



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Annual and financial reports 2012-2013](#))

Members:

MR B SMYTH (Chair)
MS M PORTER (Deputy Chair)
DR C BOURKE
MS N LAWDER

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 3 DECEMBER 2013

Secretary to the committee:
Dr A Cullen (Ph: 620 50142)

By authority of the Legislative Assembly for the Australian Capital Territory

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

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Amended 20 May 2013

The committee met at 12.59 pm.

Appearances:

Dunne, Mrs Vicki, Speaker of the Legislative Assembly

Office of the Legislative Assembly

Duncan, Mr Tom, Clerk

Duckworth, Mr Ian, Director, Business Support

Skinner, Mr David, Director, Governance and Communications

THE CHAIR: I formally declare open the public hearing of the Standing Committee on Public Accounts on the 2012-13 annual reports. On behalf of the committee, Madam Speaker, I would like to thank you and your officials for so willingly and generously attending today. In the first hour today we will look at the Assembly's 2012-13 annual report. Members will have a break at 1.50 and then we will go to Treasury this afternoon.

I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege card sitting in front of you. I ask that you all acknowledge that you have read and understood the implications of the privilege card.

Mrs Dunne: I have read it.

THE CHAIR: I see nods of assent. I remind you that the proceedings are being recorded by Hansard for transcription purposes and are being webstreamed as well as broadcast live. Before we go to questions from the committee, Madam Speaker, would you like to make an opening statement?

Mrs Dunne: Yes, thank you, Mr Chair. This is the second time I have attended annual reports hearings, but this marks just past the first anniversary of my speakership. This annual report covers the first seven months of my speakership.

I would say that the highlights of the year from my point of view have covered things like the ceremonial sitting for the centenary of Canberra and the review and restructure of the Office of the Legislative Assembly. We have a new webpage which is much more user-friendly and has had increased visitation. We have more active engagement with the community, and in some parts of that engagement there is very much increased visitation, which I am encouraging as much as possible. The roof restoration was completed in February, under time and under budget. There are no major capital works in this financial year.

One of the things that I am particularly interested in is the art committee. The art committee was reconvened last year with new membership, including Dr Bourke, Mrs Jones and a new member from the community, Mrs Helen Musa. We have also inducted a new curatorial adviser, Ms Merryn Gates. I think we have had a very successful year, in this centenary year, of acquisitions.

An issue that I think I should dwell on is parliamentary entitlements. It has become an issue since September. I think it is appropriate in this place to reflect on how our system stacks up and whether members of this parliament could be open to the criticisms directed at our colleagues across the lake.

Generally speaking, we have a capped system, with \$24,000 for study and travel over the life of the Assembly and a system for pre-approval for entitlement and six-monthly reporting on the Legislative Assembly website. I think this is a pretty good means of ensuring that entitlements are appropriately used. I do not believe that members would apply for expenditure that would not pass the man in the pub test, generally speaking.

But I think that there are some areas where we could do better. These are areas of administration. Over the last reporting period there have been instances where members managed to overspend their DOA and had to make repayments to the Assembly. There is nothing to indicate that members have been trying to get more than their entitlement, but dealing with overpayments is costly for the Assembly, is annoying for members and could be avoided.

Unlike an application for study travel, where members have to certify that they have funds to undertake the travel, the stamp that we use to approve payments under DOA does not have that facility and I think it is not necessarily uppermost in members' minds when they sign off that they have enough money. There probably are some simple remedies to eliminate future overpayments.

One of the areas that have produced a large number of complaints is Australia Post accounts, from the complicated invoicing system that comes from Australia Post to the difficulty in closing accounts. This has been a difficult area for members, their staff and OLA staff. Members have problems in incurring late fees. There have been problems with reply-paid mail. It is difficult to administer. The result is that the Assembly had not been able to close the account of a member when he left the Assembly.

I am aware of one occasion when an Australia Post account for election-related expenses was paid in error by the Assembly without the member's authorisation and the member had to arrange for reimbursement to the Assembly. In a more recent occurrence, a couple of large accounts were put on a member's Australia Post account even though it was not approved for expenditure. In this instance, the account was received after the member had left the Assembly and was put on the account without their knowledge or approval. This shows that there are clear areas for improvement in our relationship with Australia Post. I do not believe that there is any malice in any of this, but I think that we need to fix our system.

In relation to the administration of travel, I have been in the vanguard of trying to keep costs down as much as possible, trying to ensure that we take the best fare on the day rather than fully flexible fares. And there has been a good move towards travelling economy on shorter haul flights. However, there are areas where we can improve here. There are no clear procedures, for instance, for members or staff travelling, as to when they are given Cabcharge vouchers and when they are not. And when we do give Cabcharge vouchers, they do not come with instructions and there is

no set process for acquitting them.

I am aware from my own experience of occasions when movement recs have not been signed off within the seven-day time frame. On one occasion in the past, in the reporting period, a member received reimbursement for airfares and had commenced travel before my final approval for this travel. This was brought about by a number of small errors; I have spoken to OLA staff about this, and I have written to the member to avoid a repetition of such occurrences. Systems have been changed or are in the process of being further refined to ensure that this does not happen again.

These are genuine lapses, but I have asked Business Support to devise a travel checklist for members, their staff and OLA staff to put all approval steps and certifications in the one place to ensure that we meet our responsibilities within the correct time frames.

Of course, Mr Chairman, I would say that most of these issues would be resolved if the Remuneration Tribunal agreed to turn many of the members' entitlements into salaries, as is happening in other jurisdictions. This has been the subject of numerous submissions from successive Speakers to the Remuneration Tribunal. If members had autonomy over their own expenditure and how they spent their allowances, and this became an issue between them and the taxman, it would significantly reduce the number of issues and the headaches for administration, and would take strain off Business Support and generally the staff of the Office of the Legislative Assembly.

In the interim, I have asked OLA to conduct a review of all these matters to develop a better system for all concerned. I hope that this will improve issues in the future.

Looking to the year ahead, Mr Chairman, I think that we have some momentous things occurring. The Office of the Legislative Assembly legislation has passed; that will present some exciting challenges for the staff of the Office of the Legislative Assembly and for me personally. The size of the ministry has been an issue that has caused some discussion about what is a cost-effective way of accommodating a further minister should the government appoint an extra minister. And—this is one not necessarily for next year but for the years ahead—if we manage to increase the size of the Assembly, and I am not expressing an opinion one way or the other about the desirability of that, I would recommend to members of the Assembly that we consider whether or not it is appropriate for the Speaker to be given a casting vote only rather than a deliberative vote. In the era when we say we want an impartial Speaker, it may be a way of enforcing that impartiality if a Speaker did not have a deliberative vote on all occasions.

I am happy to take members' questions.

THE CHAIR: Thank you, Madam Speaker. If the Speaker gets a deliberative vote, are you proposing the English system where the Speaker's seat is uncontested? Are we just feathering the Speaker's nest in this regard?

Mrs Dunne: I would really like that—many years ago, before I was a parliamentarian, I actually wrote an essay on this subject—but I think the Hare-Clarke system makes it very hard for us to do it here.

THE CHAIR: Yes.

Mrs Dunne: I would like to find as many ways as possible. I do have a longstanding opinion about the impartiality of the Speaker that precedes my membership of the Assembly, let alone being the Speaker.

THE CHAIR: Perhaps we can go to some of the issues that you raised. If I have it right, there are three areas. In relation to the overspend of the DOA, how many members overspent and what sorts of sums are we talking about?

Mrs Dunne: It is a bit hard to tell. There are definitely two, and there are possibly four by the end of the financial year. One looks as though an overspend was actually an arrangement come to between the member and OLA staff because the member was coming close to the threshold. But there are a couple of fairly obvious examples. It probably works out like this, Mr Chairman: somebody wants to spend a large amount of money on something—some printing, some postage or something like that—and they have got some, but not all, of the money they need in their DOA. It gets paid by DOA and the member is reimbursed. That leaves us open to scrutiny from the Auditor-General, and I would like to just make sure that we are doing everything according to Hoyle and we are not subject to criticism from the Auditor-General.

THE CHAIR: So all the funds have been repaid?

Mrs Dunne: Without a doubt. And with all of the things that I have said here, I do not believe that anyone has gone out looking for entitlements that they are not entitled to. And on any occasion when there has been an overspend, all those moneys have been reimbursed within the reporting period.

THE CHAIR: And the system is now in place to stop that occurring again?

Mrs Dunne: It has not happened very often, but I do not know that there is any particular system. One of the things that I have suggested is that when we sign off on our DOA we actually sign off and say, “There are sufficient funds there to cover this account.” That would be a way of avoiding it.

THE CHAIR: So the onus is back on the member?

Mrs Dunne: Yes.

THE CHAIR: And the study travel? What happened there, and what has changed to fix it?

Mrs Dunne: I think that was a breakdown in communications, to some extent, and key people not being in the right place at the right time. I gave in-principle approval. I asked for more detail before I could give final approval. I got the more detail on the day that the member travelled. The member had already been reimbursed their expenditure. I think that was a breakdown in communication: someone had not fully understood that I had only given in-principle approval.

THE CHAIR: So, again, no attempt to get an extra entitlement?

Mrs Dunne: No, no attempt. It is just that I think that leaves us open to criticism from the Auditor-General. Since then, there have been some changes to the way that business services deals with study travel, and I think there might have to be some more as well.

THE CHAIR: So the likelihood of it happening again is small?

Mrs Dunne: And also it is minimised by the fact that people are now alive to that as an issue.

THE CHAIR: In relation to Australia Post, how does an account of a member that is no longer in the Assembly survive?

Mrs Dunne: It is a pretty hairy story, but I understand that after the member left the Legislative Assembly and had asked for the account to be closed in this financial year, an account which had been seeking payment ended up on that member's account. My understanding is that it had initially ended up on that member's account by accident in the last reporting period. When the member and his staff saw it, they immediately said, "This is not a DOA-able account; it is a mistake." They thought it had been dealt with. Then, after some months, it reappeared on the Legislative Assembly account after the member had left.

When this became an issue and I was briefed on it, I sought assurances that no-one at any time had sought to obtain a benefit to which they were not entitled. I am confident from the briefing that I have received that no-one sought to obtain a benefit to which they were not entitled. My understanding is that the third party who was responsible for the bill has received a bill and paid the account, and the matter is closed. No Assembly moneys were spent in an inappropriate way.

THE CHAIR: Thank you for that. Ms Porter.

MS PORTER: You mentioned before a cost-effective way of doing the renovations or whatever needs to be done if another minister joins the executive.

Mrs Dunne: Yes.

MS PORTER: What is the procedure for actually allocating those funds? What kind of time line are we looking at, and do we have a budget to cover that renovation or whatever we need to do?

Mrs Dunne: At this stage, Ms Porter, we do not have a budget for it. I wrote some time ago to the Chief Minister and the Leader of the Opposition about the financial implications that might be involved if there is an extra minister or further ministers appointed. There are three possible solutions floating around. One is the hugely expensive, which would be reoccupying an area of the Legislative Assembly on the second floor and making a full fit-out of a ministerial suite with ensuite and the like, and that comes in at about \$600,000.

Mr Duncan: \$200,000.

Mrs Dunne: Sorry, \$200,000. But it is a lot of money. There are a couple of less expensive options that would mean that the quality of the accommodation that any subsequent minister would get would be substantially less than for the existing ministers, but there would be a substantially lower cost, in the order of \$30,000 or \$40,000, we think. And there is the really low cost accommodation option of occupying two non-executive members' offices on the first floor and punching a hole between them. That is the low-cost option. That is the very low cost option.

These are things that are not currently in my hands. I know that there have been discussions between the Clerk's office and Rick and the Chief Minister's office about some of those things, but there is no timing and there is no announcement. I have made it clear in my letter to the Chief Minister, and Tom has made it clear, that we would need funding. We are responsible for maintaining and for modifications to the building, but we do not have money to do it. If there is an announcement of a further minister, I would expect that that would come with some moneys for the Legislative Assembly to do the work.

MS PORTER: So money would need—

Mrs Dunne: Sorry, you asked about timing. There has been a discussion about time lines. If there was an announcement, it would probably be unlikely that an incoming new minister would be able to occupy any sort of ministerial suite before the end of February.

THE CHAIR: Where would the second option, the \$40,000 option, be? If it is not two existing members' rooms put together, what is the other option?

Mrs Dunne: It is currently the Chief Minister's hospitality room and those offices. There is a Chief Minister's hospitality room, a kitchenette and a corridor and then the area that was occupied by Chief Minister's protocol—those offices there. That would be a substantial change. It has just occurred to me now that there may be issues about having to consult the architect because it might change the configuration of the corridor somewhat. I do not know whether we would have to consult the architect about intellectual property rights.

THE CHAIR: And the middle option, the 40K option?

Mrs Dunne: That is the middle option. The cheap option is using two non-executive members' offices and punching a hole between them.

THE CHAIR: Therefore the 200K is taking in Hansard or the library?

Mrs Dunne: Yes.

Mr Duncan: One or the other.

Mrs Dunne: One or the other, and building a proper suite that mirrors what other members have, including an ensuite and stuff like that—back door, those sorts of

things.

THE CHAIR: Can we only fit one more minister in?

Mrs Dunne: If we had to fit in two, it would be a bit of a pinch on the second floor.

Mr Duncan: If I could add to that, Madam Speaker, it depends on where you would fit them. If we are doing it on the second floor, that would create issues, but there are areas on the first floor—the media conference room, the members’ lounge, those sorts of areas—where we would be putting options to the Speaker and saying, “Would you consider giving that away to the executive?” But having said that, if we lose some space in that area of the building, we would also gain some space because the member would no longer require a non-executive member’s suite.

Mrs Dunne: There are swings and roundabouts. A minister has a much larger requirement for staff, and I believe they are entitled to a certain degree of comfort, without necessarily being luxurious. Ministerial suites here are not luxurious but they do need a certain amount of space and a certain amount of comfort.

THE CHAIR: Dr Bourke.

DR BOURKE: Madam Speaker, travel reports: why are MLAs’ submitted travel reports loaded on to the Legislative Assembly website every six months rather than immediately after they are lodged?

Mrs Dunne: I have asked this question myself.

DR BOURKE: And what answer did you get?

Mrs Dunne: I am trying to remember. I think it is really that most of the reporting is done on a six-monthly basis. The thing is that someone might submit a report. I asked this because I submitted a report and then some time later I looked and it was not there, and the answer was, “Well, we do it every six months.” Simply, it is just that if someone reports in April, there is often an acquittal process. If it is a long trip or an expensive trip, the acquittal process can take quite a long time. It was just a policy decision that we made. Ian might like to fill in the gaps here. It was a policy decision that was made that we would do it on a six-monthly basis rather than having to do it on an as-they-appear-basis.

Mr Duckworth: I can certainly confirm that the decision was taken by the administration and procedure committee, I think, two Assemblies back. This has, again, been a process that has evolved. But the use of the website to periodically present information about the use of members’ entitlements was taken on board. There was a travel report; there is reporting of DOA expenditure. There is also reporting of members’ vehicles. There was certainly a view taken that it should be done at intervals rather than on a progressive basis. So it could be done on a progressive basis but it would be far more administratively cumbersome, I guess. So the view was taken that we would do it on a six-monthly basis. There has been some discussion tossed around about whether or not it should perhaps be done on a quarterly basis. There is a fair bit of work that goes on behind the scenes to get those

reports ready for presentation. Does that answer your question?

DR BOURKE: That answers that part. How would an MLA get advice on or access to other MLAs' submitted travel reports that have not been loaded to the Legislative Assembly website? Obviously people are doing things which are interesting and informative and you may want to know about them instead of sitting around for six months to hear about them.

Mrs Dunne: I presume you could ask the member. I would start by asking the member. There is not a process for someone to come to me and say, "Can I see Mr Smyth's travel report to whatever?" It has never come up, but I think if you were interested in something that a colleague was doing, you could possibly ask them, "How did your travel go? Can we talk about it? What were the issues? Have you done a travel report? I'd be interested in reading it." That is how I would start.

DR BOURKE: I had imagined a more formal process than that, perhaps.

Mrs Dunne: Once upon a time they just sat in the Speaker's office somewhere or in corporate services. Now they are reported. They are reported every six months, which is more frequently than I think the government does, and the government does not provide travel reports on those things. If there is an issue, if there is a burning desire to see a member's report, I would be happy to discuss a more formal way, but no-one has ever raised it with me.

THE CHAIR: Ms Porter has a supplementary.

MS PORTER: Yes, my supplementary, Madam Speaker, is around constituents and people who read about the fact that someone has done some travel and some study. They would perhaps be wanting to look earlier than six months to check how their public money is being spent. I am just wondering about the six months. I understand there is a lot of work to be done. The member needs to get in a report by a given date, which I cannot recall off the top of my head.

Mr Duckworth: Eight weeks.

MS PORTER: Yes. It is a reasonable amount of time to get that report in, but it is still way within the six months, isn't it? Obviously there is a considerable amount of work that then goes on in your office in addition to that—as you were saying, about the acquittal et cetera. So that needs to be done and that takes time. I can understand from this discussion why it takes that time to get them up and why trying to do them in an ad hoc way would waste time for the office, but I am wondering what we can do about the fact that—

Mrs Dunne: I am happy to entertain and perhaps—

MS PORTER: constituents might want to know what has happened. Given the amount of hoo-ha that has been going on up at the house on the hill about people using money, they may want to know. They see someone has done something and they ask, "What did you do with my money?"

Mrs Dunne: I would say that since I have been Speaker, no-one has asked me for that. There have been a couple of high-profile travel things. You, Ms Porter, made public statements about your travel, but no-one actually came up to me and said, “Can I see Ms Porter’s report?” But if members think that that is an issue and if members wish to make a recommendation about that, I would be happy to take it to admin and procedure and see if we can find a—

THE CHAIR: I feel a recommendation coming on.

Mrs Dunne: Okay.

MS PORTER: Anyway, I think that is a useful discussion.

THE CHAIR: Ms Lawder, a new question.

MS LAWDER: Madam Speaker, I note that a new legislative framework came in in the past year for the Office of the Legislative Assembly. Are there some outstanding elements that you have not been able to put in place yet?

Mrs Dunne: Generally speaking, it is all operating. Probably the outstanding elements, things that were still left to be done, are those issues around the budget process. We are formalising with the executive a way of dealing with the budget of the Legislative Assembly, which is slightly different from the way budget bids would come from a policy line part of the public service. We are not part of the public service, except that we are subject to the Financial Management Act and staff are employed in that way. But we are slightly different from and independent from the executive.

I have, on the advice of the Clerk, instituted correspondence and a process with the Chief Minister to create a set of protocols which treat our budget bids slightly differently. We do not have the same budget pro formas—not exactly the same budget pro formas. The budget pro formas tend to talk about, “How does this expenditure advance government policy et cetera,” and we do not advance government policy; we are ourselves. Tom has something more to say.

Mr Duncan: Ms Lawder, could I just say that the OLA restructure primarily tried to divide the structure into administrative support and procedural support. On the administrative support, we have pretty much nailed it down. Ian’s area has got an additional part-time officer now to deal with members’ entitlements, assisting in that process and some of the things that Madam Speaker has talked about are being addressed by that officer.

On the committee office side, on the procedural side of things, we did institute a new committee office structure. We trialled it for a period with an A, two Bs, two Cs, two 6s and a 4 in the committee office. We trialled it for a while and then I decided to proceed down the path to fill those jobs permanently. So we are still in the process of filling the B positions permanently, and hopefully in the next few weeks we will do that. Depending on the outcome of that, there may be further recruitment action there.

Apart from the budgetary sorts of things and in terms of the nuts and bolts of staffing,

they are the sorts of things that are still being ironed out. In the annual report we flagged that we are going to do a strategic plan for 2014-18. We usually do five-year strategic plans. We intend to do that some time after February next year. We are going to use that opportunity to see how the OLA structure is looking and whether it seems to be working, and maybe come up with some possible changes. That is a broad answer regarding what is happening.

MS LAWDER: Are there any other areas that you are finding problematic in the new structure?

Mr Duncan: Personally, I think that the new structure is a better fit. Firstly, it takes us out of the Public Sector Management Act, where we were before, and creates a new independent body servicing the legislature, which I think was an important step. Secondly, it does provide that divide between administrative and procedural advice so that it is hopefully pretty clear that when members ask us for advice we can say, "Right, who is best placed to give that advice to the member and is it procedural or administrative?" That helps us with both members and the Speaker.

Mrs Dunne: From my point of view, the most important thing about the OLA legislation, apart from the budget provisions, is the provisions that really reinforce that the Clerk is an independent person who is not subject to political direction. That has been reinforced. For instance, when Tom was appointed, his appointment was signed off by the Chief Minister at the time. That is not a criticism of anyone; I just think the optics of that are not good. Those things will now rest in the Legislative Assembly, where they should.

THE CHAIR: I have a couple of questions about communications. I am busily looking for Christmas gifts. Are you saying I cannot have a second edition of the *Companion to the Standing Orders* for my family as a Christmas gift?

Mrs Dunne: Not this year.

THE CHAIR: Not this year?

Mrs Dunne: There is no Santa Claus this year.

THE CHAIR: How many copies of edition 1 did you print?

Mr Duncan: I would have to take that question on notice.

THE CHAIR: So it did not make the *Times* best-seller list?

Mr Duncan: It was not a best-seller.

Mrs Dunne: It is not a page turner.

Mr Duncan: I can tell you that *House of Reps Practice* and Odgers and some of the other companions are not. We did print a sizeable amount to cover us for hopefully five or 10 years, and we did provide a copy to other legislatures and certain parliamentary libraries and things like that. But I will have to take that question on

notice.

THE CHAIR: So five years on, it is time to update it?

Mr Duncan: We think so. It was done in 2009, and that was prior to the Seventh Assembly, which did things very differently to the previous Assemblies, with the Greens. We had a Greens MLA Speaker. Then the Eighth Assembly decided to have an opposition member as Speaker, and we have a different committee system, as you are well aware. So with things like that, we think it is important to update that information so that when new members get elected and new staffers get appointed they are fully informed about how the place operates as it does now. And if they are relying on a document that was written in 2009, they are not going to get an accurate picture.

Mrs Dunne: And it is interesting actually—I probably have more recourse to it than most members—that there are obvious gaps because of the age of the document already.

THE CHAIR: A likely publication date or month?

Mr Duncan: It is a long process to update it. I put Max in charge of it. One of the committee secretary positions that we did create, one of the Bs, is going to assist with the committee side of that publication, and we have engaged a former Clerk of the Assembly, Mr Mark McCrae, to help us on a part-time basis. Those three officers will have the prime carriage of that project. But it is in addition to their other duties—

DR BOURKE: Except Mr McCrae.

Mr Duncan: Except Mr McCrae, yes. But Max and the committee officer, whoever that person will be, will be doing their other duties as well. I would like to say this time next year, but I think realistically—

THE CHAIR: Soon?

Mrs Dunne: But not Ted Quinlan's soon.

Mr Duncan: I think probably the following year.

THE CHAIR: Next year's Christmas gift.

Mrs Dunne: Next year's Christmas stocking.

THE CHAIR: I know that some of the members on their wish list would love wi-fi in the Assembly. When is the wi-fi coming and what is it likely to cost?

Mrs Dunne: Almost Ted Quinlan soon.

THE CHAIR: Almost Ted Quinlan soon?

Mrs Dunne: Yes, February.

DR BOURKE: Which February?

Mrs Dunne: February 2014 is the aim, as I was briefed last on.

Mr Duncan: Some nodding? Yes?

Mrs Dunne: January?

Mr Duncan: January.

Mrs Dunne: Even better.

MS PORTER: I think one of the previous Speakers will be turning in his grave to know that we are getting wi-fi.

Mrs Dunne: I think the previous Speaker, who is not dead, will be turning in his grave because we have computers in there.

THE CHAIR: What previous Speakers are dead?

MS PORTER: No, he is not dead.

Mrs Dunne: He is not dead, but he would still be metaphorically turning in his grave. What this means is that there will be a wi-fi loop for the chamber and the ante rooms. It means that members can log on more quickly to the actgov facilities. You can still plug in if you wish, but sometimes it can be a bit slower. The main thing is that the committee rooms, here for instance, will be where the big bonus is because there are so few points where you can actually log on. So members will be available to bring in their computers and be logged onto the system. And I have been told that it should be roughly as fast as the hard-wired version.

THE CHAIR: The audiovisual services currently provided, what is their status and are there plans for upgrading?

Mrs Dunne: It is part of a budget bid at the moment. I took some draft budget bids to administration and procedure and they signed off on those. And it is in the mix for budget consultation at the moment. I am hopeful that we will have a system that will ensure that our system works better than it currently does; we get better picture quality. There will be some better cameras involved in that and also, overall, there will be better access to Committees on Demand, Daily on Demand and the live webstreaming. And it will be reliable. We have a responsibility to provide it, and we are a bit scared that the gaffer tape and bailing twine may give up one day, and not even Ray will be able to fix it.

THE CHAIR: The last sentence on page ix is a very strong warning that it is a vulnerability for the Office of the Legislative Assembly.

Mrs Dunne: Yes, it is a vulnerability. It is something that we are aware of and it is something that we are taking steps to attempt to remedy. We hope that we will receive

budget funding to do that in this next financial year. It is not top of the range. If we wanted to do what they do, for instance, in New South Wales or the federal parliament, it would probably cost us \$4 million. But we are not asking for anything like that amount of money. It is in the hundreds of thousands of dollars to provide a system which will give us some longevity.

THE CHAIR: Ms Porter.

MS PORTER: On page 118 it talks about the Eighth Assembly and the staffing arrangements. You mentioned a couple of times, once in your introductory remarks and once in some other discussion about something else, conflict of interest. It was around the appointment of Mr Duncan. You also mentioned staffing. I might be wrong, but I am just trying to clarify: where does the funding come from for the staff that work in your office?

Mrs Dunne: There has been a practice in the Liberal Party of pooling resources but since I have become Speaker, I have weaned out of that. It did not happen immediately, but I have weaned out of that. My staff are paid for out of my staffing allocation.

MS PORTER: So it is a separate arrangement now? So you are not part of that pooling arrangement that you just mentioned?

Mrs Dunne: I have to say, hand on heart, the staff that are in my office are paid for by me and are not paid for by a pooling arrangement. I will have to check but I think I probably still do contribute to some other central staffing. I do not do as much media as I used to, but from time to time I would call on the services of our media people. I think that I probably still contribute to the media. So I will just check. But the main thing is that the staff in my office are paid for out of my staff allocation and not out of any pool.

MS PORTER: So the duties of these additional people, if they were, in fact, still made available to you, which you are not quite sure of—

Mrs Dunne: They are made available to me. But I would have to check whether I am paying for them or whether I may be getting a free lunch.

MS PORTER: I just wondered.

Mrs Dunne: Yes, that would be for electoral things essentially. If I am going out into the electorate or there is an electorate issue that I want to deal with—

MS PORTER: A constituency matter.

Mrs Dunne: A constituency matter, those sorts of things, that I might, for instance, do some media on, I might go to somebody and say, “What is your experience with this or that?” We share that sort of thing. Other members throughout the place would share expertise with their colleagues as well.

MS PORTER: So you do not think that it might be appropriate for you to have a

separate budget that comes out of the Assembly money because of the fact that the Speaker's position is an independent position and that you would prefer to have it that way so that you could make sure that your staff are paid for?

Mrs Dunne: That is the case. The staff who work in my office are paid for by me out of the Speaker's allocation, not out of any pooled arrangement. Just off the top of my head—I cannot recall, and I will come back to the committee—I may make a small contribution to the media person as a for-instance.

MS PORTER: A question has been asked of Mr Rattenbury a few times of late, as you know, as to how he divides up the different staff in his office and makes sure that there is no inappropriate sharing of information. I would imagine that there could be a perception out there—not that I think the public really care much what we do inside our offices from time to time—that there could be some conflict of interest in different staff working in your office that come from the pool. So I am wondering: do you have some protocols or something within your office to manage that situation?

Mrs Dunne: The general protocol is that my senior adviser does the Speaker business, except for routine things like diary entries and things like that, which my office manager does. For instance, tonight there is the Speaker's ceremony for new citizens. Apart from compiling the list, once the list is done, she does all the invitations. She sends out those invitations and she receives the RSVPs and the like. That is done at that level. But anything that might be sensitive is all handled by my senior adviser, and I think he is a man beyond reproach and extremely discreet.

MS PORTER: It is a difficulty that can arise.

Mrs Dunne: Yes, it does. Look, these things arise all the time. For example, at my behest the Assembly acquired some stationery which is Speaker-specific stationery. Some members have the stationery. It is basically a card which has the Assembly crest on the front and it says "Speaker". It has generic information on the back so that in the next Assembly the Speaker can continue to use it. But then I went to write on one one day. I thought, "Am I writing to this person because he is a constituent or am I writing because I am the Speaker?"

A couple of other issues came up and I eventually said, "I will buy half of it out of my DOA so as to ensure that there is not a conflict, that I am not using an Assembly resource inappropriately." So they are things that I have to think about all the time. We bought something and it seemed to be quite good. Then I realised that there were places where I could use it. For example, if I send Christmas greetings on them, is that because I am the Speaker or is that because I am a member for Ginninderra?

MS PORTER: Yes.

Mrs Dunne: So we thought the easiest way to resolve that was that I would share the cost with the Assembly.

MS PORTER: So the idea that Mr Smyth brought up of having the different kind of speakership arrangement would solve all those problems.

Mrs Dunne: It probably would, yes. But I do not see it happening in a Hare-Clarke system.

THE CHAIR: Not so likely. Dr Bourke.

DR BOURKE: Thank you, chair. Madam Speaker, in your answers to my question on notice No 145 in the *Hansard* of 24 October, you spoke of the Liberal contractor using your office for several weeks designing stationery for Liberal MLAs. You said that this was at the request of the Leader of the Opposition's chief of staff, that you were not a party to the employment contract or advice from the Clerk or the ethics adviser to ensure that the arrangement complied with our then code of conduct, including part 11, and that the resources of the Speaker's office were only being used for legitimate parliamentary and electorate purposes. Does this not place the independence of your office that we have just been talking about in an awkward position where, ultimately, you are overseeing the Office of the Legislative Assembly and compliance with the code of conduct procedures and yet you are unaware of whether the person working in your office complied with them?

Mrs Dunne: As I said in answer to the question—I cannot remember the number but I recall the question—the fact that the person was employed—it goes to the situation that we have. We have a pre-approval system for almost all of our entitlements. For instance, if the Leader of the Opposition had gone to the Clerk and said, “I want to employ this person to do a function,” and that was to do some desktop publishing on behalf of all of the Liberal MLAs so that they had DOA approvable stationery, if the Clerk had thought that that was not appropriate, he would have said so, I am sure, because I know of occasions when people said, “I would like to employ a person to do X, Y, Z,” and the Clerk has said, “Gee, I wouldn't do that.”

So I presume, and I am only presuming because I have not asked the Clerk and I did not ask the Leader of the Opposition, that because there was a contract in place that that had been signed off in accordance with the code of conduct. All I was asked to do was to provide a desk because there was no other desk and this person was coming in for a few hours a day for a short period of time. There was a spare desk in my office. He was doing work for me as the member for Ginninderra in the same way as he was doing work for Mr Smyth as the member for Brindabella, and possibly not for you, Ms Lawder, because I think it was before you came.

He was doing work across those and I do not see that there is a conflict of interest. There was no access to any resources in my office, except perhaps the power out of the socket. That would have been the same resource had he been in Mr Smyth's office or Mr Hanson's office.

DR BOURKE: So what you are saying is that MLAs always take regard of the Clerk's advice?

Mrs Dunne: No.

DR BOURKE: Or that they are compelled to.

Mrs Dunne: No, advice is advice. But I do not know an MLA who would receive

advice from the Clerk that said, “I don’t think you should employ this person. I don’t think this person is appropriate to employ to do this job,” and not take it. For instance, there are a multitude of ways whereby members could obtain desktop publishing assistance. They could have an existing member of staff who has those capacities or you might contract to a graphic designer.

My reading of DOA reports is that some members had contracted to an individual graphic designer but it was decided that we had some residual staff money at the end of last year. The most cost-effective way of providing members with a suite of material was to hire someone for a couple of weeks—maybe three from recollection. When he arrived, there was literally no room in the inn. The chief of staff to the Leader of the Opposition said, “Can he occupy that spare desk?”

DR BOURKE: But the efficiency and efficacy of this action really is not at question here. What is at question here is your role as Speaker and the compromise that you may have embarked upon in having someone hosted in your office, a party to an agreement which you did not check and you did not ask about.

Mrs Dunne: I believe that the chief of staff to the Leader of the Opposition is sufficiently professional and that the person would have been employed appropriately.

DR BOURKE: So you took it on faith?

Mrs Dunne: Yes, I trust senior staff who are paid big bucks to do things properly.

THE CHAIR: All right. We might leave that there. There is a minute left. Ms Lawder, would you like to close the batting?

MS LAWDER: I have a question about the website. Do you get many people from outside the ACT government viewing the website and any suggestions? What kind of suggestions do you get for improvements from people outside the ACT government?

Mrs Dunne: I will answer that briefly and then I might turn it over to David Skinner. I think it is clear that most of the users have actgov email addresses. But the new webpage has received quite good response. We are seeing increased page visits, increased page views, an increase in unique visitors and a much decreased bounce rate, which I understand is when people go to the front page and they do not go any further. There is a small increase in new visitors.

Average visit duration is up, but there is also a high demand for Daily on Demand, Committees on Demand and webstreaming. We have had 38,000 page views to date in the calendar year for webstreaming. From the launch of the website until 1 December, there were 7,900 page views on Committees on Demand and 10,099 page views on Daily on Demand. There is a fair use. It is increasing. There has been a lot of feedback from members and a lot of that has been implemented. I know that Mr Coe was very interactive with Mr Skinner about improvements. David, would you like to say more about the feedback and who the feedback is coming from?

Mr Skinner: Thank you, Madam Speaker. I think you have touched on most of the points I would raise. As to the origins of visitors to the site, could I take that on

notice? But I can say that the overwhelming majority obviously come from .au IP addresses that arise in Australia. We have seen a few times over the course of the last year where we have received significant overseas traffic as well. That is probably not our target audience.

As to some of the suggestions that have come forth, Madam Speaker is correct. We have engaged with a number of Assembly members and members of the public about improvements that could be made to the site. Some remarks were directed at some of the calendar functionality. I think there were some other remarks around some of the publications that we have and we turned our minds to addressing them. If I could take that last part of the question on notice, I could provide that to the committee over the next five days.

THE CHAIR: Cool. We will finish after the Clerk provides an answer that he is very keen to enlighten us all with.

Mr Duncan: Thank you, Mr Chair. I will be very brief. I took a question on notice about how many copies of the *Companion* we had left. My efficient staff have provided me information that there are 111 printed copies of the current *Companion* in the storeroom. Can I assure the committee that in respect of the cost of the printing of the *Companion*, there is a set-up cost and there is a run-on cost. So I erred on the side of having slightly more copies knowing that it would have to last a while. There was not a significant cost difference in getting extra copies.

THE CHAIR: So there might be a pre-Christmas sale on.

Mr Duncan: If members—

Mrs Dunne: Buy one and get a free art catalogue.

Mr Duncan: If members have new staff that they want to have a copy of the *Companion*, they are most welcome to come down and get a copy for their new staff. I would encourage that.

THE CHAIR: Thank you, Clerk, for spreading Christmas cheer there. Members, we will finish there. We are a little bit over time. Madam Speaker, thank you and all your staff for attending. Answers to questions taken on notice are due no later than Monday, 13 January. Members, if you have got supplementary questions, you have got three working days after the proof transcript becomes available. If the committee has any final supplementary questions, we will convey them through correspondence. They are also due on Monday, 13 January. When available, a proof transcript will be forwarded so that you can check it and suggest any corrections. With that, I would like to thank you all for attending and we will now break for 10 minutes, members.

Mrs Dunne: Thank you.

Meeting suspended from 1.53 to 2.03pm.

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

Bulless, Mr Neil, Executive Director, Expenditure Review Division

Hall, Ms Sue, Director, Corporate Management

Doran, Ms Karen, Executive Director, Investment and Economics Division

ACTEW Corporation Ltd

Sullivan, Mr Mark, Managing Director

Wallace, Mr Simon, Chief Financial Officer

Carmody, Mr Ian, Deputy Chief Executive Officer

Independent Competition and Regulatory Commission

Gray, Mr Malcolm, Senior Commissioner

THE CHAIR: Welcome, and thank you for attending this session of the public hearing of the Standing Committee on Public Accounts inquiry into the 2012-13 annual reports. On behalf of the committee, Treasurer, I would like to thank you and your relevant directorate and agency officials for attending today. I know how much they look forward to these events a couple of weeks before Christmas.

The proceedings this afternoon will commence with an examination of the relevant sections of the 2012-13 annual reports of the Chief Minister and Treasury Directorate and the Treasury Directorate financial statements, plus the Treasury Directorate for the period 1 July 2012 to 9 November 2012, as they relate to the following matters: budget processes and financial reporting, taxation and revenue policy, and fiscal and economic policy, including competition and regulatory reform. Matters relating to borrowings and fund management and insurance policy will be examined at the hearing on 13 December. At approximately 3 pm we will move to an examination of the ACTEW Corporation annual report, followed by the Independent Competition and Regulatory Commission, with the hearing concluding at approximately 4 o'clock.

Minister and witnesses, can I remind you all of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement that is before you on the table. Could you please confirm for the record that you understand the privilege implications of the statement?

Mr Barr: Yes.

THE CHAIR: Nods of assent; thank you very much for that. Can I also remind witnesses that proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast live. Before we proceed to questions from the committee, Treasurer, would you like to make an opening statement?

Mr Barr: No, thank you, chair. I am happy to proceed to questions.

THE CHAIR: Minister, what was the rationale for bringing the Treasury Directorate into the Chief Minister and Cabinet Directorate on 10 November 2012? It is at annual report, volume 1, page 3. What were the efficiencies and savings that were generated as a result of this restructure?

Mr Barr: Essentially, to facilitate a stronger central agency, to improve our capacity to undertake federal-state-territory financial relations. A large part of the work of Treasury and the then CMD was focused on the financial relationships with the commonwealth. The cabinet wanted increased capacity in those areas, and we wanted a strong central agency. There were some efficiencies achieved in back-of-house areas in the merger of the two agencies, and some functions shifted into other areas of government. Overall, it has provided a stronger central agency that has assisted both the Chief Minister and I in policy development and in supporting our work at COAG.

THE CHAIR: Can you quantify what the value of the savings was?

Mr Barr: We can certainly provide that information. I think we have been reported on in the context of budgets.

Mr Nicol: We can give you that information. As the Treasurer mentioned, we do now have a single chief finance officer and a single strategic HR area, which, from my perspective, coming in after the merger, is working very well. I cannot imagine Treasury devoting the resources needed to duplicate that function, really, given the size of both agencies. I would consider that to be wasteful. So we can highlight the resources we have saved and the focus we have given now to policy areas in supporting the government rather than doing corporate functions.

THE CHAIR: With respect to the organisational chart on page 4, do you report to the Treasurer through the Head of Service or do you have direct access to the Treasurer as such?

Mr Nicol: I have direct access to the Treasurer, but I work cooperatively with the Head of Service to brief both the Treasurer and the Chief Minister on issues as they arise.

THE CHAIR: Do you work to the Head of Service?

Mr Nicol: I do.

THE CHAIR: Treasurer, on page 3, the last line in the third paragraph reads:

In July 2013, a new CMTD division (Expenditure Review) was formed ...

What is the function of the expenditure review division, and didn't Treasury carry that out before?

Mr Barr: It will come as no surprise that the function of the expenditure review division is to review expenditure. We have tasked that area in the last budget round

with a number of specific inquiries into particular areas of service delivery. Mr Bulless may wish to outline some of the work he is undertaking within the TAMS portfolio, ESA and ACTION buses.

THE CHAIR: So there is nothing new in what they do? It is just—

Mr Barr: It is an enhanced function.

Mr Bulless: The directorate has created a new division, which effectively started in July this year, to focus on the four expenditure reviews funded in the last budget and to carry on the work of the expenditure review branch which has been ongoing for a number of years in the form of a policy and coordination division. We currently have four reviews that are active. One review starts in about a week and a half. The four active reviews include the one into parks and city services of TAMS. That has been running now for about three or four months. That is well progressed, with a notional reporting date back to government in about February next year. The ESA review has also been running for about three months. It is probably fair to say it is in the investigation phase—so having done the background data collection process and now looking at a range of issues.

THE CHAIR: What is the expectation of the review?

Mr Bulless: The ESA, corrections review and ACTION review have notional dates by the end of calendar 2014. The ACTION review committee met for the first time this morning, so it is very much in the early phases of the review, and the corrections review will have its first formal meeting, I believe, in about a week and a half. In addition to that, we are also undertaking a review across government of HR and finance functions in directorates. That is focused on looking at the roles that directorates are undertaking vis-a-vis the Shared Services role.

The reviews are all set up in a consistent way. What I mean by that is that each review has something called a review steering committee that is chaired by me and has representation from the agency being reviewed, officers in Chief Minister and Treasury and each of the relevant unions. They meet on a monthly basis and are working through a process I mapped out before, which is effectively background work, investigation and development of options.

HR and finance does not have a committee because it is an internal process to government. But all five committees will report regularly to the expenditure review steering committee, which is headed by the Under Treasurer, the Head of Service and the Director-General of the Community Services Directorate. Through that committee, it then reports to cabinet, which is the expenditure review committee.

THE CHAIR: How many staff and what additional cost has the ERB—

Mr Bulless: The expenditure reviews for ACTION, ESA, parks and city services and corrections received funding in the current budget of \$1.7 million over two years. The finance and budget division of the expenditure review branch had funding for eight staff. That has been brought out of finance and budget into the new division, and any additional funding, whether it be administration, consultancies or staff, is funded from

that \$1.7 million.

MS LAWDER: I have a supplementary question. Treasurer, can you tell me, from 10 November 2012 to today, what is the difference, if any, in staffing? Were there job losses or has there been a gain in the combination of—

Mr Barr: Across the two agencies, with the additional appropriations in last year's budget, there would be a slight increase in staffing, I would estimate, but we can get the actual figures—once you add in the appropriations from the budget this year, which have funded some extra positions for specific tasks.

MS LAWDER: Were there any job losses as a result of the amalgamation?

Mr Nicol: Broadly, no. Of course, there are other processes going on as staff move, come and go, and people leave. I will ask Sue Hall to comment, but my recollection is that there were no staff losses. A new directorate was created, the Commerce and Works Directorate, and the corporate functions for both directorates had to be met from the pre-existing resources. That involved some shuffling of resources between directorates, but, in aggregate, my recollection is none.

Ms Hall: David is correct; there were no staff losses. Staff were moved either into CMTD or into CWD as part of the move.

THE CHAIR: Ms Porter.

MS PORTER: Treasurer, it talks about high-priority activities, which are not listed, on page 51. Down at the bottom there is reference, when talking about forecast expenses over the five-year period, to expenditure growth in this budget being constrained to 3.5 per cent per annum compared to the 2012-13 budget review, resulting in a limiting of new initiatives to only high-priority activity. My question is: what are these high-priority activities that you are going to focus on?

Mr Barr: The focus, particularly, has been on health, education and disability services in terms of new recurrent initiatives. So it is about meeting our ongoing obligations in relation to growth in health funding, which is growing faster than other areas of expenditure by a considerable quantum. That is not unique to the ACT. In fact it is a problem or a challenge that all jurisdictions in Australia are facing. We are working closely with the Health Directorate to ensure that they are able to, within that growth envelope, meet the emerging needs of an ageing population. They are undertaking that work diligently, investing in capital infrastructure as appropriate and expanding their service delivery. You will see in ACT budgets for some time to come growth in expenditure in the Health portfolio—additional staff, more elective surgery et cetera—that I am sure you can canvass extensively with the health minister during those appearances.

The other two priorities for the government in this current fiscal year that had their origins in the financial year that the annual report covers are the two major national agreements on education funding and the national disability insurance scheme.

MS PORTER: Recent discussions have been going on at a federal level. We are not

quite clear about what is actually happening because it is very confusing, but have we got assurances about that sort of thing or are you still in the dark?

Mr Barr: If you had asked me that question after the meeting of treasurers last week, I would have given you a different answer. I was given an entirely different impression from what now appears to be the case after the Prime Minister's announcement yesterday. My understanding now, in relation to education funding, is that at least the first four years of our six-year funding arrangement with the commonwealth in relation to education funding will be honoured, and that is a good outcome. It is disappointing that it has flip-flopped. There have been probably four different positions from the commonwealth in the space of four weeks on this matter, but I will take the Prime Minister at face value after the intervention just prior to question time in the federal parliament yesterday—although, as I have observed to a few people, I will know absolutely once we see the money in our bank account. That will be a useful indication and a pretty clear indication of the commonwealth's intent.

The other question goes to the NDIS and Minister Burch will be able to comment in more detail in relation to the implementation in the ACT. But from a Treasury perspective, again, there were some concerning signals sent at the treasurers meeting last week that what we had understood to be the situation may not necessarily be so as a result of the change of thinking within the commonwealth as to whether the agency would be run nationally or whether it would be devolved to states and territories.

I would say that, overall, the policy approach of the new government at a national level is to want to devolve more to the states and territories, which I am not, in and of itself, unhappy with. The question, though, is about the extent that national agreements in relation to new ways of delivering services are then wound back. You cannot really have a national disability insurance scheme if there are going to be eight different variations of it. But time will tell on that. It is obviously a matter in another portfolio, but it would be fair to observe that the direction of commonwealth-state financial relations appears to be heading in a positive direction in a number of areas around reduction of red tape and unnecessary reporting in relation to commonwealth grants to the states and territories. So we certainly welcome that. That is, I think, a positive outcome. But we do not think that means the commonwealth can entirely withdraw from areas of social policy delivery and engagement with states and territories. That would be the concern I would flag at this point.

THE CHAIR: Dr Bourke.

DR BOURKE: Treasurer, turning to page 24, since the ACT government's strategic service planning framework was released in June 2012, how has the budget process and financial reporting improved, and what further is there to do?

Mr Barr: I think there is more work to do in relation to the budget presentation. I recognise the fairly constant call for more detailed information both from Assembly members and from stakeholders and the broader community. I highlight a couple of areas that I think perhaps get lost in our annual budget discussions and are not necessarily that well understood—around information on ongoing budget allocations to particular portfolios. We have quite intense discussion around new initiatives and additional funding provided to areas of priority in the annual budget round, but often

those discussions are not particularly well informed by information or awareness of the existing and ongoing allocations in particular areas. We report that at a fairly high level in relation to expenditure by portfolio or the like, but I think there is scope for more information and a changed way of presenting particularly budget paper 4. There will be changes in next year's budget to have the presentation of the ACT budget perhaps similar to other states and territories and the commonwealth, with portfolio budget statements that will give members and the community more information in relation to expenditure in particular portfolios. That will be a change for the 2014 budget.

We are also, of course, looking at a digital first policy, whole of government. So we will be looking at how we present information. We will not be producing as many printed copies of the budget papers. They will be available—of course, there will still be a need for some printed copies—but we want to have more and more content produced online and in formats that are universally accessible and provide for a greater level of information, recognising the need for some stakeholders to have that detailed information in traditional formats. We also want to be able to present information in relation to the territory budget utilising new technology, and that is certainly our intent in the coming budget and in the years ahead.

DR BOURKE: How are you going to proceed with providing that level of detailed information that you talked about in your first point?

Mr Barr: That will be an iterative process over time. Again, I recognise from previous appearances before Assembly committees a desire to be able to compare current or proposed fiscal years with previous ones, so you need to have some comparability, but we need to also recognise that the provision of new information means that we cannot always back-cast. You can start a new data series, if you like, or present information differently, and then, over time, you will have comparative information.

Given at times the lack of knowledge of what is in the base of particular agencies or particular portfolios, it is important to be able to provide more information in relation to ongoing allocations. In some portfolios—and I have been a minister for a period of time—I get asked very similar questions every year in estimates and in annual report hearings. It would be useful to be able to present that information up-front rather than having to go through processes of questions on notice and the like. I am cognisant of that. If the committee wishes to make some recommendations in relation to what sort of information would be useful, bearing in mind that we do not want documents that are thousands of pages long, that there is a balance here, as is always the case—

THE CHAIR: I don't know.

Mr Barr: Some people might. But we certainly are striving to improve the readability and functionality of the budget papers and recognise that there are a number of different audiences; there are some people who particularly want a very detailed level of information on the financials, others who want to be able to find a document that can give them the headlines, if you like, in an easy to digest way. To have that available online and to be interactive is a longer term goal of mine. If you look at some other jurisdictions, you will see that city budgets are presented in more

interesting ways than we do, and in more informative ways. I have set that task for us over the next two or three budgets in the remainder of this Assembly term, to innovate in this area.

DR BOURKE: You talked about the ongoing allocation to portfolios and how in the next iteration it is going to be presented in a greater level of detail that people can access.

Mr Barr: Yes.

DR BOURKE: Can you talk us through that a bit and say why it is a valuable level of consideration.

Mr Barr: It is valuable on a number of levels. For newer members of the Assembly, who may find the process somewhat mystifying to begin with, for those who regularly ask questions—

DR BOURKE: You don't like the Socratic method, do you?

Mr Barr: These hearings offer the opportunity for some more detailed examination of government expenditure. That is a good thing. But I have got to say that there are some questions that are repeated over and over again. It is not always the same member asking the question. I have been here seven years, and I have seen three parliaments now. Different members, not necessarily all from the same party, ask similar sorts of questions. I think there is value in terms of the scrutiny that the Assembly can apply to the budget process. Frankly, it will save time and effort within ministerial offices and directorates to be able to have those information sources compared in a much more user-friendly way. For example, outside committee processes, we are often asked by members of the community, "How much is the budget for tourism?" "How much of that is spent on staff versus marketing?" That is a question that comes up quite a bit. In education, it is: "What's the split between primary schools, high schools and colleges? How much of the education budget is staff related?"

DR BOURKE: Isn't that page 235 or something?

Mr Barr: There is information presented, but it is not necessarily as straightforward and well understood as it could be. There are opportunities for improvement. We have taken some steps in budget paper 2 in terms of increasing the accessibility of that document—having interactive maps for capital works projects so that you can see where in the city these projects are occurring. Technology exists now so that you should be able to get onto a website, click on the link for that particular capital works project and get all of the information about the project—the detail, the contractor, the time frame for completion of the works. All of that information is held in various parts of government. We are progressively making more and more of it available online. Through the budget process, I think we should take the opportunity to outline in advance that this is our agenda, that we have reporting requirements and people can see how projects are tracking. There is plenty of opportunity to do more in that area.

DR BOURKE: How does that fit with the desire by some to have, at a single point in

time, a snapshot view of where things are—as opposed to that constantly changing digital environment? Is that a challenge, or can you deal with that?

Mr Barr: We are probably in a phase now where you need to provide information in both forms. There is a section of the community who have traditionally accessed information in that way and who wish to continue. But there are others for whom that process is entirely alien and uninviting and does not generate the level of participation or interest that you might want in programs of the government. I think we are in a phase for the next few years, in particular, where we will continue presentation both ways. But over time we are moving to digitalise everything. I think there will come a time, and it will probably be this decade, when we no longer print budget papers. They will be available online, and people can print them themselves if necessary, but we will not present in the formats that we do now. That will not be next year, but I think it will happen in this decade.

THE CHAIR: Ms Lawder.

MS LAWDER: I have a question relating to page 18 of the CMTD annual report, volume 1, strategic objective number 5, achieving a budget operating surplus. Do you think we are headed for a surplus or a balance by 2015-16 as announced during the budget?

Mr Barr: Sorry?

MS LAWDER: Do you think we are headed for a surplus?

Mr Barr: We indicated in our budget plan a desire for a balanced budget in that fiscal year. As I have said repeatedly, we will, of course, need to respond to changing circumstances. Once we get the commonwealth's midyear update and information in relation to a number of revenue streams for the territory government—the GST pool, for example, the commonwealth's expectations in relation to their own payments to us and their economic forecasts—obviously those parameters, when fed in to our accounts and our projections on revenue, will impact.

MS LAWDER: I note that one of the things was increased revenues due to early receipt of Australian government grants for cross-border health activity.

Mr Barr: Yes.

MS LAWDER: Is that usual—early receipt?

Mr Barr: My experience has been that towards the end of financial years, commonwealth governments of either political persuasion will look to shuffle some money out of the door in advance, or hold off on certain payments and make them in the following financial year, depending on what suits their budget presentation.

MS LAWDER: So it could have a substantial effect?

Mr Barr: Given the level of territory revenue that flows to us through the commonwealth, yes. Last year they brought forward some grants in relation to road

infrastructure and a couple of other national partnerships that shifted our budget outcome by tens of millions of dollars. So yes; we are in a circumstance where, if they pay early or late, and the payment falls on one side or the other of that arbitrary 30 June cut-off, it impacts on the figure you present and what our accounts look like for a particular fiscal year.

For the last couple of years, we have certainly experienced the commonwealth bringing forward payments. That is good in a way: money sits in our account; we get a bit more interest. It is better our bank account than theirs. But it has had reporting implications. It meant, for example, that the deficit last year was smaller than we anticipated as a result of the timing increase. But that means that this year's deficit will be larger than anticipated because of the timing of that payment.

MS LAWDER: Another one, which perhaps you would like to expand on, that could have quite an influence would be a return on our superannuation investments. How do you feel we are tracking?

Mr Barr: Indeed. There are a number of variables there. If the committee wants to spend a couple of minutes exploring that, we can. I can give you a top-level analysis to say that lower interest rates, whilst having a very positive impact on the economy more broadly, tend not to work in our favour in relation to returns on superannuation investments. We take a long-run view of the discount rate. When the commonwealth bond rate is below that, which it has been for a period, that certainly has impacted in the annual reporting. It is important, though, to distinguish between those annual reporting requirements and what is a long-term liability. In another era, when interest rates are above that long-term benchmark that we set, the figures look tremendously better. You do not necessarily want to assume that that will always be the case. As we are now in a cycle of somewhat historically low interest rates, it has impacted.

MS LAWDER: When I meet with my financial adviser, he says, "Do you want to be aggressive, conservative or whatever?" I think CIE have characterised the ACT as not conservative. Would you agree with that?

Mr Barr: They would be offended by that.

MS LAWDER: The superannuation investment.

Mr Barr: I think they are coming on.

Mr Nicol: We were expecting these questions on the 13th, but I can talk now. We have an investment advisory board that advises us on how we structure our investments and what classes of investments to pursue. We have an objective for the government of CPI plus five per cent. Our goal in structuring our investments is to try to achieve that at the lowest risk possible. We are not given a broad mandate to be either aggressive or conservative in a broad sense; we try to be as conservative as we can to achieve that objective.

MS LAWDER: Do you think we will be achieving the superannuation return that we were hoping for?

Mr Barr: In terms of the return, but then the valuation of the liability varies according to actuarial updates. Then there are two factors that are driving a challenging environment for us there. One is that people are living longer.

MS LAWDER: How rude.

Mr Barr: There are many positives associated with that, but they do not call economics the dismal science without reason. That certainly adds to the longer term costs, and the actuaries need to account for that. The performance in the long run has been quite impressive from our super funds. We have done particularly well. We have a diverse portfolio. The long run performance, as I say, has been good. It is not to say that from year to year you do not suffer fluctuations: in some years we have absolutely smashed it, done exceptionally well; in other years we have done not so well. In the long run, we have been able to achieve the targets that have been set out. Do you want to add anything, Karen?

Ms Doran: I probably cannot add a lot to what the Treasurer has just said. We do have a long-term investment strategy, as the Under Treasurer indicated. It is approximately seven per cent growth exposure in order to achieve the benchmark return that we are aiming for, so the CPI plus five per cent. Over the 17 or so years of experience of investing the superannuation provision account, we are currently tracking at roughly CPI plus 4.6, so we are just under the benchmark. Of course, that includes a couple of periods during the GFC when returns were very low. Last year we had a very positive return, in the order of 16 per cent. I believe we are tracking fairly well this financial year as well.

THE CHAIR: Just in regard to the policy about some of the levers, the lease variation charge has not performed to date anywhere near the original estimates. Does the government have a view about reviewing the lease variation charge and its operation?

Mr Barr: I think we have, since 2011, made some revisions to the forward expectations on LVC. But in the first year it exceeded its revenue target. We then broke the targets up a little. It did not exceed the target in the following year. The most recent information I have is that a number of large payments have been made in the last month. So we are well on track. We were very close to achieving the target last fiscal year as well.

THE CHAIR: The original target or the revised target?

Mr Barr: The revised target. But this is a charge that will fluctuate, given market conditions. There are a number of projects. If you have four large projects, you achieve your annual target, if you are setting the target at somewhere between \$15 million and \$20 million a year. But we will certainly look at it when there is regular review of the valuation and codification so that those opportunities are there. We have some new areas of the city that will need to be codified. The Environment and Sustainable Development Directorate, through the planning agency, have some policy carriage here and they will have a look at some of the issues and work with Treasury in relation to it.

We have a remissions regime in place. We have certain incentives for particular community outcomes, and developers can choose to take advantage of those, or not, as determined on a development-by-development basis in relation to those remissions. Those instruments are publicly available to let them know the basis on which they can access those remissions

THE CHAIR: In the first year of operation, though, how much of what you received was a hangover from the previous scheme?

Mr Barr: There is a time lag, as I said. As people get development approval, they have a couple of years. So there is always a pipeline of LVC payments. Last time I looked, there are something just short of 100 applications and \$23 million worth of assessed LVC in the pipeline at the moment. And that is predominantly from the period post the change from the old change of use charge arrangements to the LVC. It will vary from year to year.

I think, in the end, you have got to look at the broader market conditions and, in the short to medium-term anyway, the availability and variety of development sites. There is a lot of undeveloped land in the territory. The available capital can go to a number of sites if they wish to invest. All the analysis shows there is certainly no shortage of developable land in the territory at this point in time. There are some individuals who are certainly trying to gain the system and think that they can gain the change in policy.

Can I use today as an opportunity to be very clear that the principles of the LVC are sound? I get asked this question, I think, every time I appear, “Will you be abolishing the LVC?” No, we will not. So if anyone in the media or otherwise is listening and is looking today for a signal from government that the LVC is being abandoned, no, it will not be. And I will say that again and again. The principles behind the charge are very sound. You should not be passing over the opportunity to share some of the windfall gains of development uplift with the community.

THE CHAIR: But apart from the follow-through from the change of use charge for what, now, nine quarters, the expectation for the lease variation charge has been downgraded a couple of times?

Mr Barr: Along with the economy more broadly.

THE CHAIR: You still have not met a single quarter. Is it now not time to review the lease variation charge, its effectiveness and whether or not it is actually working with the intention the government put in place?

Mr Barr: Let us step through each of those. The LVC in principle is almost the most perfect tax that could be designed.

THE CHAIR: Perfect tax?

Mr Barr: Yes, perfect tax.

THE CHAIR: I am sure the property sector will be pleased to hear that.

Mr Barr: You ask any economist. It is a tax on economic rent, on windfall gains granted by a decision of government effectively to allow more development. I suppose the bottom line here is that I put this challenge out to the various rent seekers who seek assistance from government on these questions: fine, we will buy the land back off you at the current value, we will vary the lease and then we will sell it again with the enhanced development rights. And I will tell you who will make an absolute motza. It would be us in those circumstances. But we maintain the capability to increase the yield on the land and sell it again.

So there is undoubtedly a windfall gain. I do not think anyone is disputing that, are they? Not even you. You do not dispute there is a windfall gain. Or do you?

THE CHAIR: No. Keep going.

Mr Barr: No, you do not, okay. So there is a windfall gain, and it is appropriate for the community to capture some of that benefit. There is an argument over what proportion of that benefit should be captured and whether there should be ways to put some of that benefit back into the community by way of a developer being able to offset, for example, some of the expense around upgrading the public realm against their LVC payments, or that they might demonstrate some form of broader benefit to the community through the delivery of a piece of infrastructure or achieve a particular outcome that is beneficial.

At the moment, there are issues around enhanced environmental performance, affordable housing, public art. There are a variety of different ways that that contribution back to the community can be recognised and offset against the LVC.

But fundamentally, it is the right taxation arrangement, and to suggest that you would not levy any charge on lease variation would be to undo 40 years of taxation policy in the territory. This principle has been in place since the 1970s. It has had various iterations. It has not been as sophisticated, perhaps, as it is now. It has not been as transparent and codified as it is now. But the idea that you would walk away from that principle is something that I and the government will not entertain.

THE CHAIR: You have been in this place many times and you have said all taxes have a drag. What is the drag—

Mr Barr: This is the one tax that has no drag.

THE CHAIR: No drag?

Mr Barr: No drag.

THE CHAIR: No drag at all?

Mr Barr: No. That is its beauty. And every economist who has examined this has said there is not a deadweight loss because it is taxing economic rent.

THE CHAIR: If there is no drag at all, why have you not met your targets for nine

consecutive quarters, and why have you had to downgrade your estimates over the two budgets?

Mr Barr: Because the broader economic conditions impact upon revenue more broadly. Most tax lines for every government in the country have been written down over the last few years, and I am sure we will see that again when the federal government updates its accounts in their mid-year update.

THE CHAIR: The lease variation tax was sold on the back of a statement that it would fund the urban improvement program. Has it funded the urban improvement program?

Mr Barr: Yes, it has. Let me explain this.

THE CHAIR: Has the urban improvement program had supplementation from the budget?

Mr Barr: We announced a series of projects and we funded them. What we do is collect the revenue. So this fiscal year we will collect a level of revenue, and then next year we will allocate the amount we have collected.

THE CHAIR: You promised \$25 million over four years, which is \$100 million, in the urban improvement fund. Has that been achieved? Is it on target?

Mr Barr: No, we did not. We promised that every cent that we collected in lease variation charge would be spent on urban improvement. And we have done that.

THE CHAIR: And your estimate was \$25 million a year, increasing.

Mr Barr: And we have done that.

THE CHAIR: You have increased it on the \$25 million a year?

Mr Barr: No, we have allocated every cent that we have collected on the lease variation charge to the urban improvement program.

THE CHAIR: So how much has been spent from the urban improvement fund?

Mr Barr: I will need to get that figure. We outlined a series of projects in the last budget. As I say, once we have collected the revenue in the previous fiscal year, we know how much we have to allocate to the urban improvement fund for the future financial year. So we do not spend money that we have not collected.

THE CHAIR: So every cent in the urban improvement fund has come from the lease variation charge?

Mr Barr: Yes, that is correct.

THE CHAIR: We will go to Ms Porter.

MS PORTER: On page 52 it talks about the borrowings, and it gives an amount of borrowings, \$396 million estimated for 2013-14.

THE CHAIR: I think you are on 13.

MS PORTER: Am I not allowed to ask that question today?

Mr Barr: You can—

THE CHAIR: You can, but he may not be prepared.

MS PORTER: That is fine. Are you prepared to talk to me then about tax reforms as outlined in the annual report? Can I talk about those?

Mr Barr: You certainly can.

THE CHAIR: You can.

MS PORTER: What are other jurisdictions doing in regard to similar tax reforms? Can I just go through all the questions at once and then you can answer them all?

Mr Barr: Sure.

MS PORTER: What has been the reaction to the ACT government's reforms, your reforms, and why is it difficult to forecast rates and other economic activity many years into the future?

Mr Barr: In relation to tax reform and what other jurisdictions are undertaking, it varies. The New South Wales government have begun some work in relation to insurance tax reform. They have not gone as far as the ACT at this point in that I do not think they are proposing to abolish insurance tax and they certainly have not yet delivered upon the promise of that tax reform.

After the Treasurers meeting last week, I think there was a fairly scathing series of articles written in relation to the need for further reform of taxation in this country. Michael Pascoe went so far as to suggest that all state treasurers should resign. That was perhaps a little over the top, I thought. Nonetheless, some of the key points that he and others have been making relate to issues that ultimately each jurisdiction in the country is going to have to come to terms with in the short, medium and long term.

Some jurisdictions have gone, I would argue, entirely the wrong way. The Tasmanian government, for example, increased their tax on insurance at a time when it has been recognised by other jurisdictions as a bad tax that should be abolished. We are the only one making any serious inroads in terms of abolishing the tax. It is 40 per cent gone. In three years time it will no longer exist. So in this parliamentary term, we will become the first jurisdiction in Australia to no longer tax people's insurance, which is a significant achievement for the smallest jurisdiction with the smallest budget in the country.

In relation to ongoing tax reform nationally, the commonwealth Treasurer indicated at

the treasurers meeting on Wednesday that there will be white papers from the commonwealth government in relation to taxation reform and federal-state financial relations. I think it would be fair to say that the response amongst my colleagues of both political persuasions was a degree of scepticism. We have seen this before from commonwealth governments. I remain a little more optimistic. I did have the opportunity to have a brief chat with Treasurer Hockey over dinner the night before to indicate our support for the commonwealth engaging seriously in taxation reform with the states and territories and if he was looking for bipartisan support in tackling some of these areas, I was certainly happy to work with him on that. He has taken that on board. It remains to be seen what they do.

I think it is important for the states and territories to be able to work with the commonwealth. The first small sign of this relates to the proposals in relation to the GST and the compliance issues around goods with a value below \$1,000 purchased online. All credit must go to Mike Baird, the New South Wales Treasurer, for taking on the bulk of the work, on behalf of the states and territories, associated with that particular project. But it was one that I think all jurisdictions, bar Western Australia, gave in-principle support to.

WA are, I think, gaining every GST issue and not giving their support because they are unhappy with the distribution of the GST between the states and territories. So even though this potentially could increase the amount of money available to the states and territories, they are giving signals that they will not support the changes until their issues are addressed.

But the rest of the states and territories and the commonwealth are happy for this work to proceed. So there will be a decision at the next treasurers meeting, which I understand will be in late March or early April.

In relation to reaction from other jurisdictions to the ACT's reforms, I think their political response has been largely supportive but they are not necessarily indicating a desire to undertake many of the reforms themselves without incentives from the commonwealth, I think it would be fair to say.

As to your third question in relation to forecasting, this is one of the great challenges of revenue forecasting for all jurisdictions, particularly around highly volatile, transaction-based taxes, be they stamp duties or a number of the other tax lines that are difficult to assess over longer periods. So it makes sense to shift away from them in terms of improving allocated efficiency in your economy and removing deadweight loss from your tax system, because, as the shadow treasurer and I agree, there is a drag in relation to taxation. The biggest drag in our economy comes from stamp duty and from insurance taxes. They are the two worst taxes we levy, and that is why we are getting rid of them.

THE CHAIR: Dr Burke, a very quick question, and then possibly Ms Lawder with an even quicker question.

DR BOURKE: Treasurer, can you tell me about the online community budget consultation process from December last year to February this year? How successful was it? What feedback did you give on submissions, how is the process going this

year and is it over a shorter period of time this time for next year's budget?

Mr Barr: We want to allow organisations and individuals to engage with us online. We have had a number of different formats for that to occur, both web-based and using various social media outlets. The web-based use has been higher than social media to date, and so we have had a particular focus on allowing people and expanding the capacity for people to make their budget submissions online. We will continue to expand that capacity.

This year we sought to open the submissions process earlier. Obviously, with the government not being formed until November last year, the budget process started somewhat later. This year it started earlier. We have received a large number of submissions. The earlier closing of submissions has allowed portfolio ministers and directorates to look closely at the range of submissions much earlier in the budget process. I think that has been a useful enhancement of the way we undertake our consultation.

DR BOURKE: How many online?

Mr Barr: It has been if not quite 100 then over 100 submissions, generally speaking. Some wish for them to be confidential. Others are happy and they make a big public splash about it. I generally read about it in the paper sometimes before I see it online. But that is, of course, the nature of lobbying government.

Mr Nicol: We received 104 submissions.

THE CHAIR: Ms Lawder, to close.

MS LAWDER: Treasurer, the budget noted that 21 per cent of the government's savings measures will come from procurement whole-of-government savings. Are you still confident of the 21 per cent figure?

Mr Barr: The advice I have to date is that those savings are tracking well. We get quarterly reports from the cabinet on the process—or are they bi-monthly?

Mr Nicol: No, they are quarterly. And the vast bulk are on track. I am very pleased, actually, with how that is going. Could I correct one point. There were 104 submissions received last year. We have received 75 to date this year.

THE CHAIR: Thank you for that. We might close it there. Treasurer, thank you, and thank you to the officials for their attendance and their answers today. Answers to questions taken on notice are due by Monday the 13th. Members, any supplementary questions are due within three working days of the proof transcript becoming available. If the committee has any supplementary questions, they will be forwarded and they will also be due on Monday, 13 January 2014. Thanks for attending. When a proof transcript is available, that will be forwarded for corrections or any suggestions that you might like to make. We will formally declare this part of the hearing closed, and you can change hats, Treasurer, and come back as the minister for ACTEW.

Treasurer, thank you for attending as the minister responsible for ACTEW

Corporation. I know you are aware of the privilege card, but could Mr Sullivan, Mr Wallace and others say that they have read the privilege card that is in front of them and that they understand the implications? Yes, they have. There are nods of assent. Can I remind witnesses that the proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast live. Treasurer, would you like to make a statement to the committee?

Mr Barr: No, thank you, chair. I am happy to proceed to questions.

THE CHAIR: Mr Sullivan, do you want to make a statement? No? Mr Sullivan, the modified statement of intent shows a dividend reduction of \$22.4 million and \$10.1 million less in tax payments. Can you inform the committee of how you came to this and what that means for your organisation?

Mr Sullivan: The modified statement of corporate intent came about as a result of us lodging our initial statement of corporate intent without the full knowledge of the impact of the ICRC price determination for 2013. We then took that determination and we accounted for the impacts of that determination on our revenue and then calculated the impact on our dividends and tax. That was taken to our auditors, who are the Auditor-General, and the auditors agreed with that treatment and signed off the financial statements in an unqualified nature.

THE CHAIR: What changes will ACTEW have to make to its operation as a result of the determinations?

Mr Sullivan: The determinations required us to make some changes to our operations, but these were by, I think in the end, agreement with the ICRC in that our operational expenditure, as determined in the final determination, was agreed with ACTEW. So while it was lower than what we had bid in our final submission, it was higher than what the ICRC had indicated it would agree to in its draft determination, and it was an agreed amount, and the first two years of our capital expenditure was agreed with the ICRC. So we had some work to do, which was already well underway, to enable us to get down to the sorts of operational expenditure numbers that we had agreed to. But, other than that, there is nothing particularly new required.

THE CHAIR: And that work is proceeding?

Mr Sullivan: That work is proceeding well. That includes the business transformation that is going on in ACTEW, particularly on the water side of ACTEW. It includes the bringing back of the water operations business from ActewAGL to ACTEW, and it proceeds with a lot of work that we are doing around efficiency around safety, quality, competitiveness and how we can earn some more income from unregulated sources and a number of other strategic principles that we have.

THE CHAIR: When you set about putting together the modified statement of intent, when was the work done that allowed you to—

Mr Sullivan: The work is done in the window of the completion and auditing of the financial statements, and the financial statements were presented to the chair and the board of ACTEW in September. I could get you the precise date, if you would like.

THE CHAIR: That would be kind. Were the Chief Minister and Treasurer consulted during that process as the shareholders?

Mr Sullivan: The Chief Minister and the Treasurer, as shareholders, attend the annual general meeting, which they did, wholeheartedly, and that is where we present our financial statements and our dividend proposal. If I remember rightly, it was something like: “I accept the dividend proposal. Thank you very much.”

THE CHAIR: Clearly, there is a hit here to the revenue. What expenditure cuts have you made as a consequence of having to modify your expectations?

Mr Sullivan: As I said, the process of the expenditure is really determined in the regulatory determination against operational expenditure and capital expenditure, and we have modified our expenditure to reach the level of expenditure agreed with the ICRC. This really affects our shareholder in terms of dividend and tax payments. The operational side of getting to a level of expenditure to not exceed the regulatory determination is something that was well in train.

THE CHAIR: Have you made any internal cuts? Have you cut advertising, hospitality—

Mr Sullivan: Year on year, we have made cuts to our expenditure, operational expenditure. To get to the budget allowed by the regulator, we have had to make cuts.

THE CHAIR: Could you provide a year-on-year analysis of what the cuts were, for the coming year against last year, please?

Mr Wallace: The difficulty for us on that is that we once were an organisation that had a UMA fixed payment. Now we have integrated our results, so it is actually quite difficult to do year-on-year analysis of this. Initially you might have had a \$100 million payment. Now that is made up of a substantial amount of payments going through the—

Mr Sullivan: We will see what we can make look meaningful for you, but what Simon is saying is absolutely correct. The whole nature of our payments has changed now from a major contract payment to ActewAGL, and there the first saving we made was that we did not seek to keep any of the margin payment that had been paid to ActewAGL. So that was an immediate saving. I understand the intent of the question, chair, and we will get you something.

THE CHAIR: That is very kind, Mr Sullivan.

Mr Sullivan: Always pleased to be helpful.

THE CHAIR: Ms Porter.

MS PORTER: Good afternoon, Mr Sullivan, and your officials. I wanted to ask a question about expenditure, because we are talking about what is listed on page 28, the community grants assistance and sponsorship. There is a long list which ACTEW

has contributed to in the last financial year. How are these decisions made and are they made in accordance with best practice?

Mr Sullivan: Within our community grants assistance and sponsorship program we have five categories. We have major events, and then we split them up into cultural arts, education and community, we have a community support program where we provide assistance to organisations in particular, and we have a centenary program. Organisations make requests to us or we make a decision. The board sets those categories and the board reviews all payments made.

The company secretary and I are the overheads in the process in that we basically do the work behind the sponsorships. The PricewaterhouseCoopers governance review reported that our sponsorship program was well governed, that the overall governance of ACTEW fell within the guidance of the ASX governance processes and that we, compared to many others, were the most open and transparent utility in respect of disclosure of our sponsorship program, which was then done through the annual report. It was reported to the board on a monthly basis. They made, as one of their suggestions for change—and it actually would have been something that both our shareholders had raised with us—that we could put even more into public disclosure. So since—again, I will get the date precisely—around August-September, when we make a grant, we advise the organisation we are making grants to that that sponsorship or donation will be put onto our website immediately. As soon as a sponsorship or grant is made now, it is on the ACTEW website, which explains the grant, who it went to and for what purpose.

MS PORTER: So it is ongoing?

Mr Sullivan: It is an ongoing program.

THE CHAIR: Dr Bourke.

DR BOURKE: Minister, I want to ask about the epayplus online payment system for paying accounts that ACTEW is part of. Over time, gas accounts have been paid online by epayplus; then they could not be paid like that and now they can again. Recently Grapevine and TransACT phone accounts apparently dropped out of epayplus. Why is this happening, and what say do you have in maintaining epayplus and having other utilities on board?

Mr Sullivan: Epayplus is a very good facility for people, and one day we would like to see it across as many services in Canberra as could possibly be. At the moment, however, there is a lot of work to make our offerings from both ACTEW and ActewAGL look transparent and look together. Your gas account is actually processed by AGL in Sydney off a system which is an SAP system. Your electricity account is processed through ActewAGL in Canberra with the Gentrack system, and your water bills are processed off a Gentrack system based in Canberra.

Prior to the sale of TransACT to the iiNet group, their systems had, for a long time, been built on the ActewAGL platform. But prior to that sale, they had been transferred to their own system, and it has now been taken over by the iiNet system. It naturally dropped out of the purview of the system because it was a takeover by a

national corporation.

Both organisations are looking hard at further systems developments to be able to improve the billing systems to be able to bring all of our billing systems together in ActewAGL. At the moment, that would look to be some time off. That is the major impediment to being able to provide an across-service e-pay system. So you can go into your gas account and get an e-pay system, and you can go into your electricity and water and pay e-pay, but you cannot use other services.

DR BOURKE: Perhaps you could help the committee by letting them know what the benefits of epayplus are.

Mr Sullivan: The epayplus system is basically a chance for a consumer to try and smooth their payments process. There are a couple of things you need to know. You need to be realistic and as accurate as you can be in terms of what you are going to pay, what you are going to be required to pay for your utilities. It does not solve the fact that if you say, "I'm willing to put 50 bucks a fortnight in for my utilities," and it turns out that it is \$100 a fortnight when you get the bill, you have a problem. Or if you get spikes, you will probably get a request to pay. When it works well, it basically allows people who prefer to work off a nice fortnightly budget to be able to apply some money to that fortnightly budget. If they have got a good sense of their utility bills, they will find that they may vary slightly as the year goes on, but they will basically meet their utility bills in a budget-conscious way. Not everyone in this town can suddenly pay a \$500 utility bill if they are not budgeting and saving for it.

DR BOURKE: So that is a direct debit system, is it?

Mr Sullivan: No, there is a difference. Direct debit systems are basically when you allow the utility to pull the money out of your bank account.

DR BOURKE: Right.

Mr Sullivan: If you get a bill for \$500 and you are on direct debit, we will take the \$500 off your credit card or whatever you have approved it to do. This one is a smoothing mechanism. You can say, "I don't know when I get my bills, but I want to put in \$60 a fortnight." You put it in and, as the bills accrue, they sweep the balance and say, "Yes, that's fine; you're okay." You keep running it that way.

Where people do get in some trouble is that they are not very sophisticated systems if they run into arrears. Sometimes you can get into fairly significant arrears, particularly, I think, on the gas side, before the system realises that you have got a problem and then sends you a fairly large bill. As an ideal, however, it really assists lots of people, not necessarily only from lower socioeconomic positions but across the board, in terms of people who are encouraging budgeting well in terms of being able to put money aside.

DR BOURKE: You mentioned some impediments to getting other utilities on board. What are those impediments and what are you doing to get rid of them?

Mr Sullivan: They are mostly systems impediments—getting a system built in a

completely different domain and AGL talking to a system down in ActewAGL. That is quite difficult. The only answer is probably major systems enhancements. At the moment, I cannot see that happening for some time.

DR BOURKE: So it is a gonna?

Mr Sullivan: It is a real goal. For a fair while there, we thought there was going to be some considerable investment in systems, but at the moment that is not going to happen.

DR BOURKE: Thank you.

MS PORTER: Just on the back of that e-pay issue, the system does not seem to work very well—maybe you would like to take this into consideration—for someone who wants to pay a bit more occasionally. They run into problems because someone decides they have got a bit more than they said they were going to have and then they give them credit when actually they wanted to build up the amount.

Mr Sullivan: That is another process where people want to just make an ad hoc credit.

MS PORTER: On top of what they were already regularly paying.

Mr Sullivan: Yes. I will take that on board and just have a look.

MS PORTER: The whole system needs to be taken on board; I think it needs to be looked at so that people who are maybe not sophisticated, as you say, around these payments, and who believe that they can do things that they would normally do if they were paying in a—

Mr Sullivan: From an ACTEW Corporation viewpoint, we are making sure that we do everything we can with water. Then we are using our influence in terms of ActewAGL to bring in electricity, which seems to be the easiest to bring in, and then—

MS PORTER: This is the gas one that is the problem.

Mr Sullivan: The gas is the hardest one. It runs off an AGL system in Sydney.

MS PORTER: Thank you.

THE CHAIR: Ms Lawder.

MS LAWDER: In your modified statement of intent, you have got a new org structure. Can you tell me some of the reasons why you changed the org structure. What were you hoping to achieve? Do you feel you are achieving it? How many jobs may have been lost in that process?

Mr Sullivan: The only jobs that were lost were basically senior jobs. We contracted our executive from six members down to four and we contracted our senior management group from—I will get you a clearer number—something like 23 to 18

or 19 or something like that. Other than that, there were no job losses.

What we sought to do was this. We had moved from having a contracting arm in ActewAGL, which was the ActewAGL water division doing operations. Our first stage was to just bring the business back; we had not really altered it. Our second stage was to say: if this business is going to deliver for us and for our shareholder, and therefore for the people of Canberra, it needs to work within its regulatory determinations; how do we do it? We then created two very key water business units around sewerage and water. We have a group manager sewerage and a group manager water. We have a manager then responsible for projects and maintenance—everyone running around on the trucks as well as driving our new capital works programs. We then have a group which is looking after customers, because we realise we have to be more customer-centric than we have been in the past. They do some corporate services work. We have a group which is looking after safety—and, along with safety, environment and sustainability and compliance in meeting all of the regulatory things that we have to meet. Then we have a business development group. The business development group is hard at work generating some non-regulated business for us so that we can relieve a bit of the pressure on our business on regulated revenue.

MS LAWDER: I suspect you may not be able to answer this, but what type of business development opportunities are you looking for?

Mr Sullivan: We want to play with our skills. We have our skills in terms of what we do, so we look for work in water and sewerage. We even have crazy notions of doing a bit more work for the ACT government one day in water. We are also looking at the opportunities that we believe exist in our region. The government has a very good policy at the moment around regional cooperation. Some of the councils, in particular, around Canberra are looking for assistance and cooperation in the delivery of water and sewerage. We see that as a very good opportunity.

The last priority would be where it is our business but it is not our area. If someone else in Australia said, “We’re looking for some sewerage expertise and we’re willing to pay,” if they paid enough, we would be interested, but we normally would not be. That is the sort of thing. With the business development, I think that the highest priority is really this potential assistance to councils like Palerang, Goulburn, Queanbeyan, Yass and probably down to Cooma—in our catchment, with similar issues to us. It is not hard to envisage a centre of water and sewerage excellence being able to provide services out to some councils who sometimes find it hard to get that sort of skill base together for a much smaller enterprise.

MS LAWDER: In the past I think ACTEW may have owned Ecowise?

Mr Sullivan: Yes.

MS LAWDER: That got sold off, did it?

Mr Sullivan: Yes.

MS LAWDER: So you may go into a business that is in the water area but then decide it is not viable? How does that work?

Mr Sullivan: Ecowise was an interesting case. It was a water quality testing business that had emerged organically out of ACTEW. Then, out of the changes in the ActewAGL partnership, we found ourselves in a co-ownership position with Jemena. We had a partner who basically did not want to be in the water quality business. The outcome of that was that we would not approve any further spending on the business—in water quality, if you do not have scale, you are in trouble—or we would sell it. In the end, we were very pleasantly surprised with the amount of money that a buyer would pay for the business. At the same time, we secured long-term laboratory and water testing facilities for Canberra as part of the sale contract. ALS, who succeeded in buying Ecowise, agreed to maintain the Canberra laboratory; in fact, it has become one of their national laboratory centres. We entered into a long-term contract with them for water quality. So we did not lose anything in terms of our own testing. We got out of a partnership issue which would have otherwise probably damaged Ecowise.

MS LAWDER: Thanks.

THE CHAIR: Mr Sullivan, on page 16 of the modified statement of intent it talks about the commissioning of water security assets, including Cotter Dam. What is the final cost of the Cotter Dam?

Mr Sullivan: We do not know the final cost of the Cotter Dam yet. Our formal line of a budget of 405 and anticipated completion cost of 409 holds. I would probably have more confidence today than ever that it will not exceed the 409. I think it will be somewhere in that range. Early in the new year, I expect to have the next formal iteration of an anticipated outcome cost. I expect it will probably not be until the end of next year that I can actually sit here and say, “The final cost is this.” But I think—

THE CHAIR: End of the financial year, so July?

Mr Sullivan: No; I think even towards the end of the year before. These insurance issues are painful. I have been involved in lots of painful processes, and insurance is one of the worst. I will be talking to my board next week about numbers, and I hope to be able to give an update to the shareholders in early January. The shareholders will pass that on to the Assembly in terms of the motion before the Assembly in terms of change of budget.

THE CHAIR: The second line on page 16 relates to the Murrumbidgee to Googong water transfer pipeline. How much water do we transfer along the pipeline?

Mr Sullivan: We do not transfer anything at the moment. That is good news. We have an operating rule agreed with New South Wales and the commonwealth that while Googong Dam is greater than 80 per cent full, we will not transfer water.

THE CHAIR: All right.

Mr Sullivan: So it sits there. We exercise it. I think the Rural Fire Service has used it once, which was very good. It is a tremendous asset in terms of being able to get water from the river. The Tantangera transfer facility also depends upon it.

Mr Barr: Did it not come in under budget?

Mr Sullivan: It did come in under budget.

THE CHAIR: You mentioned Googong. What is the level in the four dams at the moment?

Mr Sullivan: It is between 65 and 70 under our new regime, and that is because—Googong is basically full.

THE CHAIR: Yes.

Mr Sullivan: I should go the BOM map on my iPhone. Corin is about 75 per cent to 78 per cent full. Bendora is a small dam. It is at about 85 per cent, but basically full. New Cotter is now 40 per cent full. At 40 per cent full, that means new Cotter is now eight times the size of the old Cotter reservoir. It is tracking well and truly along our expectations about filling.

THE CHAIR: And the expectation is that it will fill when?

Mr Sullivan: Two to three years. That is the hydrologist's estimate. I am still willing to put a lotto ticket on it being earlier.

THE CHAIR: Yes, there was a dam in Queensland they said would take years to fill and I think it filled in 25 weeks after it rained.

Mr Sullivan: It never filled for years and then it filled in 25 weeks.

THE CHAIR: It did indeed. Dr Bourke has a supplementary on that document, and I will just come back and finish.

DR BOURKE: Thank you. Coming back to the Cotter Dam, how will this dam provide water security for Canberra over the next decade?

Mr Sullivan: It is a key element of water security for Canberra. It is the most obvious element. It is a very, very large structure. We had a fantastic opening of the dam. Thank you very much to those who could attend. It is a very traditional water security measure. It is a large new water storage. It has access to both the old catchment of Bendora and Corin when it goes over, but it has a very good catchment in its own right. It increases our overall water storages potentially by up to a third.

When you combine that with the Murrumbidgee to Googong pipeline, it means that we can replenish a reservoir which shows some signs of problems now and again through the river across to Googong. Then add in the Tantanger transfer where our water entitlement is bought downstream. It can be exercised and, again, taken over to Googong Dam. It basically means that in respect of the government's stated policy objective of water security that there be no arbitrary restrictions in place for any more than one in 20 years we can say with a degree of certainty that we have water security for a generation in our city state.

DR BOURKE: You mentioned the pipeline was under budget. How much under budget?

Mr Sullivan: I will gladly get you that number. But we got an additional little dividend just towards the end of it of about \$12 million to \$15 million. I would happily provide that one on notice. I think I should be fair. Maybe I should wait for the two of them and present a bit of a consolidated picture. A consolidated picture of the water security project involves three other projects, including Googong spillway and some of the other pump station works. It presents a portfolio approach which is very close to budget.

DR BOURKE: Excellent.

Mr Sullivan: But I am not going to get into a debate about that.

Mr Barr: No-one reports when they come under budget, do they?

THE CHAIR: There you go. Mr Sullivan, you wrote to Malcolm Gray on 26 September seeking a review by the industry panel on the price direction for regulated water. The last paragraph says, "Would you please advise on the steps that the commission will now take in relation to this application?" Have you had any advice from Mr Gray?

Mr Sullivan: Yes.

THE CHAIR: What is happening in regard to that.

Mr Sullivan: The ICRC wrote to me and advised me that they had reviewed our application for review and found it to meet the requirements of the act. They then provided some advice to the Treasurer and his officers in respect of the creation of that panel. Malcolm rightly finalised his comments by saying that once that is in place, the ICRC will step away and let the panel do its work. We expect to hear about the panel pretty soon. It should be up and running early in the new year. We just wait for that. It is not our role to do it. It will be our role, then, to work with the panel.

THE CHAIR: Treasurer, do you establish the panel?

Mr Barr: That is correct.

THE CHAIR: How close are we to having such a panel? Who is likely to be on it? What will be its terms of review? When will it report?

Mr Barr: All will be announced in due course.

THE CHAIR: Why can you not announce that now?

Mr Barr: I appoint a panel. I have not got agreement. There is a massive field of potential candidates to be on a panel. We need to assess that process. Then the people who have the skill sets that are outlined in the act have to be available. As Mr Sullivan

indicated, we would anticipate the panel in operation early in 2014. As for the time frame, the act is somewhat open ended in relation to that. So it may be beyond my power to direct a time period. The process will conclude when the process concludes.

THE CHAIR: You will not seek to put a time frame on it?

Mr Barr: I am not sure I would have the legal capability, but I will seek advice on that matter. I will operate within the bounds of the act.

THE CHAIR: Do you have an expectation about how long it might take?

Mr Barr: No. No, given that these processes have been sometimes years. I hope it will not take that long, but I do not think it is something I have the power to determine.

THE CHAIR: All right. If the inquiry runs for a long period of time, what is the effect of that on ACTEW?

Mr Sullivan: The current determination continues. The next round of work in respect of the determination as it stands is the biennial review, which is to be effected by the end of June 2015. We would probably expect that work on that would commence in around September, October 2014. Clearly, from our perspective, it would be good if a panel could contain its work to that nine or 10-month framework. But we have had a good look at the act as well. The act basically says that once you hand this job over to the panel, the panel will do it as it sees it needs to do it.

I think that nine, 10 months—less than a year—is probably a reasonable time frame, as long as we see a willingness on the part of the panel to basically reuse information and not recreate wheels. I think a sensible panel would probably be quite happy to reuse information. That would cut a lot of the time out as long as they were willing to do it. The act was written a long time ago, Mr Chairman. It basically said, “You guys and women will determine how to do this.”

THE CHAIR: Yes. What is the expected number of people on the panel, minister?

Mr Barr: Three, I believe.

THE CHAIR: And what costs have you allocated for the appeal?

Mr Barr: I do not believe I get to allocate a cost. That is my understanding. The act says “reasonable cost”.

THE CHAIR: How much funding would you make available or what is your expectation?

Mr Barr: We do not make funding available. I think the act requires that reasonable costs—

Mr Sullivan: Reasonable costs are borne by ACTEW. I do not know what reasonable costs are. We have never had one.

Mr Barr: We will test the legislation.

Mr Sullivan: If we got out of it for less than \$1 million I would be very pleased.

THE CHAIR: Ms Porter.

MS PORTER: Thank you. On page 31 reference is made to environmental management and ecological and sustainable development. I was wondering how are we tracking with the government's target for renewable energy supply. Also, down at the bottom of the page it talks about the development of a sustainability framework to guide the business and drive progress. I was wondering if you could give us an update on that.

Mr Sullivan: In this space we have a whole set of, I guess, compliance measures around our performance in terms of environment and ecological performance. We have met and are meeting all of those compliance requirements. The only event that we are involved in which sees us notifying an agency still is output from the incinerators at the lower Molonglo water treatment works. That is not a breach of a compliance limit. But once it hits a certain level, we notify, and we are regular notifiers. That is one of the issues that we intend to take up with the EPA and others as to what more would they like to see us do.

The second area which we are expanding into is compliance. If you run your ecological and environmental systems around compliance, you do not do too much. Perhaps you do not improve the environment and improve sustainability. So we are now looking at—where we are working is basically improving our reach up river to improve some of the water quality, which has a direct effect on our operational expenses. If we can get better water quality, it is cheaper to treat.

We learnt a lot out of the dam in respect of environmental work. We have got biodiversity offsets which we are now managing. We have to manage the fish still. We manage our environmental flows in line with the EPA as well as with the commonwealth in respect of the Cotter Dam as they decided to set a higher level than the EPA felt necessary for the Cotter Dam.

Then we are looking at our own business and asking, "How can we be more environmentally conscious in our own business?" Again, a lot of that came out of the dam. We used a lot of biodiesel fuels and such at the dam. Surprise, surprise, the machines did not stop working! It seemed to be fine. It goes right through to looking at things such as the fact that the lower Molonglo water treatment works is the biggest user of energy. But if you read about where waste to energy is going, it is also probably our biggest source of potential energy.

So we are starting to look very, very hard at how we can do this economically. You cannot do this stuff if it does not make business sense. But if you can do it economically and if it makes business sense, we could look at whether or not we could, for instance, reduce our power take there. I think we are talking about that rather than the carbon stuff. It has got to be more direct.

DR BOURKE: Mr Sullivan, how did the Cotter Dam project stack up in terms of

work safety?

Mr Sullivan: I think it is fantastic. You obviously know that Mr Carmody is the Deputy Chief Executive Officer. At the executive level he really was responsible for ACTEW's contribution there. He would have to answer that question. But I cannot help myself; it was a good record.

Mr Carmody: Yes, thank you for the question. Would you allow me to set the scene? Two and a half million hours were worked out at the Cotter Dam over a four-year period. We placed a million tonnes of concrete in all sorts of weather—from minus 10 to over 40 degrees. We had a very, very good safety record. I know we made the press for a whole lot of reasons—cost blowouts; 12 per cent at the moment, but not necessarily a blowout. I think we dealt with the cost alright. Certainly there was a bit of talk about the safety. We needed our colleagues from WorkSafe, our colleagues from CFMEU and other interested stakeholders to all work together to get a very, very good safety result.

There was no LTA, no lost time injury. No injury is good. We had seven. Of the seven, three were reasonably serious medical injuries. That is way too much. But that is less than two lost time injuries per year over the life of that project. That is a very, very good result. Once again, we have to drive harder. We are making a difference, too, by taking the learnings from the dam in that hazardous working environment and bringing those learnings back into ActewAGL. ActewAGL are doing that and also back into ACTEW Water.

We are codifying that into our safety instructions. We are learning the lessons through those processes. I am very confident that the Canberra community, the construction community, and certainly the water business and the energy business are better off as a result of the safety lessons we have learned out at the Cotter Dam.

THE CHAIR: Our time is at an end, unless Ms Lawder has a very short question.

MS LAWDER: It might be short. It depends on the answer.

THE CHAIR: Requiring a very quick answer.

MS LAWDER: In the org restructure, earlier you said you had a new client service area. I will refer very briefly to the ACAT decision about a leak and the big bill someone got. So that was a client service issue but also a water wastage issue. Can you briefly touch on some changes that you might have made in response to that?

Mr Sullivan: Yes. The issue of what I call undetected leaks in Canberra is a big issue. Very technically, if it is your side of the meter, it is your water. And if it is your water, you should pay for that water. We have had a long-term policy which says that if we conclude that you did not have a reasonable knowledge of that leak—and that is really evidence of pooling water—we will provide relief to you in respect of that situation, up to a maximum compensation of \$2½ thousand. That sounds like a lot, but I do not think what a lot of people know is that if you leave your home in Canberra, do the last flush on the loo and, without realising it, it has not stopped and you go away for, as some people do in Canberra, winter—and this is an actual case—you can come back

with a \$3,000 or \$4,000 water bill purely by that leak.

With respect to the ACAT case—and I will not talk about it specifically—it really said (1), it is difficult, and (2), we have got to engage more personally. We should not rely on legal processes in ACAT solely. ACAT have a good history of reaching a good moral conclusion, and the legals will work themselves out. We take notice of that, because I think that is what you want a community administrative jurisdiction to do, as much as precisely do the law. So it really has guided us a little more. There is probably now more senior, direct interaction with cases before ACAT than there has been before. And that is positive. There are other technical issues but it has worked well.

THE CHAIR: Thank you for that, Mr Sullivan. Before I close the hearing, there are a number of things to highlight. For any questions taken on notice, we would like an answer by Monday, 13 January. Written supplementary questions from members are able to be lodged for three working days after the proof transcript becomes available, and if the committee has any further questions, they will forward them to you, again, with an expected answer by Monday, 13 January. On behalf of the committee, Treasurer, Mr Sullivan and your officials, thanks for your attendance today and for your candour. When available, a proof transcript will be forwarded for either comment or any suggestions that you might like. With that, we will formally declare this part of the hearing closed.

Short suspension.

THE CHAIR: We will recommence. I welcome the representatives of the ICRC and the minister to the Standing Committee on Public Accounts inquiry into the 2012-13 annual reports. Thanks for your attendance today. We will be looking today at the ICRC's annual report. I would like to bring to the attention of witnesses the privilege card that is in front of you and draw to your attention the privileges that it affords you and ask whether you understand the implications therein.

Mr Gray: We do.

THE CHAIR: Thank you very much for that. I remind you that proceedings are being recorded by Hansard for transcription as well as being webstreamed and broadcast live. Treasurer, you might like to make an opening statement.

Mr Barr: As tempting as it is, we are already five minutes in, so I will pass on that opportunity.

THE CHAIR: We will move right along, then. Mr Gray, on 26 September the head of ACTEW sent you a letter asking for a review. What process does that trigger and what have you done?

Mr Gray: It triggers a process whereby in the first instance the commission handles the application. I think it has already been described to you that the commission reviews the application to make sure it complies with the act. It then sets in train the process for the convening of an industry panel. That involves briefing the Treasurer's office and the Treasury about the responsibilities under the legislation, putting a

notice in the newspapers to advise people that an application has been received and writing letters to all those people in the act who are identified as eligible persons, to advise them that an application has been received and that they, if they wish to appear as a party, need to advise the commission within 14 days of that intention so that their interests can be registered.

We did all of that. We kept a register of such submissions, and we passed all of that material, together with a detailed brief on the steps we took to discharge our responsibilities, over to the Treasury for on-forwarding to the industry panel when it takes up its responsibilities.

THE CHAIR: In the letter that Mr Sullivan sent you, at the bottom of the first page and the top of the second it says:

Some of ACTEW's key concerns with the Price Direction relate directly to a lack of regard for the requirement in the Act to recognise properly the cost of providing services ... and an appropriate rate of return ...

Do you accept that concern—that you had a lack of regard for the requirements of the act?

Mr Gray: No.

THE CHAIR: What now happens in regard to the panel and how does the ICRC participate and defend the determination that it has made?

Mr Gray: It does not defend it as such. The matter of the appointment of the panel, as you have already been advised, is a matter for the Treasurer as the referring authority. The role of the ICRC from here, from the time we pass the documents over to the Treasury, is dependent entirely on the assistance that the industry panel might require of us. Under the legislation the industry panel is entitled to make various requests for assistance of us, and under the legislation we are compelled to provide that assistance, as required by the industry panel. The extent of that assistance is a matter for the industry panel to determine. We simply stand ready to provide whatever assistance it is that they require of us.

THE CHAIR: On page 5 of the letter, in the final paragraph there is a sentence that says:

The extent of these expectations was later discovered to be misrepresented, due to a mistake in the Commission's water volumes forecast "*that meant that the 16 per cent decrease [the Commission] spoke of should have really only been around a 10 per cent decrease.*"

Did you misrepresent the water volumes forecast?

Mr Gray: No, we made a mistake in dividing the water volumes forecast between the high and low-tariff blocks of customers.

THE CHAIR: It then goes on to page 6—

Mr Gray: That mistake was acknowledged in our final report.

THE CHAIR: It then goes on, at the top of page 6, to say:

Of particular concern is Mr Houston's view that "*the ICRC's decision is close to the low water mark in terms of the relatively poor process that it has adopted.*"

Do you believe that your processes were poor?

Mr Gray: I think our processes were heavily constrained by the resources we had available to us and the difficulty of the issues that confronted us. Given those two considerations, I think our processes will stand scrutiny.

THE CHAIR: If you are heavily constrained by the resources that you had, have you made budget bids for additional resources?

Mr Gray: It was not a question of money; it was a question of the availability of the relevant people at the relevant time. That was a matter we progressively addressed over time. If we were given that same reference today, we would be in a much better position to address the issues that it raised than we were at the time that the reference was actually received.

THE CHAIR: Thank you. Ms Porter.

MS PORTER: Good afternoon. My question is about community consultation, community engagement. There is a reference on page 31 of the report. Could you talk a little more about that?

Mr Gray: We take the issue of community participation very seriously. It is a very difficult issue for us because many of the issues we deal with are technical in nature and it is sometimes difficult to explain to as broad a sweep of the community as we would like what the issues in question are. We have changed the way we structure our reports. We have changed the written style of our reports to try to make them communicate more effectively. We have also taken steps, for example, through our community consultation forum during the water inquiry to engage the community as and when issues arise that we think they need to be aware of. We, in that case, actually varied the program of activity in order to accommodate an extra effort to engage the community.

MS PORTER: So you believe that is working?

Mr Gray: Yes. It is very difficult to achieve substantial change quickly, but I think we have got better engagement and a broader sweep of views entering the commission on the issues, for example, of the water inquiry particularly, whereas, as you would be aware, living in the community, there was a deal of interest in the issues in question than has been the case on previous occasions.

THE CHAIR: Dr Bourke.

DR BOURKE: Still talking around the community, on page 1 of your report you

mention the controversy around your water and sewerage price determination, but also the positives that came out of the process, with more transparency and perhaps a better understanding of ACTEW's responsibilities. Could you expand on the positives that came out of that process.

Mr Gray: Yes. The previous method of determining prices for water and sewerage services in the territory was complex and separated from the practical realities of the business that ACTEW runs on a day-to-day basis. What we have achieved, I think, through the changes that we have made, is a much closer correspondence between the cost of ACTEW's borrowing, the return to the community, operating costs and the price that is actually paid by water consumers than was previously the case.

We can now clearly see what the return on equity is that the government on behalf of the community is demanding. We now have a specific consultation process in place with government to get their views on that. That does not involve the commission giving up its responsibility for determining that magnitude, but we now have, in a much clearer, sharper and more transparent context, an opportunity for government to make its views known to us. From the point of view of the community, they can now see much more clearly what the components of the water price are and how they relate to money that ACTEW is actually having to pay out on a year-by-year basis for the goods and services that it buys for the interests that it needs to pay and so on, and for the dividends that ultimately flow through the Treasury to benefit the community of the ACT.

That transparency, we think, is very important, very valuable, both in terms of community confidence in the performance of ACTEW and also in terms of the government being able to set policy and performance standards for ACTEW in terms of its capacity to earn a profit and to be able to hold it to those expectations or objectives.

DR BOURKE: Given that you have talked about increased community confidence, what is your evidence for that?

Mr Gray: That there will be increased community confidence?

DR BOURKE: No, that there is.

Mr Gray: I do not think there is yet. I think there will be as this process takes hold and people can see more clearly what the relationship is between what they are paying for water and the cost of providing that water in the various categories of expenditure that ACTEW needs to make.

DR BOURKE: Thank you.

MS LAWDER: On page 12 of your annual report I note that there were two section 41 notices issued to ACTEW Corporation. Were they required or requested in relation to the price determination investigation, and did ACTEW respond and explain why they were not providing them?

Mr Gray: Yes. ACTEW's response to the section 41 notices was to claim that they

did not have the material that was sought and therefore could not provide it.

MS LAWDER: Was it something you were looking for in relation to the price?

Mr Gray: Yes. We were looking for specific information, most importantly, about the forecasts of water sales volumes for the period of the review going forward from 2013 through to 2018. That was not forthcoming. At the time we served them the notice, when they put in their revised submission—in fact, earlier than that, in February and then when they put in their revised submission—that information was provided. The difficulty the commission had was that it needed that information for the purposes of its draft report. What we did in the absence of that information was substitute forecasts of our own.

MS LAWDER: So you feel that perhaps you were really helpful to ACTEW in prompting them to think about that forecast?

Mr Gray: I think ACTEW was thinking about that forecast very carefully anyway.

THE CHAIR: The national energy customer framework has now been in operation for over a year. How is it functioning in the ACT?

Mr Gray: Generally well, I think. It obviously impacts on ActewAGL as their regulators move from being us to being the AER. We have seen no signs in our dealings with ActewAGL, including in our relationship with AER, that suggest it is not going well. From the territory's point of view, certainly in respect of the matters that we have covered, there have been various small logistical glitches as we have uncovered things that we have not quite thought through as carefully as we might, but they have all been minor, and generally speaking the system, as far as the territory is concerned, is working well. And as you would be aware, the territory was one of the few jurisdictions that crossed the line on time.

THE CHAIR: So the minor glitches have all been rectified?

Mr Gray: They either have been rectified or are in the process of being rectified.

THE CHAIR: Does that involve changes to legislation?

Mr Gray: It may in some cases, yes—to clarify matters in terms of, for example, the changes to the licensing regime, where the licensing regime shifted from the territory to the AER. There were some responsibilities left with the territory—for example, for the regulation of retail electricity prices and the relationship between those two things. The responsibility for regulating electricity prices had previously been closely tied to the licence regime and the notion of a franchise customer. There are still some small issues to be sorted out, mainly in terms of terminology, as a consequence of the licensing responsibility shifting to the AER.

THE CHAIR: So the Treasurer will bring that forward. Will you make recommendations that legislation be made?

Mr Gray: I think it will probably be done by the Treasurer's colleague the Minister

for the Environment and Sustainable Development.

THE CHAIR: Ms Porter.

MS PORTER: No, thank you.

THE CHAIR: Dr Bourke.

DR BOURKE: Just going around that transition, which I understand is moving some of your functions to the Australian Energy Regulator, are there any savings accruing to you as a result of that transfer?

Mr Gray: Certainly our workload in that area has been reduced. As we describe in our annual report, that change caused us to re-evaluate our strategic requirements going forward. We have done some restructuring of our workforce involving some savings as a consequence of the NECF and other changes in the nature of our workload moving forward.

DR BOURKE: On the subject of savings, have you got a view on what savings to Canberra consumers might result from the federal government's abolition of the carbon tax?

Mr Gray: That is an issue we are currently wrestling with. It is very much through a dark glass very darkly at the moment, I am afraid, Dr Bourke. It is really hard to tell. We do not know when those changes will bite, when we will be able to reflect them in our electricity prices and so forth. The other factor that one needs to bear in mind is that this year is a year in which the AER is undertaking a review of our network charges for transmission distribution services. We previously had been on a fairly stable growth path for those prices. That makes that element of the pricing structure, which is the single most important element, subject to more uncertainty than would normally be the case.

DR BOURKE: Thank you.

THE CHAIR: Just for the record, the AER is?

Mr Gray: The Australian Energy Regulator.

Mr Barr: Page 13.

THE CHAIR: That is fine; it is just that it was never mentioned. Ms Lawder, a final question, if you are quick.

MS LAWDER: Thanks. In your annual report you state:

We believe there is a strong case for ceasing production of the Compliance and Performance Report and collecting data more directly aligned with the Commission's statutory responsibilities

If this were to happen, what data would cease being reported on? And would someone

else take up that responsibility for reporting instead?

Mr Gray: Again, it is a consequence of NECF in that responsibility for large slabs of regulation of our energy utilities shifted from the commission to the Australian Energy Regulator. They have a data collection system of their own and they have data publications of their own, so to some degree the balance will be taken up by those institutions.

When we came to look at that, though, the other thing we discovered was that there had been a kind of organic growth in the data collected. A significant amount of it was not strictly relevant to the functions we were asked to discharge, and we did not feel it was appropriate for the commission to impose the costs on the utilities that are involved in collecting and providing that data. So we will cut back the overall quantum of datum that will be collected. Some of it will be published by the AER, where they have taken over responsibilities. In future annual reports we will include a summary of the data that we will continue to collect and we will make it available in more readily analysable form on our website for people who want to pick it up and do data analysis.

MS LAWDER: Thanks.

THE CHAIR: Minister and officials, thanks very much for that—particularly, Mr Buckley, for your accurate and erudite answers, as always! In relation to any questions taken on notice, we need answers by Monday, 13 January. Members, you have got three days after the transcript becoming available to put additional questions on notice should you so wish. If the committee wants to put any questions on, they will have them in quite quickly; again, answers are expected by Monday, 13 January.

Treasurer, on behalf of the committee, thank you to you and your officials for their attendance throughout the afternoon and their answers. When a proof transcript is available, we will forward that to witnesses for them to check the accuracy and suggest any corrections if necessary. I formally declare the public hearing closed.

The committee adjourned at 4.01 pm.