:** In childcare centres, you do not have an unlimited number of children and adults.

**MRS JONES:** No, but there are playgrounds all up and down the highway that have gates on them, and the parents are there with their own children. You have got a high ratio of adults to children.

**Ms Gallagher:** Where are they?

**MRS JONES:** For example, at Holbrook, next to the toilet block. That is just one example. But I found one in Hobart, at Sandy Bay on the waterfront, at the docks. In fact, they have got a gated park with a gated toddler park inside it. You can actually calm down as a parent and really allow them to just play. Minister Rattenbury has claimed before that I am asking for the government to be the babysitter. I am not at all. I am very happy to wander up and down after four children.

**Ms Gallagher:** I understand. I understand the issue. It is just that I am sure that we did have a look at this. I do not know whether it is about the space that we are confined to, because I think some of those larger playgrounds—

**MRS JONES:** Possibly also because of our culture, we do not have a lot of gated parks in the ACT?

**Ms Gallagher:** No, we do not. At O'Connor playground we did put in a fence, but it is only half a fence because it backs onto the wetlands. That was a little buffer to a water course. I am very happy to look at it again.

**MRS JONES:** We are starting to understand more about different types of children and that you have got children who are ADHD or children who have other concerns. Some kids are runners and if you have not had a runner, you do not necessarily know what that is like.

**Ms Gallagher:** And Boundless is being appropriately secured.

**MRS JONES:** Yes, but that is one place. This is a nearly gated kids park that is very popular. They could even be low gates with an opening facility. Anyway, it is a long time to wait, but it is important, I think.

**THE CHAIR:** I think the minister has heard.

**MRS JONES:** And I just want to ask about the money lost on the car park. Has there been a loss of revenue because there is no revenue collection at the moment? How much has been lost?

**Ms Gallagher:** There will be.

**Ms Steward:** Yes, that is anticipated in this year's budget.

**MRS JONES:** Not that I am complaining. But I just wondered what the figures are.

**Ms Gallagher:** Buy one of the memberships. I just bought one of those. It is \$60, is it?

**Mr Alegria:** \$40 for a general one.

**Ms Gallagher:** \$40 for a general.

**THE CHAIR:** What was the target revenue this year?

**Ms Gallagher:** And that pays for your parking all year. Just have it in your windscreen.

**THE CHAIR:** What was the target for car parking fees this year?

**Mr Alegria:** The target for parking revenue was \$278,000.

**THE CHAIR:** And what will be achieved?

**Mr Alegria:** Year to date, end of May, was \$247,000, which includes a little bit of April because of the delay in receipting. So we expect it will be a little under because we have effectively lost over a month.

**MS BERRY:** In the satisfaction surveys, do you collect information about where the visitors to the arboretum live?

**Mr Alegria:** The survey that was undertaken and that the Chief Minister referred to was a TAMS survey that looked at a whole range of TAMS-related issues, including the arboretum. So I cannot tell you exactly. I would suspect not, but I could not tell you exactly whether it had that specific question.

**Ms Gallagher:** We do not collect that when people walk into the visitors centre.

**Ms Steward:** We do not.

**Mr Alegria:** No, we do not.

**Ms Gallagher:** You just see a volunteer and they have got a little clicker.

**MS BERRY:** It would be interesting to know. I know a lot of people from here obviously spend a lot of time there. But it would be good to know.

**Ms Steward:** From time to time, we have, through our volunteers, to get an indication or a snapshot of people visiting the arboretum. So it is not what you would call a rigorous survey, but it gives an indication. As the Chief Minister said, there are a lot of visiting friends and relatives. So there are repeat visits. It tends to be a major destination for local families to take people to come back to.

But what we will do is try to get more and more information, because we are trying to find out what people are actually looking for when they come, why did they come back and where are they coming from, so that we can continually make the program more targeted to what people are looking for when they do come to Canberra for a holiday.

**MS PORTER:** I guess it is a balance—not sort of approaching someone and tying them up for several minutes while they answer all these questions when they have come for a nice visit as opposed to getting minimal information through the clicking system. There has to be some kind of balance.

**MS BERRY:** I wanted to ask about income from the facilities at the arboretum or any charges that are associated with the use of the site—I should not call it a “site”. It is not really a site anymore, is it?

**MRS JONES:** It is an arboretum.

**MS BERRY:** It is an arboretum, a venue. Does any income go back into its upkeep?

**Ms Gallagher:** Yes.

**Ms Steward:** Always.

**THE CHAIR:** Mrs Jones.

**MRS JONES:** I want to go to BP3, page 147. There is \$1.5 million in capital expenditure. Can you break that down for us according to trees, hedges, irrigation, pavement construction, mower strips, toilets, outdoor furniture, signage, tree protection and car parking? In particular, with the outdoor furniture, are there any plans for picnic tables or more seating on that top level entrance near the pod playground? I do not mind if you come back with some of it.

**Mr Alegria:** I guess the thing to say about that is that the completion of the events terrace looks at that kind of thing: furniture, seating, facilities for visitors such as toilets.

**MRS JONES:** Yes, up at the pod playground as well.

**Mr Alegria:** Yes. We also have some capital upgrade funding available to us to do that kind of thing. The shade structures that the Chief Minister referred to and the pod playground will be funded from that capital upgrade program.

**MRS JONES:** Yes.

**Mr Alegria:** That is the resource we have got to do things like extra seating around the place. We have not specifically looked at the pod—

**MRS JONES:** Yes, because upstairs there is nowhere to sit and eat together. There is inside the facility where there are things for sale, but not outside.

**Mr Alegria:** On the deck?

**MRS JONES:** Yes, and there are a lot of kids having birthday cakes and things up there, but there is no facing each other. You can put down a rug—

**Ms Gallagher:** Yes, there is just the concrete. I understand.

**MRS JONES:** but there are just the actual straight benches, and—

**Ms Gallagher:** Yes.

**MRS JONES:** Maybe when you get the *Hansard* you will be able to provide on notice some of the detail.

**THE CHAIR:** Chief Minister, there has always been talk of a scientific research committee and a program of research. Is that underway?

**Ms Gallagher:** We do have partnerships with ANU and an expert committee advising



on the living collection. So they are in place, yes.

**THE CHAIR:** What work have they done and how much has been budgeted to support that committee?

**Mr Alegria:** The living collections committee is the primary body that is developing a cohesive policy about living collection. That consists of some staff and some external experts, including from the ANU. We have allocated about \$25,000 nominally to support the work of that committee through buying in external expertise as required. A lot of the committee's work is based on the knowledge that people already have and it is really about framing the policy direction for the management of the living collection.

**THE CHAIR:** Is it just management of the collection? My understanding from discussions last year was that it was actually to conduct research and that there was to be a research program. Has the program been determined?

**Ms Steward:** The research committee has just been established. As soon as we have confirmation of the membership, they will work with us to really determine what the research program should be in terms of the priorities. I guess from our point of view that we would be encouraging them—we would be giving them an overview of forest health. Some forests have had greater success than others. So some of those forests we will be wanting to look at in greater depth in terms of what is the cause and effect in terms of some of the features that we have found with forests.

Certainly in terms of biosecurity and disease, that was another thing that we wanted to look at, because that is the sort of challenge that comes with a monoculture. So there is going to be a program of work which will work through that committee as soon as they are established, which is not far away.

**THE CHAIR:** All right, and there was an article in the *Canberra Times* on 3 June headed, "Territory heritage spending near doubles while art languishes". It stated that a spokeswoman for Territory and Municipal Services confirmed that the majority of the increased heritage spending had been in environmental heritage. It was stated that this was mostly due to the National Arboretum and storm repairs. The numbers they were quoting were a 76 per cent increase from \$65 million to \$116 million. I am assuming that has not all been spent at the arboretum.

**Ms Steward:** No.

**THE CHAIR:** How much was spent at the arboretum and how much was spent on the storm repairs?

**Ms Gallagher:** We might need to take that on notice, I think.

**THE CHAIR:** That is okay. Any final questions for the arboretum?

**MS BERRY:** In respect of the studies that you are doing out there, it would be really interesting to see how animals move back in as well, hopefully, and birds around those beautiful silver birch plantations up there. Hopefully a whole bunch of rosellas

and families of eastern parrots will move back.

**THE CHAIR:** All right; there is a comment for you. With that, we will finish this section on output class 1.4, territory and municipal services.

**Ms Gallagher:** Thank you.

**THE CHAIR:** We thank you very much, Mr Byles, for your outstanding effort in not saying a single word and protecting us all with your reticence.

**MS PORTER:** He said good afternoon when he came in.

**THE CHAIR:** We thank you greatly for that. Minister, in respect of any questions taken on notice, could the answers be provided to the committee within five working days?

**Ms Gallagher:** Thank you.

**THE CHAIR:** The transcript will be provided when available for perusal. If you have any suggestions or corrections you would like to make, we would be delighted to receive those. With that, we will finish with TAMS and move to Chief Minister, education and training, higher education and regional development.

### **Short adjournment**

**THE CHAIR:** Mrs Leigh and Mr Peffer were here with us earlier when we made all the housekeeping arrangements, so in the last 20 minutes we will just dive straight in. Chief Minister, again, there are no budget paper details for this portfolio.

**Ms Gallagher:** Are we doing regional development or—

**THE CHAIR:** We have got higher ed and regional development.

**Ms Gallagher:** Okay.

**THE CHAIR:** So why do we not start with higher ed? What are the accountability indicators for your activities in this portfolio? Where do we find reference to it in the multitude of budget papers?

**Ms Gallagher:** I think there is one on study Canberra. That is the main focus that I have had in the higher education portfolio. I am just trying to find it.

**Mr Peffer:** Mr Smyth, the higher education portfolio is a unique one because service delivery and regulatory responsibility actually sit across two tiers of government. In terms of higher education and the territory's role in that, it is around economic development and, I guess, strengthening that particular sector in terms of jobs potential and that sort of thing, but also building the future workforce within the territory. Regulatory responsibility is a commonwealth issue. Perhaps that is why it is not treated the same as other portfolios.

**THE CHAIR:** So how do we judge your performance, Chief Minister, against this ministerial responsibility that you have?

**Ms Gallagher:** As you choose, I guess. For me, it was very much around bringing to prominence the role of the higher education sector and, in particular, the role of the universities in Canberra. That is an opportunity for economic development for the city as a whole. I really had responsibility, in a way, without having the formal title. I now have that formal title. I was the one that was meeting the vice-chancellors. I was the one that, if it came up at COAG, was having those discussions.

It has helped, I think, in that we have a more formal process with the ACT vice-chancellors forum established now. I meet with the vice-chancellors from all the universities. That is a very high level meeting, but we are very focused on making sure that what we discuss there actually moves on. The study Canberra website, which was launched in the last couple of months, is an example of that. That was an agreement of the vice-chancellors forum, that they wanted one website which we could use to promote Canberra and use overseas. We have tailored that site in consultation with all of them around what needed to be on it, the content. The fact that it had a Mandarin component as the first language we added was very much led by that forum.

I have to say that when I went overseas, both on the education mission and back for Australia Week in China, being introduced as the Minister for Higher Education in Canberra was important.

**MRS JONES:** I just have a supplementary to that.

**THE CHAIR:** I do not doubt that, but from our perspective and the Assembly's perspective of keeping you accountable, what are the indicators that you would be judged against and where would we find them in the documents? Can you see the dilemma that—

**MRS JONES:** I have a supplementary that goes to that, if you do not mind. Would you consider having an outcome under this portfolio for the next budget, even if it is not an output class as such but a list of achievements?

**Ms Gallagher:** It is hard. We do not fund the sector necessarily. We have partnerships, limited partnerships, with them. We do not control the regulation around the sector. So then to be responsible for the outcomes of this sector would be difficult.

**MRS JONES:** No, but you may be able to report some outcomes of your discussions or something?

**Ms Gallagher:** Yes.

**MRS JONES:** Can that be done in another formal process?

**Ms Gallagher:** If the estimates committee has some views on that, I am very happy to be judged and held to account for my responsibilities. I do not have a problem with that.

**THE CHAIR:** But if we do not know the starting point of what you are seeking to achieve—

**Ms Gallagher:** I think, in a sense, the next stage of the study Canberra work is to reach agreement with the vice-chancellors on what some of those key measurable outcomes are. There is some nervousness with that. If I say, “I would like to have a four per cent increase in international students coming Canberra,” but then something happens which completely makes that not possible then I do not know how you would be fairly judged on that if that was outside of your control. These are some of the discussions I have had with the vice-chancellors. There is \$2.4 million, or \$2.09 million, attached to the study Canberra initiative that was funded in last year’s budget, the majority of which is yet to be spent. I accept that there should be some accountability for that money.

**MRS JONES:** My question was: could you perhaps report on outcomes?

**Ms Gallagher:** Yes.

**MRS JONES:** It is not reporting on targets. It is reporting on what has been achieved.

**Mr Peffer:** Mrs Jones, I can add that the Chief Minister has reported back to the Assembly on four occasions in the last financial year.

**MRS JONES:** There is no lack of talking about higher ed in the chamber. The question is: if it is going to be a part of the estimates process, can there be some reporting on outcomes in the budget papers?

**Ms Gallagher:** I could easily promote Canberra as a study destination city overseas. I could have “two” next to that for the two trips I have done to China, and that is that. We could easily do something like that. I do not know how useful that would be.

**MRS JONES:** Well, at least it is some parameter.

**Ms Gallagher:** I am happy to take the views of the estimates committee. I think this was raised last year in the estimates committee as well.

**THE CHAIR:** It was, and we seem to be no further advanced.

**Ms Gallagher:** I must say I focus less on how to report against an output than I do on actually getting on and trying to drive some of the promotion that I think we need to do for Canberra.

**THE CHAIR:** Ms Porter, a new question.

**MS PORTER:** I just wanted to know about your experience from that last trip to China and how well received you think your message was about studying in Canberra by the people that you dealt with.

**Ms Gallagher:** There was the one where I just did an education focus and then a

shorter trip, which was part of the trade delegation with the Prime Minister, which did cross over. I visited a couple of universities with ANU and UC on that trip as well. I think the message I got from that trip was that there are some very strong and long relationships that exist between ANU and UC in China. Both universities are very active in China and have a number of different arrangements in place with various universities, including some of the best universities in China. That is all credit to the universities that have fostered those ties over many years. I think for ANU it is more than 20 years with some.

The second thing I learnt from the agents involved was that Canberra is not well understood as a study destination, that the student experience is very positive once they are here and that there are a lot of strengths to sell Canberra as a different type of study experience than, say, Melbourne, Sydney or Brisbane. Particularly if you are targeting parents, Canberra is seen as safe, quiet, high quality, with lots of focus on study—fewer distractions; that type of thing. That was really important. That is where the idea about this much better study Canberra website came from and the fact that it needed to be tailored in Chinese so that people could understand it if they logged on and tried to see it.

The other thing I learnt is that China very much does not see education as a one-way street. They are not viewing, quite rightly, that we just go there and say, “Why aren’t you sending all your students here?” There is a growing expectation around studying in China and understanding Chinese culture and language as part of the partnership.

I think that is only going to grow. It is something that Kathy Leigh and I discussed on the second mission: how do we foster those relationships with our kids so that they are thinking that a couple of years in China as part of their university degree is important and worth while?

Overall, it is very positive, but we need to get the Canberra message out. Part of that is trade missions, I think, because the Chinese respect that face-to-face relationship building that needs to go with it. But, overall, it is very, very positive.

**MS BERRY:** Students are a different demographic and the way they consume in our community is different probably from any other groups. What impact would a decline in university students have on the ACT economy, given the decisions that have been or may be made federally?

**Ms Gallagher:** It is an interesting one if you talk to the vice-chancellors here. ANU is actually quite supportive of some of the changes that are being mooted by the commonwealth, as are the other group of eight universities. Their focus is not necessarily about growth. Their focus is around quality and having, I think, that pre-eminence of being the group of eight. They have been more supportive around the deregulation agenda.

Places like UC are more cautious. In fact, I think the vice-chancellor, Stephen Parker, has been quite outspoken on his concerns around those changes and the impact on universities of his size and scale. I think we are positioned reasonably well with our plans around the sports hub and the hospital aligning with UC’s plans to focus on being a sports university and a health university. Even though it is unrelated to the

dereg agenda, it has actually positioned us quite well to deal with probably some of the potential outcomes of that agenda.

Again, in terms of where we look for opportunities in growing the economy and diversifying the economy, one of our strengths is that we have got Australia's pre-eminent university here. We have got an excellent University of Canberra which has entered world rankings for the first time in the last 12 months, so it is really lifting its standing. That is a real strength for our overall economy and we need to be supporting it wherever we can.

We have got good engagement with ANU on the city west development. They are looking to have us recommit to another process once that MOU expires. We have got the University of Canberra with quite ambitious development plans on their site. We need to work with both of them to make sure we are maximising their opportunity to do what they do best, which is to educate kids in a very dynamic and changing environment in terms of public funding.

**MRS JONES:** Just to add to Ms Porter's question first: have you considered increasing engagement with China on student exchange at a high school level to increase knowledge amongst a certain age group who then might end up as students in Australia later?

**Ms Gallagher:** Like homestay programs?

**MRS JONES:** AFS—

**Ms Gallagher:** Here? For Chinese students?

**MRS JONES:** No, Australian students. If Australian students went to China, you would find they would have whole school groups who would then know a lot more about Australia, and Canberra in particular.

**Ms Gallagher:** Yes. It was a part of the early discussions that Kathy and I had around how we formalise or start that more formal engagement with our students. We have expectations that international students come here. They are quite high expectations, and we like them coming here. They add to our schools; they pay a reasonable amount of money to come. It is good. But there is less about sending our own students away.

**MRS JONES:** Having been an exchange student after year 12, my entire school knew a lot more about Australia when I left. That was on a scholarship program, but there are many young Canberrans who would go overseas. So it is to promote China as a destination for that travel. Can you update the committee on the University of Canberra sports hub and what is going on there?

**Ms Gallagher:** Only in a nutshell. I had a look at it the other day out of the window in the building I was at. The actual infrastructure is almost complete, if not complete. They were moving in very soon after I saw it. They have obviously got the Brumbies and the Capitals; everything is happening up there at UC. They have been very clever in how they have sought to establish themselves as a sports university. Some of the students I met were part of a sports program that had now moved into a sports health

program, so they are looking to combine those two areas of teaching. I imagine Andrew would have more, because he has had carriage of that project overall for the government.

**MRS JONES:** Still on those developments out there, and housing affordability for uni students, there is more to be developed at UC—is that correct?

**Ms Gallagher:** Potentially. They have had a lot of development. They have only recently opened Cooper Lodge, which is not entirely full. I think it was almost full. They have had some changes with Arscott House, so they are looking at some arrangements there. Ultimately, I think they would like more student accommodation, but it is interlinked with some of their other development opportunities.

**MRS JONES:** They do not have a guarantee of accommodation, do they?

**Ms Gallagher:** Yes, they do.

**MRS JONES:** They do? The same as ANU?

**Ms Gallagher:** Yes. Both ANU and UC have. That is because of the NRAS, the funding and the partnerships that we have done with them. They have got—is it Benjamin offices in Belconnen? I am trying to think of the name of it. Anyway, they have opened the refurbished student accommodation on the other side of Belconnen, and then they have got the new development on the campus, which is very nice. If I was a uni student, I would love to live in that place.

**THE CHAIR:** We are going to have to leave the students and move forward. We will go on to regional development. Is it the same supporting staff? Yes; fantastic. Chief Minister, where would one find regional development in the budget papers?

**Ms Gallagher:** There is output class 1.1(b), with “Regional partnerships and participation” as part of that.

**THE CHAIR:** What criteria are there judged against that output class for your performance as the minister?

**Mr Peffer:** The numbers there relate to the engagement that we have through SEROC and also through the memorandum of understanding with the New South Wales government.

**THE CHAIR:** That memorandum has many things identified in it. What specific work has been done since then, under the MOU, in health, education, transport, emergency services, justice, tourism, planning and economic development?

**Mr Peffer:** There are a range of initiatives which have been under development under that memorandum of understanding. The first that I am happy to talk about is the regional skills and training analysis. This is really about approaching the workforce of the territory and the broader region not in isolation, considering that there are two distinct things, but more as a combined pool of resources. That is one initiative.

A further initiative that has been progressed is waste stream mapping. This is quite an interesting one. This looks at the economies of scale that can be achieved through mapping waste across different regions and council regions. An example is used mattresses. For each council it is problematic what you do with them, but when you combine those things through a greater region it does create some small business opportunities in terms of recycling—for whatever purposes; I must admit I am not an expert on that. There are some interesting things going on on that front.

It is also continuing to look at land use planning and infrastructure management. Obviously, the surrounding region outside the territory's borders continues to grow, and it grows much faster than most regions across the country. Increasingly, what we see is that that places pressure on our infrastructure and service delivery. It is service delivery in all of those sectors that you mentioned. It is not simply roads. People come and use health facilities. That obviously brings with it great benefits in terms of economies of scale—what can be offered to both the community here and the surrounds—but there are cost implications for that as well.

Across the board, we are looking at infrastructure and service delivery, and how, given that increasingly we have developments occurring just the other side of the border, we account for that and establish the frameworks that really apportion costs in a realistic and equitable fashion. They are just a couple of the initiatives that are being pursued under that MOU.

**THE CHAIR:** Given the lack of time, Chief Minister, have the Tuggeranong and region business forum written to you about their plans to extend Johnson Drive to connect up with the Queanbeyan bypass?

**Ms Gallagher:** I do not recall seeing it, but sometimes correspondence does come that makes its way off before returning to me. I cannot confirm that.

**THE CHAIR:** Michael Lindfield, the forum convenor, put out a press release on the 15th that said he was going to write to you.

**Ms Gallagher:** He was going to write to me? I have not seen one.

**THE CHAIR:** We look forward to your answer.

**Ms Gallagher:** Yes.

**THE CHAIR:** Members, any other questions? Ms Porter?

**MS PORTER:** No.

**THE CHAIR:** Ms Berry? Mrs Jones.

**MRS JONES:** What issues have been identified that relate to drivers blocking efficient service delivery in communities? I am particularly looking at the MOU on regional collaboration, which mentions health, education, transport, emergency services, justice, tourism, planning and economic development. Have you found specific blocks that you would like to see addressed?



**Ms Gallagher:** In terms of things that inhibit collaboration?

**MRS JONES:** Yes.

**Ms Gallagher:** There are a number of them. Certainly, in health, which is a bit different, there is the cross-border agreement in place, which guides the financial relations around it. But to have a truly regional collaborative health service, the blockers to that are the employment arrangements between New South Wales and ACT residents, national health reform and how that works. All of that makes it quite problematic to just say, "Let's have a regional health service."

**MRS JONES:** Yes.

**Ms Gallagher:** There are issues around planning, land use and infrastructure. In the past, and this is partly what the work is trying to address, decisions that perhaps the New South Wales government takes—and it primarily is the New South Wales government—impact on the ACT government. How do we have a better process in place where we can understand what they are doing and where the decisions they take are within some framework? The obvious one is Tralee and some of the development that has happened there which has been approved. Now we are doing all the work around making sure it does not cost us anything as that community grows out there and then has to be connected to our road system, waste, water, sewerage, schools, hospitals.

So it is some of those. There are barriers. Barry O'Farrell was excellent, I thought. I have not had the opportunity to meet with Mike Baird because he took over quickly and then had to put their budget together, but I expect that once that is done we can re-establish that relationship and try and again work in the region's interests.

I want to make it a bit fairer. At the moment, around the outskirts of the ACT, we are a magnet in terms of people coming in. I want to make it a bit fairer, and also have some framework to understand it exactly. We are a key stakeholder. There is a classic New South Wales document which I think is around roads and road planning. I should dig it out. They have all these roads going in, and then there is the ACT; it is just a white dot on the map. We have done a lot of planning for our roads on our side of the border that could have fed into that and at least been a part of that strategic document so that we did not just appear like a hole that a kind has cut-out.

**MRS JONES:** A cut-out.

**Ms Gallagher:** Yes, exactly. That does not then demonstrate for those regional councils how much pressure is on their roads, because if you cut ACT out of the middle, it is not then measuring the traffic on Macs Reef Road, for example, that is coming out or going down the coast.

**MRS JONES:** Or the holiday traffic.

**Ms Gallagher:** Exactly—or driving to Melbourne. So the councils themselves do not necessarily feel that the New South Wales government is understanding the pressure

those roads are under from ACT traffic.

**MRS JONES:** The 40-minute gridlock on the way to the coast, yes.

**THE CHAIR:** We might call it a day there, Chief Minister, it being 6 o'clock. I thank you and your officials for your attendance today and for your answers. As mentioned at the commencement of the hearings, there is a five-day time frame for anything taken on notice. We would be grateful for that. As I said before, transcripts will be provided. I remind members and non-members of the committee that you have got three days to get your questions on notice in if you wish to do so.

The committee will resume tomorrow morning at 9.30, when we will look at industrial relations, education and training, disability, and children and young people. Ministers will come with their respective directorates.

The chair's award today goes to Peter Major from Commerce and Works, who shall henceforth be known as St Peter Major with his halo. I have visions of Peter on his motorcycle, spear gun in hand, heading off into the cloud looking for a spear-fishing attack.

**Ms Gallagher:** I missed that. It must be an in-joke, is it?

**MRS JONES:** He was sitting in the doorway with a light around his head, and he looked as though he had a halo.

**THE CHAIR:** There endeth day 4. We are now a third of the way through the estimates committee hearings.

**MS PORTER:** You said that yesterday.

**THE CHAIR:** No; yesterday was a quarter.

**The committee adjourned at 6 pm.**