



**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**

**MONDAY, 30 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.

## **APPEARANCES**

<b>Chief Minister and Treasury Directorate</b> .....	<b>1282</b>
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*Amended 20 May 2013*

**The committee met at 10.28 am.**

**ROBERTSON, MS EMMA**, Director, Youth Coalition of the ACT

**CUZZILLO, MS REBECCA**, Policy and Sector Development Officer, Youth Coalition of the ACT

**THE CHAIR:** Welcome to the estimates committee 2014-15 recall day. This is the 13th day of public hearings of the Select Committee on Estimates 2014-2015. Today we will hear from the Youth Coalition of the ACT and the Treasurer of the ACT and his officers.

Today's proceedings are being recorded and transcribed as well as broadcast. After the hearings, a proof transcript will be circulated to witnesses to allow for requests for corrections, which are made at the discretion of the committee. Witnesses are asked to look at the privilege statement on the table, the pink card, and to familiarise themselves with the protections and obligations on the card. You have both read that and acknowledge you have seen that?

**Ms Robertson:** Yes.

**THE CHAIR:** Thank you. If, during the course of the proceedings, you take a question on notice, it would be useful if you would use words like "I will take that question on notice". With that, we will commence. Would you like to make an opening statement?

**Ms Robertson:** We did not have an opening statement in particular, as this is a follow-up and we did start our last appearance with an opening statement—except to say that we are really pleased to be invited back and look forward to taking any questions that you guys have.

**THE CHAIR:** Ms Berry, in particular, wanted to have you guys back. I know Mr Wall did as well. We will throw the first question to Ms Berry.

**MS BERRY:** Thank you, chair. Thank you for coming back today. Fortunately, the weather is kinder than it was on the weekend; it is not a bad day to be out in Canberra.

Your submission was quite comprehensive, and you responded to each line item in the budget paper. I thought that was pretty impressive; it was more than any other organisation had done. I know you put a lot of work into it. What I wanted to know was if you could get down into the actual change that could be made, what the ACT could do better to support young people, and just talk about it in the simplest terms. Does that make sense?

**Ms Robertson:** Yes, that makes sense. I just want to say that one of the things about our budget analysis that we do each year is that—part of the reason that we do that is for our members and stakeholders to be able to get a sense of what is in the budget for young people, which is one of the reasons why we speak to a whole number of line items. Obviously, many things that the ACT government does and spends money on affect young people in our community.

I suppose our biggest concern leading up to the budget, and we certainly met with representatives of ACT government and talked to them about this prior to the budget as well, was that, with changes to many of the commonwealth benefits and things like that for young people and changes to investment from the commonwealth around supports for young people who might be at risk of disengaging from education—those things were concerns for us, so leading up to the budget we were particularly keen to see some of those addressed.

As we move forward, the things that we are most concerned about for young Canberrans, particularly those more vulnerable young Canberrans, is access to education and employment. Those are probably the two biggest things that are going to give young people the best chance of not experiencing homelessness or some of the other sorts of issues that we would more traditionally be raising in an estimates hearing.

**MS BERRY:** When you talk about access to education, are you talking about education generally?

**Ms Robertson:** Yes, across the board. I think there are probably two key things for the really vulnerable young Canberrans. We are very much worried about whether there will be supports for them to remain engaged in education at all. We would hope to see that young people would be supported to at least get a year 12 attainment, and we know that there are a percentage of young people who do not achieve that in Canberra. And some of those young people have significant social barriers to engaging with schools, so the loss of the youth connections program will be really felt throughout the ACT. That program, in the last three years in the youth sector, has really held us in very good stead while there have been other changes and other ups and downs in youth services. We are quite concerned about that.

The other component, I suppose, if we are looking at vocational education and training for young people, is what pathways are being set up for young people to move into employment. We know that lots of young people in the ACT do go to university and that university students are concerned about their employment options post study. But in terms of engaging in education, the biggest barriers are for those most vulnerable who might be at risk of dropping out who have social concerns. And for young people who might be considering apprenticeships and so forth, in many ways young people are priced out of being able to do apprenticeships. An apprentice wage does not support affording housing in the ACT. Very few young people who do not have familial support in terms of backup to buy tools, a car and things like that are able to look at doing apprenticeships. So we would be concerned that that pathway is restricted as well.

**MS BERRY:** Practically, there are some things that are out of the ACT government's control, like wages.

**Ms Robertson:** Yes.

**MS BERRY:** That is an important thing for young people—to be able to afford to move out of home if they possibly can. But for the ACT, with the work that you do, there is the gap from what has been put in there by youth connections, the loss of the

funding for youth connections. What specifically could be done in schools to give children or young people those opportunities to do their VET training, if that is what they want to do, or to do an apprenticeship if they want to? What is the support that youth connections gave that is not going to be there anymore? What is it? What is the person's job that is now not being done?

**Ms Robertson:** What we are most concerned about is that we are losing a number of front-line youth workers who would provide some case management and a range of social supports to address the barriers or the reasons that young people have disengaged from education. And what we are concerned about at the moment is that what we are hearing from Education and Training Directorate is that that will be picked up within other programs. What we have seen over many years is that when those most vulnerable young people in our community are expected to be supported by programs that do not have that experience, they fall through gaps.

So while I think that there is some great work happening within Education and Training around making schools more engaging, we have got a bit of a gap in terms of workforce skill, around engaging those very hard to engage young people. If schools were good at engaging them, they would not have dropped out of school by now. It is very much that what youth connections has brought is that combination of a youth work approach in an educational vocational setting, being able to provide that very individualised support for the length of time that it takes. Those are the things that are important. An eight-week or 12-week program is not going to sort this for these young people. They really are going to need some good support to identify the problems and then that backup while they re-engage.

**MS BERRY:** So a youth worker within a school or just available for—

**Ms Robertson:** The youth workers in schools at the moment do not do the individualised support; they tend to do group work. Youth connections worked very much with individuals, providing that kind of case management and assessment. At the moment, the youth workers who are based in schools do not do that. Again, we have often talked about the fact that we could better mobilise the resources that we do have available within schools and the community, and I think that there is a range of work going on there at the moment. Whether or not that is something where it will be possible to make the change quickly enough—the crisis is more urgent for the young people than it is for our sector and for schools at the moment; it is a matter of whether or not we can get those things in place and not have a couple of years worth of students falling through the gaps and not achieving.

**MS BERRY:** But what would the change need to be? You said that there are different ways that it could work better.

**Ms Robertson:** Yes.

**MS BERRY:** What are your ideas on that?

**Ms Robertson:** We would like to see a much closer working relationship with schools and community services. That is something that we have been building with schools. In the past, education has often been quite insular, for a whole range of reasons. That

is not bagging them out; that is understanding the constraints and the pressures that are on schools as well. But certainly there can be a lot better work in collaboration, particularly as we move to things like more independent funding for schools. We are just concerned that the mechanisms are not in place so that those relationships will mean that schools are investing in local community services and are aware of what is available.

**MS BERRY:** So you feel as though there is a disconnect between the education sector and the community services sector, and that is affecting the way young people are being supported in education?

**Ms Robertson:** Absolutely. Again, there are people doing pockets of great work in this area. For example, at the moment, the YWCA in the Tuggeranong region are working really closely with a number of schools around connecting with those schools and rolling out a program. We have said many times that one of our concerns would be that what happens in terms of that connect between schools and community services is very relationship driven. That is not a bad thing, but it does mean that if you have got a youth worker in the school who knows the sector really well, they may well connect in a whole bunch of services and so forth, but if you have a newer person who is getting to know the sector, you may miss that. You may find that a whole bunch of services are going into one school and no services are going into another school. It is a bit more ad hoc than we would like to see. And I guess we would also like to see those responses actually responding to what data we know about—what are the issues in particular regions or in particular schools and what are the services and supports that are available?

One of the things we did speak about in our budget analysis, which I think is probably the really hard point for Community Services, is that many of the services, particularly youth services, are quite small. They are quite tiny. We are talking about one or two youth engagement workers covering an entire region like Tuggeranong or Gungahlin and the city. In terms of that capacity to be able to respond to schools when they have need, we are not there yet either, if that makes sense. Certainly, we are not confident that if a school did identify that they had a particular need, there is additional capacity sitting in the sector for them to be able to activate. In that sense, we think it is really important work that we get more solid in in our planning and in making sure that the structures mean that we are sharing those resources more equitably.

**MS BERRY:** When you are talking to young people around the place in schools when they want that support, is that support better for them if it is in the school rather than having to go outside the school to get any support that they need? Is it better having the person working with them on the ground rather than going somewhere else—having to travel somewhere or having it outside school hours? Is there a preference?

**Ms Robertson:** Generally speaking, young people would prefer to access support in schools. There are a number of research projects that have shown us that in the past. Young people see schools as where they are at. If they are able to build good relationships with teachers, they are already people that they are learning from and have built a relationship with, so they are interested in what teachers might have to

say. So in that sense, yes, absolutely.

I think that the caveat to that is that they have to be good experiences. We have also heard from some young people that if they have had an experience such as speaking with a school counsellor and then feeling that their confidentiality was breached, that can have ongoing ramifications as to whether or not they will access counselling again.

I would certainly say that on the whole we need to make sure that those supports are available in schools, as long as they are the right supports and they have those specialities that the community sector offers and does really well, about being able to engage those who are disengaging, having a respectful relationship and confidentiality, and working within that framework.

**MS BERRY:** Okay.

**Ms Robertson:** That said, it is also important to note that there are some young people who are not in schools. So it is about making sure that, if services are only available in schools, those services are accessible. There does need to be that little bit of a mix. The community sector is very well placed to be doing that in partnership. The service might be available in the school, but that might be a conduit to a range of other services that are available in the community if people need further support.

**MS BERRY:** I might let some other people have some turns, and then I will come back.

**THE CHAIR:** We will keep working down the line. We will go to Mrs Jones.

**MRS JONES:** I will give Mr Wall my question.

**MR WALL:** You spoke in quite some detail about how youth services can interact with young people and the school environment as being one solution. Over the last few years there has been a move to go from, I guess, a drop-in youth centre-type model to a bit more of an outreach setup where youth workers are actively trying to go to where young people are and not necessarily having a centre where people can come and congregate. Conversations I have had with you have sort of indicated that we have probably gone a little too far the other way and that there still is a need for some formalised youth centres around town. I do not know whether that position has changed. If you had responsibility for this area, what would be the happy balance? If you were minister for a day, how would you set up the youth services, particularly in that outreach youth drop-in centre-type area?

**Ms Robertson:** Bec, did you want to say anything there?

**Ms Cuzzillo:** No, you talk and I will add.

**Ms Robertson:** I really love the idea that it would only take a day to solve this problem if I was the minister for the day. I think one of the really important things is that we work with those people who are accessing, and potentially those people who are not accessing, services that they need. I think it is really important that we work with young people in the regions to see what their need is, what they will respond to



and so forth.

What we know is that with the changes that have happened in the last couple of years, we saw initially a really dramatic drop in the number of young people who were attending youth centres, partly because the hours were reduced and partly because the message kind of got out to young people that they were closed. It has taken a couple of years to build that back up. I am certainly not arguing that every young person who needs support is going to go to a youth centre. But when we have visited youth centres and talked to young people there, they tell us that they will go as often as they are open and that it is a really needed service in terms of there not being many other spaces that are available or dedicated just to young people.

In terms of outreach, I think it is always useful if people are all in reach if you are reaching out or in from somewhere, if that makes sense. We know that there is a range of ways that young people seek support or access support and that the ability to come into a service, check it out, see whether or not you are going to be able to build rapport with the workers and whether they have got something to offer you is often a test that those more vulnerable young people will want to run by us as a sector before they will want to put their needs forward. We know that that is because they have had quite negative experiences of people, particularly adults, letting them down in the past. So I think that is a really important thing to note.

In terms of balance, I think that it is important that we do not go all one way or all the other. I think one of the other challenges for us at the moment, in terms of the outreach and the small numbers of workers, is that there has been a big focus on those who think engagement workers are there to connect with young people and then refer them to supports that are available. There are not many other supports that are available. What we also know about young people's help-seeking behaviour is that they do not want to be passed through a whole series of points of contact or people before they can access the help that they need.

So the balance has to be around being able to provide practical support. In a youth centre environment, that might mean that you can go straight away and talk to a case manager who can then and there ring up Housing to sort out your problem if you are getting behind on your rent so that you do not get evicted. It might be in an outreach setting that that person can practically go and help you access some food or other more immediate support.

Those really practical things are the things that we hear about constantly from front-line workers. They are frustrated if they are not able to provide more of them. We hear constantly from young people that they are the sorts of things they really need help with. It is not just young people; it is their families also. I am talking about really basic things like transport, being able to have assistance in negotiating the systems. Sometimes young people might well intend to follow up or want to communicate. It might be the school. They might be having a problem with the school. Having that little bit of extra support to do that might make the difference.

I think the balance has to be able to address that need. If we shift too far to outreach—and the intent of outreach is to kind of bring people in and connect them to other things that we do not really have enough of—that is going to fall down. Whereas if we

have got that balance between outreach and a centre-based or a place-based response, yes, it has to be able to do those things.

In terms of what could we change, how much money or how many workers do we need to throw at it, look, we do not have a formula. In a sense, it is how long is a piece of string. I think a really good example is when we look at the mental health space. We often talk about the research consistently indicating to us that about one in four young people experience a mental health issue in any given year.

More recent research has come out and said that one in five experiences serious mental health issues in any given year. If you think about the 77,000 young people in the ACT, we are getting up towards the 20,000 mark. We are never going to be able to have resources available that mean that 20,000 young people can access one-on-one specialised support in a year. So I think that we also need to be looking at what kinds of investment are we making in developing our community, those natural supports in community, so that families and communities—not necessarily services, but natural communities—are able to respond and help. I think in the general youth services space that is equally as relevant.

**MR WALL:** I have another issue that I want to raise with you since you are here at the behest of the committee. Very commonly, young people grow up here in Canberra. They do their high school or college education perhaps to a university or a TAFE level but then seem to disappear. They move interstate or move to other cities. What feedback have you had from the youth that you work with as to the reasons why they leave? What can be done to try and increase the retention rates of young people in Canberra?

**Ms Robertson:** I think that in terms of the more vulnerable young people in the community who perhaps are not continuing on to do university that might look a little bit different to those young people who do follow through with uni. Certainly if you speak to the university students associations, they talk about the lack of jobs for people who are graduates as being a really significant factor in terms of people leaving, which I think is very interesting given that education is one of our bigger industries in the ACT. That is a real shame. If people are going to come here to study, we would like to keep the knowledge of those people invested in our local community.

Again, I think that it would be what opportunities are there in terms of people being able to access employment, housing and connection to community. I think that that is fairly well acknowledged now. People do want to be able to connect and feel like they are part of communities. If that is not on offer or if that is not working for them in that place, then they obviously will look to move on.

**MR WALL:** Thank you.

**Ms Cuzzillo:** I wanted to add that while we have a really high quality of life living in Canberra, there is also high cost of living in Canberra. For young people, particularly in the coming years if they are facing reduced welfare payments and that kind of thing, it is hard to stay here if it is so expensive. If there is no employment and it costs a lot, then you are going to look elsewhere.

**MR WALL:** It was put to this committee during the estimates process that to battle or combat the high cost of living, or the increasing cost of living, in Canberra, the solution is to get a pay rise and get a good union representative. What are your thoughts?

**Ms Robertson:** I think pay rates are one part of the picture. But I think there is probably a range of things there, including investment in housing, it being more affordable and things like that. One of the things that we talked about in our budget analysis—I think that there is a trial happening in Victoria along these lines—is whether or not government as an investor in the community can influence some things.

For example, if government were going to invest in infrastructure projects, that could be linked into job opportunities being provided for people who were at risk of unemployment. That might be one way that that can happen. The example I know of in Victoria is where a government tender is linked to the people tendering being able to evidence that they will provide 100 apprenticeships and see them through to completion. It not just for the life of the project. If you are going to make money out of government investment, we want to see that put back as well.

I guess those are the sorts of opportunities or things that we would like government to be talking about and considering, because obviously government is a big influence in this town.

**THE CHAIR:** A new question from Ms Porter.

**MS PORTER:** I wanted to talk about the introduction of the NDIS. Do you have any thoughts around that? Do you want to make any comments?

**Ms Robertson:** I might give that to you, Bec, to start with.

**Ms Cuzzillo:** In our budget submission, we noted that the agreement between ACT government and the federal government on how that would happen has not been finalised. Therefore, it was not reflected in the budget. I am not totally sure whether that has been finalised yet. We have been talking with the youth sector as kind of a sector that will feel the influence of the NDIS but in a way that has not been clearly set out.

The services might not necessarily be disability services themselves but they might service young people who have a disability. There is a fair bit of confusion on how that will look for their future in terms of what people will be accessing if they are not disability services but are, rather, youth services. I am not sure whether you have anything to add, Emma?

**Ms Robertson:** I think we are going to learn a lot through NDIS. Certainly other parts of the community sector are looking at what client-driven funding might look like in the future. In a little way I liken that to schools having more autonomy about their spending as well. If schools are going to be making decisions about investment in programs, is the community services sector geared up around being able to articulate clearly to schools what they offer?

In terms of the individual young people who might be affected by NDIS, again, I think lots of people are still a bit confused, as Bec said. But also we have been trying to work with the sector particularly around how young people are supported to make the decisions about what they want to drive. What is indicated by the trial sites and what we have heard so far is that mostly people are taking up what was on offer before or what they had before. Whether or not that is because they do not know what else might be available or we have not had the chance to really be able to look at promoting that or not I think remains to be seen. Certainly my understanding from the trial sites is that it is not necessarily expected that there will be a huge change in the first year in terms of what people are purchasing.

Again, I think that there is probably a little bit of concern for some of the local services about whether or not under this model very specialised delivery will happen. That is simply because it is very hard to run a program just for one family, for example, if you need to develop staff, develop resources and so forth. I think it is certainly going to be really challenging for services to be able to offer very individualised or very flexible responses. That will take some time and some further sector development as we roll that out. It is certainly something that I would hope peak bodies and government would be looking to in evaluations and in trying to get a sense of how things are rolling out and whether it is working.

**MS PORTER:** But as a concept, do you think that having control over your own service delivery is a good thing?

**Ms Robertson:** Absolutely.

**MS PORTER:** Yes.

**Ms Robertson:** Again, with the caveat that that is complicated because if people do not know what they need to know, then it is very hard for them to make decisions about things. I think that is probably the biggest challenge in NDIS. Once people sit down to negotiate their package, that is going to be quite a quick process. They really need to be ready and to have done a whole lot of thinking beforehand to be ready to do that.

**MS PORTER:** The person that works with them is a key person.

**Ms Robertson:** Yes.

**MS PORTER:** And also who works with the sector to help them. Sorry, Bec, did you have something to add?

**Ms Cuzzillo:** I was just going to add that for young people as well they are in a situation where they have to negotiate that kind of decision with their parents or their carers. That is another issue that we have been talking with the youth sector about—helping people through that process of decision-making, especially when young people with a disability have that extra sort of carer role.

**THE CHAIR:** Ms Berry, do you have another question?

**MS BERRY:** Yes, I do. I want to ask some questions around public transport. In your submission you said that one of the things that young people find most difficult is access to public transport. Very soon the network 14 bus network will be released. Did the Youth Coalition contribute a submission on that?

**Ms Robertson:** Yes, we have certainly met with them.

**MS BERRY:** In Belconnen a tall building is going to be built by GEOCON, the Wayfarer. When the community was being consulted about that, a lot of older people in the community were against it. Everybody from 60 up that I spoke to was against having a high-rise in Belconnen, but whenever I spoke to young people they would say, “Yeah, bring it. We want some more activity and more life to our town centre.” The challenge, though, is getting young people to participate in that sort of conversation. It is very easy to talk to retired people but young people have lots of other things going on in their lives. What are the best things that governments or communities can do to encourage young people to participate more in the decision-making processes of government? They are very difficult to nail down.

**Ms Robertson:** I think it is something that we will continually talk about. Certainly the Youth Coalition are constantly reviewing our own processes and how we engage with young people.

We have been recently talking with young people around the development of the ACT youth commitment. Whenever I engage with groups of young people in the community, it is surprising how much they do not know about opportunities to engage with government. For example, time to talk is something that I am on a bit of a bent about at the moment in terms of asking people, “Have you heard of time to talk? Have you ever participated in a survey?” It is not a particularly youth-oriented website.

**MS BERRY:** No, it is not.

**Ms Robertson:** Nor are the surveys necessarily written in a way that is accessible for young people. I say that while again recognising that what is accessible for 13 or 14-year-olds is very different from what is accessible for 23 or 24-year-olds. And that is one of our challenges. I think government need to get very specific about who they are wanting to talk to and how, rather than trying to do those general one-size-fits-all things. We certainly find that we tailor things very differently when we are talking to 18 to 25-year-olds from when we talk to people younger than that, because they are in different developmental stages and view themselves differently.

We hear, from young people who want to be active in community and have influence and have stuff to say, which is not everyone, that those who are often do not know about the opportunities or find out about it afterwards. It is not something that they are necessarily hearing about or learning about at school. So I think there is the challenge of how we cut through all of the other stuff that is thrown at young people that says, “Pay attention to me,” and “Buy this,” or “Fill in this survey.”

There is not going to be one thing that will do that and that will work for all time. I think it is a changing and growing thing. But our starting point is always to talk to the young people that we know of and get some intel on what is happening, what people

are into at the moment and how they want to interact and respond.

I often use, when talking with groups of young people, the example of 666 talkback radio where you can talk to the Chief Minister directly by ringing up every fortnight. That is not a radio station that young people listen to. We could campaign to try and get young people listening to 666, and I think they would probably think that was great. Or we could think about whether or not there are other ways that young people are engaging that we might also consider.

Twitter cabinet is another interesting one, because Twitter is not necessarily the social media with the biggest uptake of young people, even though I support the idea that government look at a range of ways. I just do not think that we have quite seen that nailed in the area of what is most relevant to young people.

**MS BERRY:** In your submission you said that the Youth Coalition supports the city to the lake project. I could not find anything in here about capital metro.

**MS PORTER:** There is one statement.

**MS BERRY:** Okay, I could not find the page about capital metro and what that means to young people. Have you got a view about that?

**Ms Robertson:** More generally, our response is that public transport is really important to young people. We would hate to see a big investment in a project like that not consider the needs of young people. If young people are going to be completely priced out of being able to catch a train—

**MS BERRY:** So not a posh train?

**Ms Robertson:** Yes. Well, a posh train that does not cost heaps. I do not know if that is possible.

**THE CHAIR:** Yes, it is called a bus.

**MRS JONES:** A subsidised posh train.

**MS PORTER:** The one you can put your bikes on.

**Ms Robertson:** We would hope there would be opportunities for young people to have input into that process, and particularly when what has been announced in this budget is around further consultation and so forth. We would really like to see that young people get a big say and are certainly included in that consultation.

The other side of capital metro, I suppose, without us necessarily getting involved in the politics of it, is that if it is going ahead, if it is about creating jobs, we would really like to see that clearly linked to some outcomes for young people. At the moment we believe young people are the most vulnerable group in terms of risk of unemployment and potentially having no income through a period of unemployment.

**MS BERRY:** Capital metro is another example of where I am hearing a lot from older

people across our city but not a lot from young people. I agree; I think there has to be a way of finding out what young people think about it, because it is their future that we are talking about as well as the city's future.

**Ms Robertson:** Yes.

**MS BERRY:** If you have ideas about that, make sure you let us know.

**Ms Robertson:** Yes, absolutely. Again one of the challenges is that with big projects like that, which are going to take quite a number of years, the people who are going to be needing that the most are children at the moment. How you might engage with them is different again, and it is about whether that is the thing you want to invest in when children might have other things to say to us about what they think of Canberra.

**THE CHAIR:** Ms Porter had a supplementary and then we will go back to Ms Berry.

**MS PORTER:** On the consultation that Ms Berry was asking you about, you said that Twitter was not something that young people necessarily engaged in. Did I hear you correctly?

**Ms Robertson:** Yes.

**MS PORTER:** What social media platform would be the best for us to utilise to engage?

**Ms Robertson:** I am not going to say it is Facebook or Instagram. They are probably two of the ones that have a bigger uptake of young people in Australia. The reason that I do not think it is useful to say, "You've got to go into this space," is that it is actually about how you do that. There is some push-back in some of the research with young people around, "If this is my social space, leave me alone." There is certainly some indication that bodies that want to do consultation or who are trying to do health promotion who can engage through social media in a way that young people can very much opt in and opt out of rather than feel like it is in their face constantly have better success.

The really important thing is that whoever is designing that strategy or developing that thing is really clued up on what young people are doing and where they are in that space—and that there is some flexibility to test it and then change it as it responds, as people respond and as we see whether things are working or not.

There is probably a lot of money in the industry of social media strategy these days. As an agency we have learnt a lot in the last couple of years in terms of how we engage with young people in that space. I think the starting point might be to talk with young people about how they want to be engaged.

We hear quite often from young people that politicians do not necessarily come and talk to them in school or, when they do, they do not know who the person is until after they have left, for example. We have had some really good success with particularly some of the alternative education programs. We have gone in to talk to young people in those groups about our policy platform, for example. When we have worked with

the school beforehand they have really prepped the young people, and by the time we have got there, they are ready and they have a lot to say. We did not even need to ask questions because they had worked out what they really thought we needed to know about.

I wonder about what opportunities there are. Without wanting to take more time away from schools, it is about looking at where there are existing groups of young people who might have particular interests and whether there are mechanisms where government can engage with them on those things, as opposed to necessarily getting one group that is broadly representative. If it is about sport, is it about going and talking to some of the key sporting groups and giving them the chance to do a bit of thinking beforehand? I do not know.

I do think there are a range of opportunities and that we hear all the time from young people that if they bumped into an opportunity they often did not really know about it beforehand, so they feel like they did not get the chance to do that thinking or really properly engage.

**MS PORTER:** You are saying we should ask young people how we should engage, but if we cannot engage, we cannot ask. It does seem to be a little bit of a catch-22 situation.

**Ms Robertson:** Yes.

**MS PORTER:** There are some very good suggestions that you have made, and thank you very much for those. I think we need to build on those. If you come up with any other ideas around engaging, it would be really good to give them to us, because I think that Ms Berry is right; every time you go out to consult, you get a lot of people who have a lot of time on their hands who will engage in ways that are quite familiar to them. I have a son who lives in Melbourne and I text him and he does not ever text back; never, ever. He says, “Don’t text me because I won’t text back. If you want to give me information, that’s fine, I’ll read them, but I won’t text back. I talk to you on the phone. I will talk but I will not text.” It is interesting. He is 33, I think. I am not sure; I lose track.

**Ms Robertson:** I have a really good example of where engagement was done well. I have worked a couple of times with Gungahlin College. I think it was largely due to a particular teacher there who was interested in this. Prior to the ACT election and then prior to the federal election they ran an election forum. Both times, because of the technology they have within the school, that was broadcast. So the one for the ACT election included Tuggeranong College, who was able to connect up through technology. That was a really good example where, because it was set up beforehand, young people had a chance to think about what questions they wanted to ask, come along to that forum and ask potential candidates what their position was.

Sometimes in the community people are quite surprised that when young people get in front of politicians they have the same concerns as other people in the community. They want to talk about affordable housing, marriage equality and treatment of asylum seekers. Those are the top issues for young people that they raise all the time. Of course, education is really key, and access to education is something that I know is concerning a lot of young people at the moment—whether or not they will be able to



afford it.

**THE CHAIR:** We might call it quits there.

**MS BERRY:** Can I ask one more question?

**THE CHAIR:** I knew that was going to happen. One last question, quickly.

**MS BERRY:** It is about the human services gateway. You said in your submission that you want a clear strategy to ensure that the service is youth friendly.

**Ms Robertson:** Yes.

**MS BERRY:** What is “youth friendly”?

**Ms Robertson:** It is probably more than we have time to explain here. If I can give a nutshell example, it is not surprising that sometimes people come to us and say, “We got this email from a young person. They were very rude in it.” I think tone is something very hard to glean from an email and young people are very much geared to being short and straight to the point because they have grown up in a world where communication technology has supported that.

If young people are ringing a human services gateway, and often at the point they are ringing they are in distress, it is about making sure that the staff there have some skills around recognising that. In particular, people who do not have access to resources can often come across as aggressive or threatening, because the way that they are presenting is in a state of distress and freaking out. The staff on those intake services and the ones that exist at the moment are skilled around that. But we would be keen to do some more development work with them to make sure that young people have that access.

**MRS JONES:** Have you had any conversations or correspondence with Minister Rattenbury about the Canberra Connect methodology for dealing with young people? He would probably be open to it.

**Ms Robertson:** Yes.

**MRS JONES:** Have you had any contact with him?

**Ms Robertson:** Not specifically, but we are happy to follow that up. Certainly we have met with Shane on a number of other things.

**THE CHAIR:** We might finish there. If you want to put something in writing about what a youth-friendly human services blueprint would be, feel free to do so. For any other questions you may have taken on notice, if we could have a response within five working days after this, that would be kind. Thank you for your appearance. We will have a short break and resume at 11.30 with the Treasurer.

**Ms Robertson:** Thank you.

**Sitting suspended from 11.14 to 11.29 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

Chief Minister and Treasury Directorate  
Nicol, Mr David, Under Treasurer  
Doran, Ms Karen, Executive Director, Economic and Financial Policy Group

Commerce and Works Directorate  
Salisbury, Mr Kim, Commissioner for Revenue

**THE CHAIR:** We will begin. Good morning, minister and officials, and welcome to the recall day of the 2014-15 estimates committee. I think we are all familiar with the rigmarole. I just bring to your attention the privilege statement in front of you and ask that you all acknowledge that you understand its obligations and protections. All have acknowledged that they do. For any questions taken on notice, there will be five business days after the hearing in which to respond. Of course, this morning's proceedings are being broadcast and will be transcribed and a copy of the *Hansard* will be provided for any corrections that you see fit. With that, we will go straight to questions.

Minister, there is an article in this morning's *Canberra Times* where one contractor says he is set to lose \$450 a month from his after-tax pay on 1 October as a result of your payroll tax changes. And you are quoted as saying that it will not be a significant pay cut, but for some it may well mean an adjustment to the money they receive. Do you consider a \$5,400 a year pay cut not significant?

**Mr Barr:** I guess it would depend on what your income was.

**THE CHAIR:** At what portion does \$5,400 become significant?

**Mr Barr:** That is a subjective judgement. I will not offer an opinion on that.

**THE CHAIR:** But you did offer an opinion. You have said it will not be a significant pay cut.

**Mr Barr:** Not if you are on a very high income, no.

**THE CHAIR:** How many of the Power IT consultants affected are on significant incomes?

**Mr Barr:** A significant number, I understand.

**THE CHAIR:** And what number is that? What percentage is that?

**Mr Barr:** A significant number.

**THE CHAIR:** You do not seem to have very much detail.

**Mr Barr:** No, I am not privy to every contractual arrangement in relation to every contractor in the territory.

**THE CHAIR:** Do you expect that the federal government will pick up this and start paying the tax or do you expect it to be fully passed on?

**Mr Barr:** I think that is a reasonable expectation in the long run, yes.

**THE CHAIR:** What is the long run?

**Mr Barr:** Within months, months to years, depending on the nature of the particular employment arrangements that are in place. It may well be that the commonwealth, in fact, decides that a lot of those long-term contractors are better off as employees of the commonwealth. They will no longer outsource and take them on as employees.

**THE CHAIR:** If you expect the federal government to pick up the cost, will the ACT government do so where it uses recruitment agents as of 1 October?

**Mr Barr:** We would obviously participate in a market, like everyone else.

**THE CHAIR:** You have said you expect the federal government to pick it up. Will the ACT government do that and lead by example as of 1 October?

**Mr Barr:** We do not use contractors significantly. But to the extent that we do, I would anticipate that market impacts would flow through to us, yes.

**THE CHAIR:** So will you be passing on increases to cover this cost?

**Mr Barr:** As I said, in the context of renewing contracts, we do not use contractors significantly within the territory government as opposed to the commonwealth situation. Then that would be a factor for us, yes.

**THE CHAIR:** There was a discussion on your Facebook wall. One constituent said that he asked you would the ACT government pass it on from 1 October and when he went back to check the thread, the thread had been deleted. Why would you delete something where you said the federal government should do something but would not then confirm the ACT would do it?

**Mr Barr:** I am not aware of that particular issue.

**THE CHAIR:** You are not aware?

**Mr Barr:** No, I do not know whom you are talking about. And my Facebook is private. That is not a matter that I would discuss here.

**THE CHAIR:** He stated that he was “having a discussion with Andrew Barr regarding the payroll tax change. He stated that it was expected the rate would adjust in a short period of time and that the Federal Government would end up paying for it. I then asked him if the ACT Government was going to increase rates on 1 October. I

went back to check the comment, and the whole thread was deleted. Here are some pics of the thread. You might want to see if you can find it on his time line.” You do not recall that conversation?

**Mr Barr:** I have had some engagement with some people on my Facebook page, but my Facebook page is a private page. So it is none of your business or anyone else’s.

**MR WALL:** To think that a public officer such as you or any of us would have a public profile on social media which we use to actively engage with constituents all of a sudden becomes a private page—

**Mr Barr:** It is not public property; it is my property. And I will engage how I choose.

**THE CHAIR:** You made a suggestion that the feds would pick it up. You were asked whether the ACT—

**Mr Barr:** I anticipate they will, yes.

**THE CHAIR:** But then you deleted the thread. I just wondered why you would suddenly delete a thread.

**Mr Barr:** I am not aware of it. I will have to go and examine my Facebook time line. But frankly, that is not any matter at all to do with government or with you.

**THE CHAIR:** I think it is an issue of public discussion if you are making statements that you then do not back up.

**Mr Barr:** But my Facebook is not a public discussion page. I have a number of Facebook pages, but if it is the one I believe it is, where I had some discussion with my Facebook friends, then that is a private discussion, not one that is for public consumption.

**THE CHAIR:** There are private views of the Treasurer and public views?

**MS BERRY:** I do not think that is the case, and I think he is probably right not to be talking about Facebook comments during an estimates committee hearing.

**THE CHAIR:** It is quite public and somebody has brought it to my attention. Another constituent has written in and asks whether you will make amendments preventing agencies passing on what is an employer tax to contractors or employees.

**Mr Barr:** Payroll tax liability falls on employers.

**THE CHAIR:** Yes, but the employers are passing it on to the employees and are rewriting contracts. Will you make an amendment to prevent agencies passing on the tax to the contractors?

**Mr Barr:** The legal liability for payroll tax falls with employers.

**THE CHAIR:** But if they are now going to pass that on to the employee, will you

stop that? Will you seek to stop that?

**Mr Barr:** I am not sure that I would have the legal power to do that.

**THE CHAIR:** You have got the power to raise the tax.

**Mr Barr:** That is correct.

**THE CHAIR:** And many agencies are rewriting their contracts to allow them to increase the costs they charge to the contractor. They are calling it unforeseen charges or fees. Will you legislate to stop that?

**Mr Barr:** I do not believe I am in a position to do so, but I will take advice on that question.

**THE CHAIR:** Was it your intention that this tax would affect the take-home pay of contractors?

**Mr Barr:** Payroll tax is a liability on the employer.

**THE CHAIR:** Was it your intention that—

**Mr Barr:** I repeat: payroll tax is a liability on the employer.

**THE CHAIR:** You are avoiding the issue.

**Mr Barr:** My intention was to tax the employer and to close a loophole in our taxation arrangements.

**THE CHAIR:** But you avoid the issue. Is the government happy that people now, as in the case of Mr Taylor, have \$450 a month taken from the after-tax pay as a result of your changes?

**Mr Barr:** The government's intention is that there is a level playing field in relation to payroll taxation.

**THE CHAIR:** So you do not care about employees taking a big pay cut?

**Mr Barr:** You are making—

*An incident having occurred in the gallery—*

**THE CHAIR:** Excuse me, as a guest you are entitled to be here. You are not entitled to speak.

**Mr Barr:** You are making that statement. Obviously any increase in taxation is going to have an impact on the community.

**THE CHAIR:** Was it your intention that workers in the ACT took a pay cut?

**Mr Barr:** My intention was to close a loophole in our payroll tax arrangements to ensure a level playing field for all rather than continuing with an exemption that allowed some people to not pay the tax whilst others did.

**THE CHAIR:** If it was not your intention for people to have a pay cut, how will you stop that happening?

**Mr Barr:** As I say, I will take advice on the capacity we have to do that. But payroll tax liability falls on employers, and I would expect that employers would meet that cost.

**THE CHAIR:** Supplementary, Mrs Jones?

**MRS JONES:** Yes. Minister, if the payroll tax company does not produce anything other than employing people, if that is their business, then am I right in understanding that the only money they have to pay this liability is the money that they levy on the people whose contracts they manage?

**Mr Barr:** No. They would also presumably receive a payment from the ultimate employer. That would be correct, would it not? Do you want to add anymore in terms of the context of the arrangements and how particular companies are structured in order to gain access to the very generous ACT government exemption that previously existed?

**Mr Salisbury:** My understanding is that the employment agent who I think you are referring to in this case would have a contractual arrangement with the client, who may be a commonwealth agency—

**MRS JONES:** Or a company or a—

**Mr Salisbury:** Yes, or a private company. That would be a contract going one way. They would also have a contractual arrangement with the contractors that they employ to work on that contract. So money would be going both ways in that relationship.

**MRS JONES:** Just on that, if there is a hope that the commonwealth government will pick up some of the costs associated with federal employees—if they, indeed, do that—presumably there is not any intention to find someone else to pay in a private company's situation where someone has been employed through a private contract manager. If the third-party company is private and is not involved in federal government delivery for federal government workers, then those people just have to pick up the cost differential, that company has to pick up the cost differential itself?

**Mr Salisbury:** Is the question “If the client is a private company as opposed to a federal agency, is that the same type of arrangement?”

**MRS JONES:** No; sorry. The question is: if the private company is dealing with another private company but not with the federal government, who is going to potentially come in and pay this extra tax if not the employees?

**Mr Salisbury:** Are you talking about a chain of on-hire? I think that is the

relationship there. You have a client; then you have an employment agent and then perhaps another employment agent. Is the question “Who pays the payroll tax?”

**MRS JONES:** When the employer who is using the employing agent is not the federal government, where is it the intention that this money will come from?

**Mr Salisbury:** The legal incidence of the tax is on the employment agent.

**MRS JONES:** I understand that. But the presumption is being put that this problem will not end up a problem for employees, on the whole, from what I am understanding from what the Treasurer is saying, because there is a hope that, in the case of people who are sitting in federal departments working on contracts, the tax will be picked up eventually over a period of time by the federal government. That may or may not be a reasonable hope. But in the case where people are not working in a federal government department and the ultimate bill is not being picked up by the federal government—they might be an IT contractor working somewhere else and using this arrangement—where is it hoped that money will come from, or is it just coming from their pay packets?

**Mr Salisbury:** I think the answer is the same: there is an expectation that in the long term, the client would pick up the cost of the tax. In one example the client is a federal government agency; in the other—

**MRS JONES:** It is a private company.

**Mr Salisbury:** In the other example it is a private company. The arrangement would apply equally to the private company and the federal government agency.

**Mr Barr:** The private company that just employs staff would pay payroll tax on those staff if their payroll was over \$1.85 million. So that is the case—

**MRS JONES:** Yes, but if a company had structured itself around this possibility—

**Mr Barr:** To avoid the tax, yes.

**MRS JONES:** Sure.

**Mr Barr:** Yes, that is right.

**MRS JONES:** Because it was a legal option for them to do—

**Mr Barr:** Yes, that is correct.

**MRS JONES:** Then those people will just have to suck it for now until eventually the prices go up, for the private company to pay the additional payroll, because they have not structured their businesses for the next 12 months to expect this higher bill.

**Mr Barr:** Depending on the length of contractual arrangements, yes.

**MRS JONES:** The emails that we have had are about 12-month contracts that were

signed on 1 July. If 12-month contracts were signed on 1 July, that money will have to come out of either the employer or the employee somewhere.

**Mr Barr:** Yes. Ultimately, if the tax is going to raise revenue, then yes, it does. Money will have to come. The question will be, depending on the individual contracts that have been signed and what provisions have been made for changes in variables, and that would be fees and charges or government charges—the incidence of that in the short term could fall in a number of different ways, depending on the nature of the contract. It certainly is possible that the employer would pick it up. It is equally possible that that could fall on the contractor or on the agency acting in between—or on a combination of all three. All of those are potential outcomes, depending on—

**MRS JONES:** The views we are getting from the public, from people who are affected by the changes, are that the costs will fall entirely on them.

**Mr Barr:** It is certainly possible to conceive a circumstance where that could be the case, yes.

**MRS JONES:** One man said: “The only give in the system is my pay. I have not had a pay rise in the last three to five years.” One Gungahlin IT contractor said, “I’m losing almost a month’s salary.” Someone else said, “It’s a 12 per cent reduction in my pay”—presumably pre other tax, but nonetheless 12 per cent once it flows through to that person’s pay. They said, “Why is a small group being impacted so heavily?” I understand this idea of closing a loophole; I think everybody understands that. One person said, “I was even given the wrong impression of the impact of the bill from Mr Barr’s office when I rang to seek advice.” Obviously it is complex, and I understand that, but there is a fear in the community, amongst this group of people, that they are going to be \$5,500 worse off. And that is not the biggest case. As I said, someone also wrote to me saying they would be \$15,000 worse off.

**Mr Barr:** They would be on a very high income if that is the case.

**MRS JONES:** Yes, but that does not mean it is reasonable to slap them with such a change at such short notice. Voters are not just ATMs to keep drawing money out of at a moment’s notice.

**Mr Barr:** I appreciate that. There are obviously two ways of looking at this. You could say, alternatively, that that particular individual has benefited for probably an extended period of time from having no tax applied, whereas—

**MRS JONES:** They paid their income tax, but they have not paid payroll tax.

**Mr Barr:** Potentially a colleague sitting next to them doing a very similar task with a different arrangement has had payroll tax applied-

**MRS JONES:** And in some cases has had an increase in their income. Some of the people sitting next to them are saying to us in the emails that someone sitting next to them in the department of immigration has had a two per cent or three per cent pay rise each year over a five-year period when one person, they wrote to us, has not had any increase in their salary. I am not saying that they are tiny income earners, but they



are not necessarily rolling in it just because they have done well for themselves.

**Mr Barr:** Ultimately, any change in taxation arrangements is going to have an impact, and there will be transitional effects. There is no doubting that, and no-one has ever suggested otherwise. We cannot pre-announce budget initiatives, particularly taxation ones, years ahead. All that does is create an environment where it gives people plenty of time to restructure their arrangements in order to avoid taxation.

**MRS JONES:** But there would not be a way of avoiding this if you closed it in 12 months time because—

**Mr Barr:** Yes, there would.

**MRS JONES:** How?

**Mr Barr:** I am not going to give advice on how to avoid tax.

**MRS JONES:** I understand that.

**Mr Barr:** As the revenue commissioner has indicated previously, the vast majority of taxpayers will do the right thing and will recognise that a payroll tax is levied in the territory, as payroll taxes are levied in every other Australian state and territory. We have been the only jurisdiction in Australia that has provided this very generous concession, and the time that we can afford to do that is over. We can no longer afford to provide this very generous exemption, and we are normalising and harmonising our payroll tax arrangements to be consistent with other jurisdictions.

The shadow treasurer alluded to this when this issue came up three years ago when a payroll tax reform bill was raised. He did observe at that time that we had maintained this very generous exemption but forecast that that would not be tenable in the longer term—that this issue would be raised again. I have seen the shadow treasurer's comments. I think that was acknowledged at the time, and it is acknowledged now. The only issue is about the transition. That has been acknowledged by the government, and further time has been given in order to delay the implementation of the change.

**MRS JONES:** Yes, but if you are saying to somebody that the changes are going to be \$4½ or \$3½ thousand extra tax this year instead of five, that is still a very big imposition in that short time frame. And it is.

**Mr Barr:** Yes. Some people will pay more tax. That is the result of removing a loophole. That is a reality.

**MRS JONES:** We may lose them from the territory, too, possibly.

**THE CHAIR:** We will move on. I will just go back to—

**Mr Barr:** Except that the tax applies in every other jurisdiction as well. You would not be running anywhere to escape it; you would still pay everywhere else.

**MRS JONES:** That is not the position that they are putting to us. They are putting to

us that they would be in a slightly lower tax bracket if they went to South Australia, for example. That is one of the statements that has been made to us. Whether that is a combination of factors or not, I do not know.

**Mr Barr:** That may well be the case. I imagine the differences between the states and territories, once you take into account the very high threshold in the ACT that excludes most people from paying payroll tax, would make that decision marginal at best. And then, once you added in the relocation costs and paying stamp duty in South Australia to relocate there, plus the moving costs, for the sake of a few months change here, I think you would come out on the wrong side of the equation if you decided to move.

**MRS JONES:** I do not think there has been any special analysis of that potential, has there?

**THE CHAIR:** I will ask a final question and then go to Ms Porter. I have had another email from a constituent who says:

The proposed legislation will result in Recruitment Agencies deducting 6.85% from gross payments to payroll companies.

The payroll companies will then deduct compulsory insurances and their fees before paying the money to the contractor.

This means that the payroll tax will be paid on payroll companies fees and compulsory insurance which are meant to be exempt from the payroll tax.

The end result is that the contractor actually ends up having an enforced pay cut of approximately 7.05% instead of 6.85%.

This gentleman goes on to say:

On my last contract renewal it was impossible to negotiate a CPI pay rise and the recruitment agency actually introduced a 0.5% "fee" ...

In effect, he said, that was a pay cut. He went on:

At the moment contractors who wish to have their contracts renewed are being asked to take a 7.5% pay cut and the contract will only be for 6 months not 12 months ...

The net result may well be a cut of over 14% on all contract extensions.

This gentleman simply makes the point that he understands what you are doing but asks for a grandfather clause to protect existing contracts and a clause to ensure that compulsory insurance and fees to payroll companies incurred are deducted from the moneys that the payroll tax is applied to. Are they not unreasonable requests, minister?

**Mr Barr:** I will examine those. I think I have received that correspondence, and we will examine those. I am not sure that I can at this point agree with every assertion that has been made there. We will examine those in the context of debate on the bill,

which we will have in August.

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

**MS PORTER:** I do not really have a new question as such.

**THE CHAIR:** A continuing question.

**MS PORTER:** It is all the same subject matter, is it not? All of us are getting these emails. My concern is that the person down at the bottom of the pile, in the culmination of all of these things—he seems to be at the end of the whole thing—is the person who has got the least amount of money. He may have negotiated quite a reasonable contract. But that has been negotiated and now he is faced with this thing where the person above him in that pile or even the one above that person has decided that they are not going to wear it. So the person who can least afford it out of all of these people in this trail of contracts, which I do not purport to understand fully, is going to be the person who is affected. Often these are people with mortgages, young families and commitments that they actually cannot turn around. It is a bit like the *Queen Mary*, is it not, if you want to turn these things around? It is taking quite a considerable time to turn these things around.

I understand that you have said that you will delay this introduction. I think that we need to understand, from the people at the bottom of the pile that are finding this very difficult for them because they did not know it was coming, how much time they need to renegotiate, to adjust their lives, to accept the reality of what is happening now. Is it three months? I think it would be good if we could have some way of having this dialogue with them and finding out rather than these emails here, there and everywhere—some kind of dialogue with them to be able to understand better what it is and for us to explain a little more what it is we are trying to do and how we are trying to do it. The reasons why you say, Treasurer, the government needs to do it and the reasons why there has been this situation, this loophole, are always valid. I do not think anyone is arguing with that. It is just: how can we have that discussion so that we can make sure that we are hearing people's experience?

**Mr Barr:** I think you can rest assured that the discussion is occurring and that, undoubtedly, a range of views have been put and a range of suggestions have been put in relation to transitional impacts. The government is, as I said, giving consideration to those questions.

But I think it is important out of today to send a couple of very clear messages. The first is that we will proceed with the legislation to close the loophole. It is just no longer sustainable, and nor is it fair, frankly, to the vast majority, let us face it, of employers who employ people under an arrangement that sees payroll tax paid. It is not fair to all of the other businesses who do pay payroll tax that there is this loophole. There are historical reasons for its establishment, but that time is over now. Although I recognise there is never a good time to make a change, there will always be people who are unhappy because yes, this collects more revenue. No-one likes paying tax; everyone likes receiving the benefits, though, that taxation brings to a community. Ultimately, it is the price we pay to live in a civilised society.

The question that the government faced in the context of putting this budget together was: what was the fairest way that we could raise revenue across the different taxation lines that the government has? This issue has been raised before in the context of debate on payroll tax reform and harmonisation between the jurisdictions and to ensure that businesses that operate in more than one jurisdiction, which is a frequent occurrence in this country, have as much as possible the same arrangements. There are some employment agents who have to apply different payroll tax arrangements to people on their books because some attract an exemption and others do not. There is added complexity and cost that is associated with that.

We recognise that ultimately the tax has to be borne somewhere in the system. In the end, the way markets operate, it tends to be split between a number of different players, depending on the nature of the business. With some payroll tax, ultimately the economic incidence ends up being as a de facto consumption tax. Dr Martin Parkinson of the commonwealth Treasury has made that observation. In some other areas the employer clearly bears the burden.

The issue here, I guess, in the context of some of the employment arrangements that are in question here, is that there are people who have been on a series of short-term contracts that end up becoming a very long-term employment arrangement that really should be normalised by way of them actually being a commonwealth employee. If you have been an employee in the same area doing the same job for an extended period on consistently short-term contracts in order to avoid a taxation liability—I do not necessarily think that is a particularly good employment model either—to the extent that this may force the commonwealth to rethink how they employ people in the same jobs in the same task year after year, then that will be a useful outcome as well.

But ultimately this change is going to occur, and we have recognised that people want more time to make that adjustment and have indicated that we will delay the commencement in order to give people more time to make those adjustments and to undertake new contract negotiations where that is possible. And I acknowledge it is not for everyone. But for many it is.

I think Mrs Jones and others suggested to me in the hearings last week that we should seek to have a phased-in approach by commencing the change later. Then it has a lesser impact in the context of a fiscal year. Some people suggested do two per cent, four per cent, six per cent. That would lead to different payroll tax rates being levied in our system. It would add significantly to the administrative complexity, but we can achieve, by delaying its impact, a less than 6.85 per cent impact in the first year, in that year of transition, for those whose contracts extend beyond the immediate term. And that will lessen the impact. Then, clearly, depending on the nature of the contract, the tax burden can fall entirely on the employer.

There is, I think, a reasonable expectation that employers do make a contribution to taxation revenue in the territory. All of the other employers who have employees who are liable for payroll tax do that, and that is 100,000 or more people in that circumstance who work for private employers—maybe not quite 100,000 but a significant number, more than are impacted by this change in the concession.

**THE CHAIR:** Ms Berry.

**MS BERRY:** I have just a quick question, Treasurer. I agree with Ms Porter's comments about the communication with the people who will be affected by this. You are going to continue that conversation leading up to the legislation being introduced to remove this loophole and make sure that everybody pays their fair share?

**Mr Barr:** Yes.

**MS BERRY:** Good. I am glad that you are doing that. But I wondered if you could talk to us about what the consequence of the three-month delay to this legislation is and what it means to the ACT budget. Is there any impact to anything that the government is going to be delivering in this budget as a result of this delay?

**Mr Barr:** Clearly, delaying will reduce the amount of revenue that is collected. The final level of that will be known further into the financial year. But it is reasonable to assume that a quarter to a third of the revenue that was proposed will not now be collected. But payroll tax is volatile. That may be made up for in other areas of the economy as there are adjustments to hiring arrangements. Clearly, some have structured their arrangements in order to access the loophole that was available to them. I am not going to cast aspersions there other than to say that it was a practice that was legal, but we are closing the loophole. We expect that that will have flow-on impacts across the economy and will ultimately be to the benefit of a level playing field.

Whilst I understand we are going to hear from people who are adversely affected, there will be others who will be positively affected by the fact that their competitive disadvantage has been removed and they will be in a position to be able to compete for work in a way that they were not previously able to because they were subject to a payroll tax and other people were not. In terms of what we have heard about margins in certain areas, that will make a difference to some on the other side of the equation. As is normal in public debate and in the context of media coverage and the like, the upside, if you like, for those people who were adversely affected by the previous arrangements before the loophole was withdrawn, is that—and there was no discussion of that—ultimately there will be benefits that extend more broadly than in the context of the community.

Yes, the revenue that is received will allow for, for example, the funding of a national disability insurance scheme, for new hospital beds to be delivered, for more resources to be put into our most disadvantaged schools. It will also allow for support for the homeless. There will be a variety of outcomes from the extra revenue that is generated that I think contribute to the social good of our community. Whilst I acknowledge that not many people like paying tax I think ultimately people do see in their community the benefit of taxation.

**MS BERRY:** That is the thing. That is the trick, is it not? Keep on having that conversation with these people but also with the community about what a fair tax system means to the broader social good of our community. I do not have any other questions.

**MRS JONES:** I want to go to one other thing. At the present moment we have got obviously changes in federal government employment, and that is quite a difficult thing in the ACT—the reductions and so on. Wherever I go, particularly meetings of people who are politically active and so on, they talk about the fact that there is often in these situations a tendency to put onto contracts people who have been working in the department. Not that many of us may be that comfortable with that because it changes their security and all those sorts of things. However, if that is a method that has been employed many times by federal governments who want to reduce the permanent burden of staffing, is this maybe a difficult time to put this change in when there are people who are perhaps already transitioning onto a contractual arrangement who were permanent employees of federal government departments?

**Mr Barr:** I guess it would depend on the contractual arrangement and whether that was sourced through means that would seek to avoid payroll tax. But of course, a commonwealth employee employed directly by a commonwealth department is not subject to payroll tax. So it would be in the interests of the commonwealth department, particularly if they are going to bear the burden of the payroll tax, in fact to not bear that 6.85 per cent burden and maintain the employee as a full-time employee or as an employee within the commonwealth.

**MRS JONES:** Except that once they have made public statements about what they are doing with staffing numbers, this has tended to be a way of, in a way—whether you consider it honest or not—shielding some people from being lost completely and going onto different arrangements or part-time arrangements or just losing them out of that FTE number. I know it sounds political and ridiculous, but it has been a practice.

**Mr Barr:** I think in the end federal departments are accountable on their budgets, not necessarily on their FTE headcounts. There are a range of reasons why departments have their staffing mix be a combination of full-time, part-time and contractual staff. But I guess to the extent that this change would make a commonwealth agency think twice about pushing people onto contracts if they were currently permanent staff, then I am frankly not that upset about that outcome, because I think that will act as a protection for people who currently have full-time employment or permanent employment with the commonwealth from being pushed into temporary contract work

**MRS JONES:** That may or may not be the outcome. We do not know.

**Mr Barr:** We do not. To the extent that this would close this loophole that would be there and that would encourage that—it is now proposed to be no longer there—then that is a preferential outcome in my view.

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

**MRS JONES:** I think we want to go to the land tax question; I can ask it or Mr Wall can ask it.

**THE CHAIR:** Mr Wall.

**MR WALL:** Treasurer, I was wondering what the revised land tax structure is based on. How were those figures determined?

**Mr Barr:** There was a desire to ensure that the land tax burden is shared more equally between units and stand-alone houses. The previous arrangements, because of the way the land tax is calculated, had that burden fall more heavily on single residential dwellings rather than multi-unit ones. The principal of a fixed charge and a marginal rate applies for rates. So it was logical to extend such an arrangement to land tax.

That has meant we have been able to significantly drop the marginal rates associated with land tax but have a fixed component. Essentially, the average unimproved values of units are significantly lower than for houses because they are sharing land as opposed to being stand alone. The anomaly that we are attempting to fix is that, with a similar property in terms of rental cost in the marketplace—one a unit, one a house but both being let, for argument's sake, for \$350 to \$400 a week—the house would attract significantly more land tax than the unit, even though they were both being rented at a similar rate.

**MR WALL:** Was there any consideration given to implementing a scheme similar to what New South Wales has, to instil some consistency across the region?

**Mr Barr:** Around aggregation of properties?

**MR WALL:** Yes.

**Mr Barr:** That issue was given some consideration.

**MR WALL:** What impact would that have had on the territory's budget?

**Mr Barr:** It would have meant that those who own multiple investment properties would only have access to one threshold or one lower taxation rate. That would have impacted significantly on those who hold multiple rental properties. There are interesting distributional impacts. It would depend obviously on what marginal rates you set across the aggregated values. It is an option that could be considered in the future but we would also need to update our systems, which we have provided funding to allow. I am not going to rule that out as a potential change in the future. I think the proposal we have put forward now achieves a better balance in terms of sharing the land tax burden between units and stand-alone houses. It also seeks to raise some extra revenue for the territory.

**MR WALL:** What assessment was done as to the impact these changes will have on housing affordability?

**Mr Barr:** We certainly looked at the state of the rental market, the fact that supply is well exceeding demand at this point, that rental vacancies are very high and that rents have fallen in some markets by up to 20 per cent in the last two or three years. I felt ultimately that the market could absorb a change of this nature and that in the longer term this will ensure that where there is future growth in rental properties, which predominantly is in the unit area as opposed to stand-alone houses, the burden of land tax is shared more appropriately into the future and will provide a sustainable revenue source for the territory in the fairest possible way.

**MR WALL:** But ultimately these changes are going to impact on properties that are generally at the lower or more affordable end of the rental market, in unit complexes.

**Mr Barr:** Except to say that—

**MR WALL:** There is disproportionate pressure on affordable housing.

**Mr Barr:** Previous changes to land tax have certainly benefited that end of the market. Again, given the nature of the ownership of rental properties and the fact that there is a very strong supply pipeline and that rents have been falling, and that this is a deductible expense for a landlord, so this can be written off, and that some of this is ultimately borne by the commonwealth through the arrangements around negative gearing and the like, it means the impact on the rental market will be negligible. Given what is in the supply pipeline and the fact that ultimately rents are an interaction of supply and demand, it is highly likely that rents will continue to fall in the territory in the short term.

**MR WALL:** I will put a scenario to you. From doing the numbers on a property that has an average unimproved value of \$100,000, there will be an increase of about \$700 a year or 52 per cent on their land tax, from what they are currently paying. Going to my electorate, an apartment in Tuggeranong, in the Greenway area, on about that unimproved land value, is renting out for about \$345 a week. Ultimately, this increase in land tax for that property is going to drive up the cost of rent by about four per cent, if it is incorporated, at a time when rates are also increasing, and you are here today telling us that property rental prices are falling. So not only is the investor copping it on a rental front, but you are reaching into their pocket and taking an increase in land tax and an increase in rates. Why do you continue to punish people that try to provide affordable housing?

**Mr Barr:** I do not accept the premise of your question. I will look at the detail of the particular example you have put forward.

**MR WALL:** If you do not accept that premise, why do you continue to increase the costs to people who seek to make an investment in the territory to provide housing accommodation?

**Mr Barr:** Obviously the negative gearing arrangements in this country mean that all of those costs are tax-deductible expenses—

**MRS JONES:** If the property is negatively geared.

**MR WALL:** So the intention is to raise the territory-based taxes and the commonwealth will stump up a portion of it on your behalf?

**Mr Barr:** Yes, to the extent, Mr Wall, that this is passing back a cost shift that the commonwealth imposed on us through their budget—

**MR WALL:** So this is tit for tat?

**Mr Barr:** I have to operate a budget in the ACT and I have to find ways to raise



revenue. I have to find the fairest ways to do so. Yes, we have made some changes in this budget that increase revenue. But we have sought to do so in a way that is consistent with our principles and the principles of simplicity, fairness and effectiveness within our taxation system. Given the significant falls in rents in the ACT in recent times, from an affordability perspective, I do not believe this will have a significant impact. To the extent that for the investor increased costs can and will be passed on through the various taxation arrangements that are in place in this country, and if ultimately the commonwealth bears some increased costs as a result then so be it; that is the nature—

**MR WALL:** An extra \$14 a week is a tolerable cost?

**Mr Barr:** I am unaware of where you have got that figure from.

**MR WALL:** An increase of \$701 works out at \$13.48 a week.

**Mr Barr:** Presumably, the particular investor there will be able to offset that increase in taxation—

**MRS JONES:** At the end of the financial year.

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

**MR WALL:** I think we are not going to get any further.

**THE CHAIR:** On page 251—this is a supplementary on this—of budget paper 3, you have an explanation of the changes. There are four dot points which look at \$50,000, \$150,000, \$250,000 and \$350,000 as the AUV of the property. Could you please tell us what the land tax was in the current financial year on each of those scenarios?

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

**THE CHAIR:** On page 226 there is an 18 per cent increase in the revenue coming from land tax this year. On page 228 it says the increase in revenue is primarily due to the new rating structure. So is this simply a grab for cash?

**Mr Barr:** We are raising extra revenue, yes.

**THE CHAIR:** What consultation did you have with the industry—for instance, the real estate industry—on the impacts this will have on renters, and what consultation did you have with other organisations with an interest in units?

**Mr Barr:** In the context of making changes to taxation, we consider a broad range of factors. I did not consult on the budget prior to the budget's delivery. However, we have had previous consultations in relation to land tax in the context of the Quinlan tax review and the Henry tax review. So the issues associated with the incidence and burden of land tax are well established. But, no, I did not foreshadow this tax increase with anyone prior to its announcement on budget day.

**THE CHAIR:** And since then, what consultation has occurred?

**Mr Barr:** I have met with various groups in the presentation and discussion of the budget. This particular issue has not been raised with me other than today.

**MRS JONES:** Maybe people do not know it is happening

**THE CHAIR:** It may well be the case that people do not know it is happening. The impact of this is from tomorrow, 1 July?

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

**THE CHAIR:** Are there regulations or disallowable instruments that will be promulgated as a result of the proposed changes?

**Mr Barr:** Yes.

**THE CHAIR:** When will they be promulgated?

**Mr Barr:** I think they have been.

**THE CHAIR:** They are out already?

**MR WALL:** So is it a regulation or a disallowable instrument that it is going to be operating under until the legislation passes?

**Mr Salisbury:** It is an instrument that is operating for the first quarter, and then the legislation will take effect, and that will come into effect from the—

**MR WALL:** So it is a disallowable instrument?

**Mr Salisbury:** Yes.

**THE CHAIR:** With the payroll tax, are there any regulations that roll out of the changes or disallowable instruments that will be put in place?

**Mr Salisbury:** It is a legislative change. There is a revenue circular that will accompany the legislation. It is already out there

**MRS JONES:** I have a supp.

**THE CHAIR:** All right, a supplementary. Then I will go back to payroll tax.

**MRS JONES:** With the units, the tax on flats and things, there is a \$900 fixed component. Can you explain how that fits into the whole picture? It has been put to me that—because it is not derived by the value of the land; it is a set component—it is essentially a poll tax element of that whole. That may not be correct; I just wondered if you could describe to me how the \$900 is fitting into the calculation.

**Mr Barr:** No, that is not correct. As I said in response to the earlier question, I think from Mr Wall, about the basis for having a fixed component and a lower marginal rate,

a similar arrangement applies in the rates system, where we have a fixed component and a marginal rate. The impact here is to share the burden between units and houses more fairly. The rationale—

**MRS JONES:** I understand that, but how is it calculated? It is \$900 per unit in a block of units and then—

**Mr Barr:** Yes, that is correct.

**MRS JONES:** And then there is a component that is derived by the value of the property—the land or the whole property?

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

**Mr Nicol:** That is correct. The new system would have a fixed charge per property—

**MRS JONES:** Of \$900, is it?

**Mr Nicol:** Of \$900, and a percentage charge based on the AUV of the property—

**MRS JONES:** Unimproved land value?

**Mr Nicol:** Yes, and it is not proposed to change the calculation of that from the previous system.

**MRS JONES:** So it is an additional \$900 on top of what was the previous calculation?

**Mr Nicol:** No. The proposal is to reduce the marginal tax rates substantially.

**MRS JONES:** To what?

**Mr Barr:** It is in the budget papers. I will get the page for you.

**Mr Nicol:** From zero to 75,000, the current rate is 0.6; it will drop to 0.41. From 75 to 150, the current rate is 0.7; it will drop to 0.48. From 150 to 275, the current rate is 0.89; it will drop to 0.61. And for 275,000 and above, the current rate is 1.8 and it will drop to 1.23.

**MRS JONES:** Thank you very much.

**Mr Barr:** It is on page 250 of budget paper 3, if you did not get to write all of that down.

**MS BERRY:** Is that a reduction in rates?

**Mr Nicol:** Yes.

**Mr Barr:** In the marginal rates, yes.

**MRS JONES:** And then this component gets put on top.

**Mr Barr:** For the rental properties, yes. Previously there was no fixed charge and then marginal rates that were 0.6 per cent, 0.7 per cent and 0.89 per cent, and then 1.8 per cent. Now there is a fixed charge and the marginal rates have been dropped significantly, to 0.41, 0.48, 0.61 and 1.23.

**MS BERRY:** Depending on the value?

**Mr Barr:** Depending on the value.

**MRS JONES:** Okay.

**Mr Barr:** There is a stat—someone will be able to help me out here—that houses were a smaller component. Have you got that, Karen?

**Ms Doran:** Yes. The statistic the Treasurer is referring to is that at the moment the distribution between houses and units in the rental sector is 44 per cent houses, 55 per cent units. The revenue raised at the moment from land tax was 78 per cent distributed to houses and only 22 per cent raised from the unit sector. This change has been to rebalance that mix.

**MRS JONES:** But there is no decrease in land tax to households who own a single house on a block?

**Mr Barr:** Yes, there is.

**MRS JONES:** Yes?

**Mr Barr:** If the house—

**Ms Doran:** Yes. From the aggregate revenue raised, there has been essentially a 10 per cent increase in the unit sector but a five per cent reduction in the housing sector. For houses with an AUV approximately above \$317,000, they actually have a reduction in land tax.

**MRS JONES:** What is the projected increase in revenue from the two measures put together?

**Ms Doran:** It has been \$10 million across the portfolio.

**MRS JONES:** Thank you.

**THE CHAIR:** Just to finish up, minister, I want to go back to payroll tax. Were you told or briefed by your officials or the commissioner, before taking this to cabinet, that most contracts for 2014-15 would have been signed by the time this became law?

**Mr Barr:** I would need to go and check the brief. I was certainly advised that there would be transitional issues and that we would need to give consideration to the commencement date. My view was that most tax measures commence on the first day

of the financial year, as I indicated in my earlier evidence to the committee, and that that was a reasonable starting point. However, as I have indicated in response to concerns that have been raised, the government has been prepared to change the starting date for this particular measure.

**THE CHAIR:** What were the issues that were raised by officials?

**Mr Barr:** Really capacity within the revenue office and the legislative framework, the context between instruments and changes to legislation.

**THE CHAIR:** And as regards the start date and the fact that most contracts had probably been signed by that time?

**Mr Barr:** The issues were specifically around whether I should introduce the bill on budget day, on the Tuesday, and seek to debate it on the Thursday, or within budget week, in order to have a 1 July commencement. There was certainly discussion about having it that quickly. I suggested that my preference was that I introduce the bill on the Thursday and that we debate it in August to give time for there to be discussion of the issues. Ultimately, that is the position that we adopted. I introduced the bill on the Thursday of budget week, and we will debate it in the August sittings. It was certainly recognised that there would be transitional impacts.

**THE CHAIR:** What did you do to ameliorate those transitional impacts, as you refer to them?

**Mr Barr:** Delayed the introduction of the bill by a few days, gave time for issues to be aired, and instructed the revenue commissioner to undertake consultation with the various stakeholders to provide feedback to the government on that implementation. We have obviously had that feedback and have responded accordingly by adjusting the commencement date.

**THE CHAIR:** In regard to consultation after the bill was tabled, on the 16th you mentioned that there were consultations with a peak body. Is that peak body ITCRA?

**Mr Salisbury:** Yes.

**THE CHAIR:** What consultation has the government had with them before the introduction of the bill and since the introduction of the bill?

**Mr Salisbury:** We have probably been speaking with that peak body for a number of years, initially around the definition of the genuine employer exemption. Following the budget announcement, we spoke with the industry to alert them of the change. We also provided the industry with a copy of the legislation, once it was tabled. Members of Treasury and the revenue office have attended an industry forum that was hosted by the industry body and attended by a couple of hundred IT contractors. We are probably in daily, if not weekly, contact with the body, discussing a range of issues that we are working through with them.

**THE CHAIR:** What coverage does ITCRA have of all those affected by this?

**Mr Salisbury:** I do not know. I know that some people who may be affected are not members of the peak body, but I understand that the peak body has provided information to non-members as well in relation to this.

**THE CHAIR:** Have you been talking to the national organisation or the ACT rep?

**Mr Salisbury:** They do not have an ACT office. I understand that the head office is in Melbourne.

**THE CHAIR:** Is there not an ACT president? Is there not an ACT chapter, even if they do not have an office?

**Mr Salisbury:** I understand the office manager is in Melbourne. They do have a local representative, and we have met that person as well.

**THE CHAIR:** How many times have you met with the national office and the local rep?

**Mr Salisbury:** One to one we have met with them once, and that was at the seminar, but we are speaking with them, sometimes once a day and sometimes less frequently, but quite constantly.

**THE CHAIR:** Does the ACT person run an employment agency, does she run an employment agency, or is she a contractor?

**Mr Salisbury:** I am not sure of the status of the person who runs the local chapter.

**THE CHAIR:** What issues have they raised?

**Mr Salisbury:** The initial issue raised by the industry was around the start date. That was the major concern that was addressed. The second issue probably is around the chain of on-hire to ensure that there is no double taxation as wages flow through a chain of employment arrangement. As a consequence, there is the revenue circular that addresses that issue. We have also spoken to them about the other exemptions that are provided for the legislation and tried to provide some clarity around that issue for them

**THE CHAIR:** Just to finish, minister, I have another question from a constituent. She poses this question: do you think it is fair and just that these individuals, self-employed individuals, pay the contractor tax on gross revenue they generate before business costs such as insurances, admin fees et cetera are deducted, while big business only pay this on the value of the employee's salary package?

**Mr Barr:** I will need to check the veracity of that statement before being able to respond.

**MRS JONES:** Will you take that on notice?

**THE CHAIR:** He just did, yes.

**Mr Barr:** People can make assertions; I will need to check the facts behind that before responding.

**THE CHAIR:** Clearly you do not know whether it is or not, with the impact of a tax. Most of the emails I have got claim people are being taxed on what they are paid, and that includes all their on-costs. But if you will take it on notice, that is kind.

Members, we will finish there. Minister, I thank you and your officials for your attendance here today. I ask that any questions taken on notice be answered in five working days. The transcript will be available shortly. Could you peruse that, and if there are any corrections or alterations you would like to make, we would like to hear from you. With that, we will close the sessions. There endeth, finally, all of the formal public hearings of the Select Committee on Estimates 2014-2015.

**The committee adjourned at 12.30 pm.**