



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Annual and financial reports 2013-2014](#))

Members:

MR B SMYTH (Chair)
MS M PORTER (Deputy Chair)
MS N LAWDER
MS Y BERRY

TRANSCRIPT OF EVIDENCE

CANBERRA

MONDAY, 10 NOVEMBER 2014

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.

APPEARANCES

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Amended 20 May 2013

The committee met at 9.01 am.

Appearances:

Barr, Mr Andrew, Deputy Chief Minister, Treasurer, Minister for Economic Development, Minister for Housing and Minister for Tourism and Events

Chief Minister, Treasury and Economic Development Directorate

Nicol, Mr David, Under Treasurer

Miners, Mr Stephen, Executive Director, Finance and Budget Division

Bulless, Mr Neil, Executive Director, Expenditure Review Division

Doran, Ms Karen, Executive Director, Economic and Financial Group

McAuliffe, Mr Patrick, Director, Asset Liability Management, Economic and Financial Group

Murray, Mr Peter, Executive Director, Infrastructure Finance and Advisory Division

Hays, Mr Tony, Senior Manager, Expenditure Review Division

ACTEW Corporation

Knox, Mr John, Managing Director

Sachse, Mr Sam, General Manager, Finance

Webb, Mr Chris, General Manager, Safety and Business Solutions

Independent Competition and Regulatory Commission

Gray, Mr Malcolm, Senior Commissioner

Buckley, Mr Mike, Commissioner

ACTTAB Ltd

Kourpanidis, Mr Con, Chair, ACTTAB Board

Quinlan, Mr Ted, Deputy Chair, ACTTAB Board

THE CHAIR: Welcome to this hearing of the Public Accounts Committee. I formally declare open this public hearing of the Standing Committee on Public Accounts inquiry on the 2013-14 annual reports. On behalf of the committee, I would like to thank you all for attending. I know how much you enjoy these sessions, Treasurer and relevant directorate and agency officials!

The proceedings this morning will commence with an examination of the 2013-14 annual report of the Chief Minister and Treasury Directorate as it relates to the following matters: economic management, financial management, the superannuation provision account, the territory banking account and the ACT Compulsory Third-Party Insurance Regulator. At approximately 11.30, we will move to the 2013-14 annual reports of ACTEW Corporation, followed by ACTTAB Ltd and concluding with the Independent Competition and Regulatory Commission. We hope to conclude at approximately 1 o'clock.

I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement 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: Thank you, minister. I also remind witnesses that the proceedings are being recorded by Hansard for transcription purposes and are being webstreamed and broadcast live.

Before we proceed to questions, Treasurer, would you like to make an opening statement?

Mr Barr: No.

THE CHAIR: Fantastic, Treasurer; thank you for that.

Mr Barr: You don't have to be that enthusiastic!

THE CHAIR: We have had some interesting statements, but yours are always brief and to the point, which is always welcome. The minister knows that I am in favour of brief speeches where appropriate.

Treasurer, could you please explain, for the 2013-14 financial year, what was the cost to Treasury of support to the Capital Metro project?

Mr Nicol: I think I will have to take that one on notice. I do not think we have specifically put a budget aside for capital metro. We have a PPP unit, which is approximately a team of six, which is covering capital metro, the ACT Supreme Court project and associated projects. We have not specifically split out the costs attributed to each project. Also, the budget division spent some time working on capital metro, but again we have not split out costs associated with particular projects. That is very much officers working as needed during briefing for cabinet or briefing for the minister, or analysing the project costings et cetera.

The costs have been, I would say, modest, but when needed we apply the resources to provide the government with briefing.

Mr Barr: Performing the usual role of a treasury on major projects, regardless of what the project is.

THE CHAIR: Was the full business case that was released on capital metro run past Treasury?

Mr Nicol: Yes.

THE CHAIR: What commentary did Treasury offer on the business case?

Mr Nicol: Perhaps I can call Mr Murray to the table. We had significant interactions with capital metro on various components of the business case. I myself was the deputy chair of the project board; it went through the project board. I personally read the business case several times—I will not say how many, but it was quite a few—and had one-on-one sessions with officials from the Capital Metro Agency to go through

the business case to assess and question various aspects of the business case and provide our input. Mr Murray, who is head of the Infrastructure Finance and Advisory Division, also had significant input. I might call on him to give his views.

Mr Murray: Our role on the review of the business case is primarily around reviewing the financial analysis of the business case to make sure that we are comfortable with the assumptions and to sign off that the organisation that has undertaken to prepare the financial analysis we believe has the capability to do so. That project analysis was undertaken. The business case was prepared by EY. We undertake the review of that financial analysis, and there is also a review undertaken by the Finance and Budget Division.

THE CHAIR: How much time has your part of the Treasury spent on capital metro?

Mr Murray: We attend a whole range of meetings with capital metro. We work with them in developing the commercial principles for their project and support the commercial and financial advisers. It is very hard to quantify exactly how many hours we might spend per week, but let us say we might spend up to five hours a week on capital metro. We also spent a lot of time, obviously, on the first PPP project, which is the ACT courts project. We also spend some time looking at potential future PPP projects; there are other projects in early stages of development where we might look at supporting those projects as well.

THE CHAIR: Treasurer, there are reports in the *Canberra Times* this morning about early payments. Is that under consideration?

Mr Barr: I have seen the *Canberra Times* report that referenced the business case. I have said about 200 times that the government would consider making a capital contribution, and that would come either at the completion of construction or at the first refinancing period. Those are decisions that will be taken in a budget context at the appropriate time.

THE CHAIR: Is there a quantum of how much such a capital contribution might be?

Mr Barr: No, not at this stage. However, the government is setting aside funds from the asset recycling initiative and other asset recycling options towards infrastructure projects. The \$105 million from ACTTAB is an example of that. That is the first down-payment on our infrastructure program; there will be a large number of other asset sales that will raise the capital necessary to make a contribution to the territory's total infrastructure requirements in the next four years.

THE CHAIR: Could you provide the committee with a list of all the asset sales and if you are in debt—

Mr Barr: That have been undertaken to date? Yes.

THE CHAIR: To date, and what is intended in the future.

Mr Barr: No.

THE CHAIR: As far as you can.

Mr Barr: As far as I can, yes. As far as they have been publicly announced, yes.

THE CHAIR: Ms Porter, I think you said you have a supplementary.

MS PORTER: My question is around the market-sounding process that is mentioned on page 32 of the report. It talks about the directorate providing support and advice for the scope and facilitation phase, including this market-sounding process. Is this what we have just been talking about? If it is not, could you clarify that for us, please?

Mr Murray: Market sounding usually is the first stage of any procurement process. Typically, it is intended to test a series of hypotheses about a project and to get some feedback from the private sector. I can give an example if it helps the committee.

MS PORTER: That would be helpful.

Mr Murray: When we looked at the ACT courts redevelopment project, we tested out a range of delivery models with the private sector to get an idea of what their appetite might be for different delivery models. That process indicated some interest in a public-private partnership as the delivery model for that project. That led to informing the way we went to market with the procurement process further down the track.

We test out a range of issues, and get some feedback; hopefully, that informs our procurement process and how we take the project to market.

THE CHAIR: Any other questions? No? We will go to a new question.

MS PORTER: On page 28, Treasurer, it mentions the lifetime care and support scheme for persons catastrophically injured in motor vehicle accidents. What economic management tools are employed in administering this scheme to ensure it delivers the best outcome for those that are so injured?

Mr Barr: I will ask Ms Doran to respond to that.

Ms Doran: I am the Lifetime Care and Support Commissioner. The lifetime care and support scheme has only just been established. We had legislation passed on 1 July 2014, so we are in the early stages of setting up that scheme. In terms of economic management, which I think was the core of your question—sorry, I was in transition.

MS PORTER: Yes; it is mentioned on page 28 of the report.

Ms Doran: Yes. Essentially that is around establishing an appropriate financial structure to support that scheme, to ensure that the assets are held in a separate fund and will be there long term for the scheme. The nature of the liabilities under this arrangement is that we provide support for the lifetime of an injured person. We establish a levy to collect the funds for that scheme. That levy is determined to cover the future costs, so the whole lifetime costs, of expected claimants in a year, so it is important to have financial structures or economic management structures that lock

away that money; ensure it is there for the long-term purposes; and ensure, of course, that it is adequate to meet those purposes over the lifetime of the scheme members.

MS PORTER: And you believe that these steps ensure that it will in fact deliver that?

Ms Doran: Yes, I am confident of that, because there is a legislative framework that establishes the rigour of that financial structure; it establishes the purpose of the fund and that the moneys can only be used for that purpose. There will also be regular actuarial review processes on an annual basis that ensure that we are monitoring and tracking the sufficiency of the fund and adjusting the levy as necessary to make sure that it stays online for its purposes.

MS PORTER: New South Wales has similar arrangements? Is that correct?

Ms Doran: That is right. We have modelled our scheme largely on the New South Wales arrangements, which have been in place now for four or five years.

MS PORTER: Are there any lessons to be learned from their experience that we have been able to benefit from?

Ms Doran: We are working closely with them, and we will continue that. We are certainly learning as we go. They were very helpful to us in the processes of setting up the legislation and the guidelines, and with some of the detail that they had learned in their processes in terms of assessing the claims, getting the right case managers in place on claims, and getting those processes working in a timely manner. We are certainly leveraging off their experience in that space in terms of establishing the appropriate levy. Of course, we have limited data from our own experience at the moment, so we are leveraging off their claims experience, their history of managing the fund, and adjusting that to our own circumstances in determining our own levy.

MS PORTER: Surely, though, we would have had some data about how many people would have been injured in this way in the past.

Ms Doran: Certainly from the CTP scheme we have been able to draw some of the data. The issue is that the lifetime care scheme is a no-fault arrangement, whereas the CTP has always been an at-fault arrangement, so it provides us with only a portion of the data. We have been able to look at hospital records and emergency ambulance records, but because at that time they were not tracking these sorts of cases right through their life it has only given us a piece of the information. The New South Wales extensive dataset has been very useful for us in extrapolating from our own experience to get a better idea of the long-term lifetime costs of these sorts of schemes.

THE CHAIR: Just as a supplementary to that, what discussions have we had with New South Wales? Have we struck an agreement with them yet?

Ms Doran: Yes, that is an ongoing discussion that we are having with New South Wales. It is a very positive and a well-advanced discussion. In setting up the scheme originally, as I have mentioned, we worked closely with New South Wales. They were very supportive in helping us to establish our framework and our legislative arrangements. It was always intended, informally, that we would explore with them

the option of them providing services to us, basically us outsourcing the administration of our scheme.

There have been necessary legislative arrangements to be put in place to allow that to happen. There have been some legislative changes needed at the New South Wales end to allow their framework to provide a service in that way. That legislation is currently before their parliament. It explicitly mentions the ACT as a party that they are looking to provide services to in this way. So they are opening it more broadly to provide services to third parties but recognising the ACT explicitly as one of those parties.

THE CHAIR: And resolution is likely when?

Ms Doran: It is always difficult to know the timing on these sorts of legislative processes. The bill has been introduced, and the first reading has occurred. It is now up to that parliamentary process in terms of time frames. But while that process is happening, we are well advanced in terms of the next stages in discussions with New South Wales, which is draft MOUs, draft operational manuals. All going well, we are well positioned to have it all in place fairly quickly. In the meantime, they are supporting us informally as we are setting up our own structures.

THE CHAIR: It is fairly quickly when the legislation is passed?

Ms Doran: Once the legislation is passed, yes.

THE CHAIR: A new question from Ms Lawder.

MS LAWDER: I am interested in the procurement of the 300 new paid parking machines. What kind of procurement process was it, and will all of the machines have credit card payment capability?

Ms Doran: Yes, the procurement process on the first stage of the pay parking machine exercise, which was the off-street parking machines, was a typical open-market tender process. We went through two stages in that procurement. We went to market initially on an expression of interest approach, particularly to get more information on the types of technologies that might be available and the types of more innovative approaches that could possibly be available to the government.

On the basis of that, we refined our tender materials and the detail and specifications. The request to tender went out to market, and it went through a normal procurement assessment process on the responses that we received.

Yes, there were around 300 machines installed as a consequence of that process, and they all provide a credit card service.

MS LAWDER: Were they replacing 300 old meters or were some put in new locations?

Ms Doran: There was a mix. Some of the better-quality, older meters, which could be upgraded to take credit cards, were. That was the approach taken. I apologise, I do not

have the exact numbers, but I think it was around 200 or so of the 300 were new machines, and the remainder were upgraded. That was to balance the costs of the process. As I said, it was based on an assessment of the quality of the machines that were there, but they all do have the same credit card capacity. Even when they were upgraded, it was the shell that remained there. The technology inside was totally replaced.

MS LAWDER: Did all those 300 have the smartphone payment option as well as the credit card?

Ms Doran: They all have that option.

MS LAWDER: Do you know the ongoing maintenance costs for those 300 and then, more generally, all of the parking metres?

Ms Doran: I would have to take that on notice.

Mr Barr: The operation of it sits under another directorate. We just undertook the procurement process but you can probably pursue that.

THE CHAIR: Why did Treasury undertake the procurement? Why was it not done by ORS?

Mr Barr: I was tasked with it and got on with it.

Mr Nicol: It was an exciting process for us, something that we do not normally do, and with some skills we got it. We were asked to do the procurement. I was not informed why at the time.

THE CHAIR: Was that because there was a lack of procurement skills in ORS or it was too small a procurement or what was the—

Mr Barr: A decision was taken to prioritise the project. I was given carriage of it and delivered it.

THE CHAIR: Ms Berry, a question.

MS BERRY: I know that there have already been some questions about capital metro this morning but I want to ask specifically about how the public-private partnership is going to be managed. I understand that it is the first time the ACT government has entered into that kind of arrangement. Could you explain, Treasurer, how the finances for the development of the capital metro project will be managed from the start, when payments will actually start being made, where the money is coming from?

Mr Barr: Sure. We will go to the first part of the question in relation to the PPP process. The Supreme Court is the first, and that project is more advanced than the metro project. Peter Murray heads the area within Treasury that is working on this. Peter, do you want to give a brief outline of the PPP process and how each one is different?

Mr Murray: The first PPP project undertaken in the territory was the ACT courts redevelopment. The process for the way a PPP typically progresses is this: we start with a market sounding process; we progress to an expression of interest, which has been undertaken for the courts project; then we shortlist those respondents, and we have shortlisted two consortia to move forward on that project; we will then issue a request for a proposal; we will evaluate that.

We go through two processes then. We go through contractual close where we actually execute the contracts and then, depending on various market conditions, we subsequently go to financial close. It is at that point we undertake the process called the rate lock, where we lock in the availability payment which commits the government to a series of payments once the asset is commissioned.

From financial close there is a period where the asset is constructed. Then at the end of construction the asset is accepted. Once it is accepted, then the, typically, quarterly availability payments would start. So it is at that point in time that the government will make payments to the PPP co on an ongoing basis.

Mr Barr: In terms of the second part of the question—we did touch on this earlier—the government will consider making a capital contribution to the capital metro project at an appropriate time close to the completion of construction. The point of taking a PPP is around the appropriate apportionment of risk within a project. So we are very clear here that we will not be making any payments until the project is constructed and operational. At that point it may well be financially prudent for us, having had an operational project, to then quickly pay down the debt. We are undertaking a process—it has started—and we will continue a process over coming years to put money aside to make capital contributions towards the territory's infrastructure program.

That money is being raised principally through asset sales. They come in three main forms. The first we have completed is ACTTAB, at \$105 million plus a 15 per cent bonus from the commonwealth government to recycle, as they are calling it, that money into a new public infrastructure project.

The second range of assets that we are looking at relates to surplus government property and we have already identified a number of sites along the capital metro route, for example, Macarthur House, the former Dickson motor registry and potentially soon the former visitor information centre as we have a process underway around relocation. They are some examples of assets that will be put through that asset recycling initiative process, the proceeds of which apply then to new public infrastructure.

Thirdly, we have a significant level of landholdings and undeveloped sites throughout the territory that are available for sale. We continue a regular sales process. The proceeds from those asset sales are also made available for infrastructure projects. In fact, the history of infrastructure financing in the ACT pretty much since self-government is that as we have released new suburbs, for example, the revenue that is generated from that has delivered a capital fund that has allowed the government of the day to then invest in public infrastructure. We will continue that model. In some instances we are looking to accelerate it with particular site releases associated with

major projects.

It is not just capital metro. I think that is the point to stress here. There are a number of other projects that will either be partially funded or fully funded by asset sales. Included in those are a number of the elements of the city to the lake project and we will also, obviously, continue to put projects forward through the national infrastructure Australia process to seek commonwealth co-funding for a number of the major projects.

MS BERRY: To be clear, because I have had a lot of people ask me about this, from 2016 to 2021 when people are actually on the light rail, that is when the first payment will made?

Mr Barr: That is correct.

MS BERRY: From money that the government has been putting away?

Mr Barr: Yes. We are putting money aside to make a contribution to the infrastructure payment. We will not be paying anything until the service is operational and then we will make a decision based on financial advice from, amongst others, these two areas of government on when would be an appropriate time to make a capital payment.

We want to achieve the risk transfer. The risk of the delivery of the project sits with PPP co. Once it is complete and operational we can then pay down debt and that gives us a number of years to accumulate funds, which we have already begun doing and will continue to do, from asset sales to fund these infrastructure priorities. And there are obviously a number of them in the government's four-year \$2½ billion infrastructure program. Capital metro clearly is the most high profile of those but there are a number of other projects that will also be funded in this way. It is a combination of debt and equity funding, effectively, in the context of a number of these projects where the government will recycle capital.

This is an approach consistent with other state and territory governments and provides a very viable way for the territory to build up a significant pool of capital over a five-year period and beyond in order to set that money aside to pay for these major infrastructure projects. It is very prudent forward planning.

MS BERRY: People are concerned about the risk that might be involved in the public-private partnerships. I know the risk is taken away from government in some respects, but how is the public-private partnerships risk to the community managed? How is that? Is that in a contract or what sort of protection is there for the community that they are getting the right deal?

Mr Barr: That is correct. This is the phase that Mr Murray talked about. There is a significant period—and this is why PPP procurement takes longer—of contractual negotiation in relation to service levels, for example, and there is a structure put in place. We will make payments, for example, on metro for timely service delivery, clean, well-maintained assets. There are a series of penalties and incentives that are put in place for the effective delivery of service.

A question that is often raised relates to patronage risk. We currently take 100 per cent of the patronage risk on our public transport system, so we provide a lump sum amount to ACTION buses and receive all of the ticket box revenue, so if there are 2 million people riding ACTION buses or two people riding ACTION buses, we provide the same payment for the provision of the service and the level of revenue that we get in return is entirely dependent upon the level of patronage.

Some examples in the past decade where public private partnerships have not succeeded is where government has sought to transfer that patronage or usage risk to the private sector, particularly around toll roads. The east-west tunnel in Sydney is an example of this and I think there is a motorway or two in Brisbane where the level of usage was not what either the government or the private sector company that had taken on the PPP had anticipated, and the PPP company went broke. They are not taking those risks anymore; those risks sit as they currently do with government, which goes back to the point I made earlier about the benefit of this sort of procurement for a small number of projects is that appropriate risk transfer. We are not seeking for the private sector to take patronage risk in relation to the project.

THE CHAIR: A supplementary: what is the fall back? How does the PPP make money out of it if the patronage is not there? That is just a risk they bear?

Mr Barr: That is part of the contract negotiations.

Mr Murray: There are two distinct types of PPPs—economic and social PPPs. Economic are typically build, own, operate, transfer where the PPP co takes revenue risk. Under the model we are using, which is the availability payment based PPP, we make a quarterly payment to the PPP co, and that is where they recover an equity return as well as servicing debt and paying the operation and maintenance for the project.

Their equity rate of return will be in their big model they submit to us, and it will be nominated in that model. Depending on how they perform, subject to how they might be abated in terms of their performance on the project, that will determine ultimately what return they earn on the project.

THE CHAIR: If the patronage numbers capital metro have estimated do not occur, who carries the risk there? Is it the PPP?

Mr Murray: No, PPP co will not take any revenue risk on capital metro.

Mr Barr: It will be done like it is now with ACTION buses. We take 100 per cent of the patronage risk.

THE CHAIR: So if folks do not turn up, we still pay.

Mr Barr: Yes, as we do now with ACTION buses.

Mr Murray: And if patronage exceeds forecasts we—

Mr Barr: We get the upside.

THE CHAIR: In regard to the contract, who will sign the contract for the PPP?

Mr Barr: It will be a delegate, presumably.

THE CHAIR: Is it signed in Treasury? Is it signed in capital metro? Is it done by Chief Minister's?

Mr Nicol: I think we are going to have to take that one on notice. I have a suspicion it will be me, but I will have to take that on notice.

THE CHAIR: That would be kind. And will it be a standard government contract? Will it have all the sorts of protections for government and exclusion clauses and exit clauses that would normally be in a standard government contract?

Mr Murray: The contracts for a PPP are extremely complex. Not with government but in totality, we are probably talking about 200 to 300 executable documents that will form part of the overall suite of contracts. As I said, not all of those will be with the government. The prime contract will be the project deed, which will execute between government and PPP co. There has been a long history of development of the sorts of forms of contract that we execute for PPPs, and the contract that ultimately we sign will reflect the evolution of those clauses.

To go to your point, there will be protections for government. These sorts of contracts have a whole range of clauses designed to protect government. There will be clauses around force majeure. There will be step-in rights for non-performance. The sorts of protections governments around Australia and the world have developed will be reflected in this contract ultimately.

MS LAWDER: Supplementary.

THE CHAIR: Ms Lawder has a supplementary and then Mr Coe had a supplementary.

MS LAWDER: You talk about patronage risk. Who makes the decisions about scheduling and the number of services?

Mr Barr: The government will write that into the contract, yes.

MS LAWDER: So it is not that we might run one tram a day but—

Mr Barr: No, that is correct. We will specify all of those issues.

Mr Nicol: A big part of setting the performance regime is actually setting standards as to timetables, on-time performance, et cetera, et cetera, et cetera. When government takes patronage risk, we then have to put the significant effort into getting those standards right, because that is what we will hold PPP co to account for—that they run on time, they run a regular service, availability is very high et cetera, et cetera.

Mr Barr: We have similar contractual arrangements being negotiated in relation to the courts project and, in fact, any other PPP. There are hundreds of these sorts of contracts in place for infrastructure delivery around the nation and thousands around the world, so this is nothing new. It is new for the ACT because we have got projects of a scale now that this method of procurement is suitable. But it is suitable for maybe three or four in every hundred projects that we might procure; three or four in every thousand even. The overwhelming majority of all ACT government procurement is through more traditional design and construct, but that is done by the private sector.

I know some people have a view that PPPs are not a good form of procurement because the private sector is involved. The point to stress here is that the private sector are essentially involved in all government procurement; it is just a question of what sort of contractual arrangements are in place and where risk is apportioned.

ACT government traditionally has worn a lot of the risk associated with the construction of particular projects because of the nature of the procurement that we have undertaken. Projects take longer to deliver, weather delays et cetera, et cetera. A lot of that risk in more traditional procurement methodologies is borne by the client, and that is an advantage for us in this particular methodology for this project.

Mr Nicol: Can I add that the government is also looking at design, construct and maintain contracts. It is a traditional construct, but it also has a maintenance component which has to look at arrangements for setting abatement regimes over the period of the maintenance of that contract. So if we get a private sector company to come in and build and maintain an asset—the reason we would want to do that is that the builder and the designer designs it so it can be maintained easily and effectively over its life—we have to have contractual arrangements that say what are the standards we are willing to accept for a maintained asset—its availability, its quality, its usefulness et cetera, et cetera. Those sorts of abatement regimes will have to be brought in for those sorts of contracts as well.

MR COE: Minister, why is it that you are going for this availability PPP? Given that it has been de-risked in terms of patronage, why not just have a more traditional tender for the construction and then another contract to operate?

Mr Barr: The analysis of the various procurement models suggested that this was the best way to procure the project.

Mr Murray: Some of the attractions of the public private partnership is the ability of government to transfer systematic risk. That is the risk of everything sitting together and working. The person who designs it has to take into consideration maintenance and operations as well as the builder. So you get an integrated service delivery where the risk of the various components working together is actually managed by PPP co.

If we were to procure those components separately, particularly for an asset class like light rail where we do not have previous experience in it, government would be taking on a whole lot of risks which it would have to manage itself. The ability to wrap these in a PPP gives us an integrated solution where that systematic risk is transferred to the private sector. Hopefully we have the opportunity to bring in the expertise we need in that consortium to deliver that solution for us.

MR COE: But if the patronage risk is still going to be borne by the government, then surely the actual risk that is being taken on in an ongoing sense beyond construction is actually pretty marginal. What serious risk is being taken on by an operator following construction?

Mr Murray: Construction is certainly an important risk, and it links into the discussion about capital contributions to some extent. PPP co takes on the risk that the light rail, for example, is operated in an efficient manner, and it is subject to what we call an abatement regime to ensure that it meets its key performance indicators during that operational phase. If it fails to do so, if it fails to provide a timely service, or whatever the criteria we establish in the contract—it could be around cleanliness, it could be around all sorts of criteria—then it gets abated. When it is abated, its payments are reduced.

So quite significant risk is taken on, certainly through the initial phase post-construction where you are bedding in the service and understanding the operational complexity of how you operate that light rail. It is correct to say that after a period of time, once the service is bedded in, those risks tend to reduce over time. But that is typical for any operations where, over time, you understand your service requirements and those services start to operate on a regular and reliable basis.

MR COE: So why would you have this approach for light rail and a totally different approach for ACTION buses?

Mr Barr: We are contemplating significant change in relation to ACTION buses as part of our overhaul of public transport.

MR COE: So licensing or privatising?

Mr Barr: That is under some consideration, yes.

MR COE: If the risk subsides considerably after the service is bedded down and things are ticking over as they should, does that not mean that you will have the high risk in the first year or two or so of the operation and thereafter it should be quite predictable, keeping in mind that the operating costs are not as large as ACTION's, \$30-odd million, perhaps. Given that risk is not absolutely huge in terms of the operating risk, and the risk is primarily at construction, why could you not just do a hard contract, just to deliver—

Mr Barr: Mr Murray has already answered that, but Mr Nicol might like to add something,

Mr Nicol: Mr Coe, I think the big risk from my perspective is the integration between the construction operations. We do not have any experience in the territory of either constructing light rail or operating it. So if we had separate contracts we would have to manage that integration, which we have no history of. So that is a big risk that we have overcome.

The second point I add is that your point is the exact reason why the government

would consider a capital contribution once that big part of the risk is over. That is at the stage when the system operating and we can see it is working well, we do not have to necessarily carry the private debt as a risk transfer mechanism. That is the reason we would seek to make a capital contribution at that point.

MR COE: What is the implicit interest rate likely to be in that arrangement? Are we looking at nine or 10 or 11 per cent?

Mr Barr: I have seen those figures bandied about by some, but there is no evidence to suggest that will be the rate. We will see, obviously, during the evolution of the next stage of the project. The point that is made—I will repeat again, I think for the fourth time this morning—is that we are generating a capital fund through the privatisation and recycling of a number of other assets, the first of which was the \$105 million from ACTTAB, that we can use once the construction risk phase has passed to pay down the debt completely potentially or make a contribution. We will look at the different financial modelling and see where our infrastructure fund is at at that point in time and what other projects are looking for a capital contribution as well and pay that debt down at a much lower rate of interest.

MR COE: But that, in effect, means there is either a set penalty for paying it earlier because that is forgone income the partner would not receive or as an explicit penalty payment, or it is built into the implicit rate, is it not?

Mr Barr: This is why we will undertake financial modelling to look at what the appropriate point in time would be to make a capital contribution, if we do make one. We have not determined that we will. We have just got the capacity to do so through the initiatives that I have outlined this morning. We will look at the appropriate time, if any, to make that capital contribution. That will be based upon advice in terms of the total package and when it would be appropriate to make a contribution, what impact that would have on the availability payment and at what point in the process.

Mr Nicol: The possibility of making such a payment, as you said, Mr Coe, will affect what the market is willing to offer. That will be taken into account as well so that we can drive the best deal for the territory.

MR COE: Given all that, what consideration has been given to the territory simply borrowing at government rates and doing this at an interest rate of four per cent as opposed to what the private sector is going to demand, which surely has to be in the vicinity of nine or 10 per cent?

Mr Nicol: The market will determine what the ultimate interest rate will be.

MR COE: True, but they are not going to take on risk to get a five per cent return when they can put it in—

Mr Barr: Where you are heading to is the core of the risk transfer. Yes, there is a price associated with the risk transfer in the construction phase. What all of the modelling, all of the work and all of the hundreds of other jurisdictions around the world, particularly for projects for which the jurisdiction seeking to procure them has no previous experience, have found is that there is a price worth paying for that risk

transfer. It will be a very small price, potentially, as we go through this process. I cannot tell you that today because we have only just opened the expression of interest phase. What we can say is that in the process of our previous PPP we were happy with the outcomes associated with that expression of interest process. Peter, do you want to add anything?

Mr Murray: Yes. It is absolutely correct that the private sector cost of financing will be higher than the government cost. But the offset against that—if I refer to the national guidelines for public-private partnerships—is that there is an adjustment, a calculation, we make for systematic risk transfer, which is the risk transfer I mentioned before, with all the various components working together. That represents real value to government. When we actually go out to the PPP company and say, “You’re going to design, build, operate and maintain this for 30 years,” that is a very significant amount of risk transfer that we are transferring to the private sector, to the PPP company.

That risk transfer gets integrated into the financial analysis. That really is one of the key drivers which, when we compare the PPP bids against the public sector comparator, allows us to reach a position where we say, “This really represents value for money.” Although we recognise that the weighted average cost of capital of PPP co will be higher than the government’s cost, the value of that risk transfer is adjusted into that calculation and then we are able to assess that value for money is achieved.

THE CHAIR: So we pay for it anyway. Just a final one and then we will move on.

MR COE: Sure. In terms of the project being identified as an infrastructure project that attracts tax incentives from the commonwealth, what role has Treasury had in trying to get Infrastructure Australia to earmark this project as such?

Mr Barr: The commonwealth asset recycling initiative allows for the territory to identify assets that it wishes to divest from. There is then a two-stage process associated with the payments from the commonwealth. In relation to ACTTAB, I raised at the time this initiative was first floated by Treasurer Hockey the territory’s interest in participating and that ACTTAB would be the first asset that we would put through that scheme. Minister Hockey and I have had an exchange of letters indicating the inclusion of ACTTAB within the scheme. There is then a process where the commonwealth makes a payment, essentially at the beginning or the middle part of the process, and then makes a further payment at the conclusion.

MR COE: Is it on top of the former Labor government’s scheme here, not Joe Hockey’s? In terms of the tax losses scheme which was put in place for designated infrastructure projects, what moves has Treasury made to ensure that the project gets recognised as such?

Mr Barr: I will seek some further information in relation to the scheme you are referring to.

MR COE: It is called designated infrastructure projects, the tax loss incentive. It was brought in in 2013. It is primarily, as I understand it, for projects that have been identified by Infrastructure Australia as being priority projects. Given light rail in the

ACT has not been identified as such, surely that is an additional hurdle that the ACT government is going to have to pay compared to comparable projects or other infrastructure projects elsewhere in Australia.

Mr Barr: You have made an assertion. I will check the veracity of that and make some further comments in due course.

MR COE: Can nobody, either at the table or in this room, fill me in on what progress has been made?

Mr Barr: We will check the veracity of the statements you have made.

MR COE: Well, can someone tell me about how the designated infrastructure—

Mr Barr: As I said, we will check the veracity of the statements you have made and I will make a further comment; I will make a further observation—

MR COE: Can somebody give me a rundown on the designated infrastructure projects tax incentive scheme?

Mr Barr: In due course, yes. But I will take that on notice.

MR COE: So that is a no?

THE CHAIR: They have taken it on notice.

MS PORTER: No, it is not a no.

THE CHAIR: Minister, as a new question, what is the first financing period defined as for capital metro?

Mr Murray: We are not in a position to say what that is at the moment. Obviously it will have to come in once we have reached financial close. It will be determined by what PPP co proposes as the first period of the term debt. Typically, the tenor of term debt for infrastructure projects in Australia at the moment is in the order of five to seven years. Hypothetically, at this point in time you could expect that it would be five years post-construction as an indicative period.

THE CHAIR: So if it is operational in 2021, that would take it through to 2026?

Mr Murray: Yes.

Mr Barr: Yes, or if it is operational in 2019, then 2024.

THE CHAIR: The other issue—and I am reading from page 11 of the summary document—is about the adequacy of utilities' relocation and other enabling works. What assessment has Treasury done on the cost of relocating the utilities up Northbourne Avenue?

Mr Nicol: Investigations are underway. That work is being led by the Capital Metro

Agency, so I would invite you to ask further questions of them. We are also, through the Capital Metro Agency, engaged with all the utility companies. We are seeking to get MOUs with those companies regarding the utilities' relocation work. We are also in talks—Treasury and the Capital Metro Agency—with utility companies to establish arrangements for cost sharing the movement of those utilities. For example, you do not often relocate, like for like, a 30-year-old bit of kit; you upgrade it, particularly on Northbourne Avenue. If we are going to densify that corridor, we expect that the current utilities, particularly sewerage and stormwater, will not be sufficient, so we will have to upgrade those utilities.

We have begun discussions with ACTEW on those arrangements. We do not yet have final costs on what those utility moves will be. We have gone through a process—I am using “we” here in terms of both Treasury and Capital Metro Agency—to actually identify all the utilities in the corridor. We went through a desktop exercise first looking at Dial Before You Dig records et cetera. As would be expected, most of the things were where we were expected them to be. We found a few things that were not listed on documentation, and there were a few things on documentation that were not quite in the same area. We have gone through that process. Now we have to go through a process of both costing and the best way to move those utilities—whether we transfer that job to PPP co or whether we do it ourselves.

The risk in the utilities is not knowing what is there. All the work we are doing is about de-risking that cost. Once you know what is there and what has to be moved, it becomes a more straightforward exercise as to who should move it and what is the best cost-benefit to do that.

THE CHAIR: Is that a cost government will bear or is that a cost that you will transfer to the PPP but obviously pay for?

Mr Nicol: That is yet to be determined. Peter, have you got any other comments?

Mr Murray: Probably that is a question that capital metro is in the best position to answer. It is something under active consideration as to where you get best value for money—whether it is best value for money to keep it in the PPP co scope or you get better outcomes from taking it out and paying for it separately. I think that is something that probably capital metro is best placed to inform the committee on.

THE CHAIR: Is that a cost that is in the current numbers, or is that on top of the numbers that have been made public?

Mr Nicol: I will have to take that on notice, but my recollection is that it is in the current numbers on a risk-based assessment.

THE CHAIR: Just a final one: when did you start discussions with ACTEW Water and ActewAGL on these issues?

Mr Nicol: I had a discussion with the chief executive possibly two weeks ago. Preceding that there had been earlier discussions amongst officials, but I would have to take that on notice.

THE CHAIR: Which chief executive?

Mr Nicol: Mr Knox.

THE CHAIR: And ActewAGL?

Mr Nicol: I would have to take that on notice.

THE CHAIR: Thank you. Ms Porter, a new question.

MS PORTER: On the state of the economy generally, Treasurer, page 29 talks about the fact that the directorate will monitor and advise on the state of the economy. What is the outlook for the medium term?

Mr Barr: We will know more once we have the mid-year update from the commonwealth. I think it would be fair to assess that the worst of the impact of the commonwealth government contraction is still to flow through the territory economy. The rate of unemployment has increased in recent times—I guess the transition within the commonwealth public service having been managed with a greater view to protecting the territory economy by the previous federal government. The new federal government have, I think, less interest in protecting the territory economy. So you are starting to see the more significant impacts of their decisions, not just in relation to employment but across the board. There has been a fall in consumer confidence since the election of the federal government and we are seeing feedback from the private sector generally being somewhat subdued as a result of particularly the recent federal budget.

There is a degree of uncertainty in the higher education sector, which is a significant contributor to the territory economy, given the nature of reforms that are proposed in that area. The recent fall in the Australian dollar has helped the domestic tourism sector, so a lower dollar is beneficial overall to those areas of our economy that are trade exposed. Service exports have been performing relatively well for the territory, particularly in international education, tourism and government services. A lower dollar helps those sectors. In terms of domestic tourism, obviously a lower dollar makes international travel for Australians more expensive, so you tend to see a little bit more of a shift back to domestic travel.

It would be fair to say that, in a city that has an over-reliance on the motor vehicle, the recent announcements around indexation of fuel will hit the hip pocket of motorists in Canberra perhaps more than in other parts of the country, which, again, I think provides a timely reminder of the need to have alternative transport options. There is only one direction for fuel prices in this country from here on in and that is up, up and up. Providing the community with alternative transport methods I think is an important investment in the future productive capacity of the economy.

More broadly, I think there is reason for optimism for the territory in the medium term beyond 2016 or thereabouts. But for the foreseeable future, under the policies of the current federal government, particularly with the contraction of the commonwealth public sector—it is half of our economy. It is becoming less of our economy over time—our economy is much more diverse in 2014 than it was in 1996—but this city

would not exist if it were not for the presence of the federal government. There is no innate reason for this economy other than the federal government.

This city was created 100 years ago. In many regards, it is the greatest regional development outcome in Australian political history, in that we have gone from nothing to 400,000 people, but let us not kid ourselves: it is entirely an artificial construct delivered by the federal government. We have an opportunity in our second century, particularly through our service export sectors, to grow and diversify our economy to become less reliant on the commonwealth government; but whilst ever the commonwealth is here—and we hope that it continues to be here—it will be the major anchor of our economy.

There are two ways to look at that—as either a \$50 billion economy with a \$25 billion anchor or a much smaller economy without a \$25 billion anchor. They are the two alternatives, really. It is not a bad launching pad from which to grow and diversify, but we are kidding ourselves if we think there is any reason for this economy to exist outside the presence of a national government. The city would not exist.

MS PORTER: On the same page, it talks about providing economic advice on industry sectoral matters. Could you just explain that to me and to the committee, please?

Mr Barr: Yes, of course. There is always a school of thought within the discipline of economics as to whether industry policy should exist at all. There are—

THE CHAIR: The John Button school of thought versus—

Mr Barr: That is right: Black Jack McEwen versus, say, Peter Costello. And possibly Joe Hockey. Who knows? I suppose it depends on where he and Ian Macfarlane end up butting heads on these questions. But sorry; I digress. There you go.

This area of Treasury provides advice to government. We also have, within the economic development area, perhaps a more active on-the-ground delivery arm of government, so there is a good contest of policy ideas that comes within the Chief Minister, Treasury and Economic Development Directorate. I benefit as minister from the provision of both theoretical advice on economic development and some very practical measures that emerge through another part of government.

THE CHAIR: So you get advice to take on the economic development minister and he gets advice to take you on?

Mr Barr: In a small government, yes. Being Treasurer and a spending minister is a challenge that I think every Treasurer that has preceded me has had. And everyone who follows will be in that position.

THE CHAIR: Just as a supplementary, what industry sectors did Treasury comment on?

Ms Doran: It varies year by year depending on what issues are topical at the time, but in the 2013-14 period we provided substantial comment on the housing market, with

affordable housing issues; the energy sectors, with work being done around renewable energy markets; and also our involvement there in the regulatory aspects of those sectors. Transport and infrastructure more generally are areas where we have provided advice as particular issues have come up, be they parking meters or light rail. It is largely a responsive role, given the size of our unit and the range of issues around.

Mr Nicol: We also provide comments on industries and proposals on the budget side of the business. They typically revolve around tourism, sports, sports facilities, local sports infrastructure—

Mr Barr: And education.

Mr Nicol: The universities certainly get a significant amount of attention from an advice and analysis point of view.

MS PORTER: Thank you.

THE CHAIR: Ms Lawder.

MS LAWDER: I have a question about the changes to the extension of time fees. Can you give us a bit of a summary of how many cases may have resulted in the relief of existing debt, for example?

Mr Barr: Yes. These are administered within Environment and Planning, so you will need to inquire from them in relation to the actual number of applications and the like. I can advise that the lease variation charges, as part of a package announced by the Chief Minister, reduced over two years to March 2016.

For codified lease variations, the remission rate is frozen at the current rate of 55 per cent. For non-codified variations, the remission rate has increased from 25 to 50 per cent, and a further 25 per cent remission is available for developers who incorporate high standards of sustainable design and adaptable housing into their projects.

In terms of extension of time fees, we have made changes to the calculation of these fees, I think from 1 April 2014. They are applied to completion breaches only, applied from the fifth year of a breach at a rate of one times the general rates bill. With extension of time, just to clarify, you have a four-year period generally in which to complete your build, and then you have another five years. So you get nine years, nearly a decade, without any fees applying at all. Then, from that point, beyond that, you pay one times your annual rates. Extension of time debts that were accrued between 1 July 2012 and 31 March 2014 were waived.

MS LAWDER: So you are unable to tell us how many cases had relief of debt or completion of—

Mr Barr: I will take that on notice and get that advice.

THE CHAIR: You can take it on notice.

MS LAWDER: And completion of developments—how many there were as a result

of the changes.

Mr Barr: Yes; that all sits in the planning area.

MS LAWDER: Thanks.

THE CHAIR: Ms Berry.

MS BERRY: I have a question on page 40, regarding the community grants to the community councils across Canberra. I noted that Woden Valley Community Council only get \$5,000 and I wondered why that was the case.

Mr Barr: This is the Chief Minister's area again.

THE CHAIR: This is for this afternoon.

MS BERRY: Okay. Can I ask another one please, chair?

Mr Barr: I saw that too, and I thought, "That will get asked. Someone will ask that question, I am sure."

MS BERRY: I will ask other questions on that to another person.

Mr Barr: Yes.

MS BERRY: Can I come back to it, chair? Sorry.

THE CHAIR: Yes, certainly. Just remember, members, that we have to get through economic, financial, superannuation, the territory banking account and the CTP.

Mr Barr: I cannot believe that we have spent this long on all of those other things.

MS LAWDER: Fascinating.

Mr Barr: Fascinating, yes.

THE CHAIR: It is all important, minister. Fantastic.

Mr Barr: I am always pleased to provide entertainment for the committee, as you know.

THE CHAIR: We are always pleased that you do that. On page 31, under "Financial management", there are a number of commenced reviews mentioned. Can you give us an update on where the emergency services, corrective services, ACTION and commonwealth fire payments reviews are at?

Mr Barr: Indeed; of course.

Mr Bulless: There are a range of reviews ongoing at the moment. Some of these, you might recall, commenced last financial year. Emergency services, Corrective Services

and ACTION will be completed in early calendar 2015, the advice to be provided to government. The review of the commonwealth fire payment is largely complete; we are finalising discussions with the commonwealth around some aspects of determining the costs of some of the activities as they relate to commonwealth facilities, but most of the consultancy work has been completed and some options have been developed at the moment.

The human resources and financial services review was completed earlier this calendar year. Advice has been provided to government, and subsequently to directorates, to consider the outcomes of that review. You might recall that in the budget parks and city services received additional funding; that advice was provided to government for that review earlier this year and helped to inform the budget decision that was announced in the budget.

We also assisted the Justice and Community Safety Directorate in undertaking a review of the ACT Policing enabling costs. This is a review that is required periodically under the contract that we have with the AFP to provide community policing services for the territory. That has been completed; JACS has been provided with the outcome of that review and is using it to inform their discussions and negotiations with the AFP.

THE CHAIR: Are the completed reviews publicly available?

Mr Barr: No; they are to cabinet. Decisions will be taken in due course about their release, associated with the government response.

THE CHAIR: When you say early 2015 for emergency services, corrections and ACTION, how early? Will they be available to feed into the 2015-16 budget?

Mr Bulless: Correct, yes. Most of those reviews are in the final parts of the process. You might recall that reviews were set up in a three-stage process: to examine the legislative history of spending and what we do, et cetera; to assess what are the drivers for performance, cost and service delivery, which was the second stage; and the third stage was to look at options around future sustainability. We are clearly in that last part of the process. Corrections is running a little slower than the other two, because it started later, but the intention is to provide that advice to government early in the first quarter of next year, and that will feed into the budget process for consideration.

THE CHAIR: A couple of dot points down, it says “developed Guidelines for Unsolicited Proposals”. Where is that at, and how are they working?

Mr Barr: They are available online, and we are receiving unsolicited proposals.

THE CHAIR: Yes, but how are they working?

Mr Nicol: Mr Murray is responsible for that policy. He will correct me if I have got the numbers wrong, but I think we have had three formal unsolicited proposals put to us. We have a committee structure that considers those. That committee structure met for the first time towards the latter half of October to consider the first of those

proposals. We have now set up a working group arrangement to provide further advice on proceeding with that proposal through the process; the committee is again meeting at the end of November to consider that advice and to consider the other unsolicited proposals that we have received.

THE CHAIR: Who is on the committee?

Mr Nicol: The committee is formally made up of me, the Head of Service, and Mr Dawes, head of the Economic Development portfolio, and then we invite in any other director-general who has an interest in the unsolicited bit that we are considering. Do you want to—

Mr Barr: I think you have very succinctly covered it, yes.

THE CHAIR: Ms Porter, do you have a question?

MS PORTER: Obviously a very topical matter at the moment is the asbestos issue. How is the \$1 billion loan from the federal government going to affect the outlook for the ACT budget in terms of its financial management?

Mr Barr: David will provide some comments, and I will provide some, too.

Mr Nicol: Mr Miners will add some comments as well, because he has been negotiating the point. He is the officer responsible for the negotiations with the asbestos task force and with the commonwealth on the loan. Clearly the policy response to this issue is going to have a significant fiscal impact on the territory. I think the government, in designing its response, has sought to minimise that cost whilst trying to provide a fair level of assistance to these people who have had a significant effect on their life, financial position and health.

We obviously approached the federal government to seek to share these costs. The federal government made an offer of a loan with an interest rate set, their borrowing rate rather than our own, which saves us about 50 basis points over the life of the loan. We are in final negotiations now with the commonwealth around the details of that loan, when we receive it, what the repayment schedule is et cetera. That loan will help the territory manage the financing impact question for this issue, but the fiscal impact will still largely fall on the territory, its ratepayers and the budget. So we will have to manage that over the 10 years or so of that loan and the costs. We are still working through the financial impacts and how they are accounted for now, but there will be a significant fiscal impact in terms of that operating balance in the first year or two of the scheme, because that is when we essentially recognise the costs.

There will be cash impacts in terms of when people accept—if they do accept—the offer to purchase their homes. We will manage that cash impact through the loan facility et cetera. Then there will be subsequent impacts in terms of demolition costs, removal costs, storage costs of the waste and there will be impacts then in terms of positive cash impact in terms of selling the land et cetera.

The profit component of that, if there is some profit, at the current stage we think will not be recognised as a benefit to the line operating balance but it will be obviously a

cash assistance to the territory. I think I have answered your question, Ms Porter. Do you want to add anything, Stephen?

Mr Miners: When Mr Nicol talks about profit, it would be the values in terms of uplift on properties and through trying to minimise the costs to the ACT. The net scheme is expected to come out at a cost, and that cost will hit the budget. That will be literally the gap between the cost of purchasing the properties and the cost of demolition and the resale value. The cost will exceed in aggregate the cost of any resale of the properties. Then, of course, the other impact will be the interest costs of paying off the loan, which will come back over time.

Mr Barr: There has been some pretty ill-informed commentary, particularly in the letters pages of the *Canberra Times*, that, yes, the government will make a profit out of this. That is complete rubbish.

THE CHAIR: Has any work been done as to what that 50 basis points saving would be to the territory over the life of the loan?

Mr Nicol: The commonwealth's estimate was about \$33 million. That, I think, was based on our discussions with them and based on some early indications of the cash flow. The actual savings to us will depend on the negotiated timing. Obviously we are seeking to maximise the benefit we can to the territory. I must say the commonwealth, I think, is approaching those discussions in a very reasonable manner in terms of the loan arrangements. But \$30 million will not be far off. I think it might hopefully get a little higher but it will not be much different to that.

Mr Barr: Over 10 years, \$3 million or \$4 million a year is nice to have, but no great—
—

THE CHAIR: There is an article in the *Canberra Times* this morning calling for a levy. Does the government have a response?

Mr Barr: As I read the article, it was for the national government to put in a levy similar to the Queensland flood levy. I have said on the public record, so has the Chief Minister, so has the Leader of the Opposition, that we would always welcome a greater level of commonwealth assistance for this particular challenge. I do note, in the context of the size of this issue on our budget, it is significantly greater than the impact of the floods in Queensland on the Queensland government budget, and a levy was applied then.

Ultimately these are matters for the federal government to determine, but there is a real cost associated with this and we have already publicly announced that we will have to make adjustments to the infrastructure program, the timing of it. We were waiting some further advice on the particular fiscal year by fiscal year impacts of the buyback scheme. To a certain extent, the more properties that are transacted early, the more we will see the line net operating balance impact in the current fiscal year and in the subsequent one.

The later the loan can be repaid spreads the cost over 10 budgets, not over five, for example. So that gives a little more flexibility for the territory, but it certainly does go

to highlight the importance of the policy approach I outlined at the very beginning of the hearing around raising capital for our infrastructure projects. We absolutely have to be in that game if we want any of these significant infrastructure projects to proceed in the next decade, because a do-nothing approach here would essentially mean that the city's infrastructure would go on hold for 10 years whilst we deal with the Mr Fluffy legacy. I do not think that is a good outcome for the city's economic, social and cultural development.

I am, as Treasurer, actively pursuing a range of other options in order to raise capital both through asset recycling and through prudent borrowing. And the commonwealth loan at a very good rate does provide us with a degree of flexibility, but again we cannot borrow all of this. We have to be in the business of recycling our public assets. If we want to acquire new ones, and we do, then we have to offload some old ones in order to acquire the new things that the city needs for its next phase of economic development. That is a focus of mine and, indeed, a focus of the cabinet.

THE CHAIR: A final question from Ms Porter.

MS PORTER: You may not know the answer to this, but it appears that the levy that the commonwealth managed to introduce at the time of the floods would be to do with the fact that that was a flood, a natural disaster.

Mr Barr: It was a natural disaster, yes.

MS PORTER: There would be less opportunity, one would have thought, that a levy would—

Mr Barr: Yes. This is the distinction obviously that the commonwealth would draw, that one was man-made—literally it was man-made—and another related to a natural disaster.

THE CHAIR: Ms Lawder.

MS LAWDER: My question relates to the future direction, which is on page 32 of the annual report. I could ask 16 different questions but I will try to restrict myself to maybe two. The first one is: can you give me a bit of an update on the partnerships framework, what it is, how does it work and also near the end it is about PPP projects, the second-last dot point, including the Australia Forum? Can you tell us what your directorate is doing about the Australia Forum and—

Mr Barr: The partnerships framework is, indeed, our framework for managing public-private partnerships, which we have covered extensively. I will get Peter to give another quick summation, given the question has been asked.

MS LAWDER: It is not some other—

Mr Barr: No.

MS LAWDER: We will move on then.

Mr Barr: If you are happy to move on, yes. We are looking at procurement methodologies for a number of the major infrastructure projects. As I outlined earlier this morning, PPPs can work for certain infrastructure projects. We have determined, following an analysis of the best procurement methodology, to apply that to the courts project and to the metro project. And we provided funding in the last budget in relation to the next phase of development of the Australia Forum project. Part of that work will provide advice into this particular area of government on what would be the best way to procure such a project.

Again, convention centres are social infrastructure; they do not make money for investors. There is an argument that they can make money for an economy, but they do not for this level of government and they certainly do not for investors, because if they did people would be investing in them all the time. No-one has \$500 million at the moment, that I am aware of, who wants to go and build it and thinks they could operate it at a profit and pay off the costs of their capital. There has to be a public subsidy.

That public subsidy can come in a variety of different forms. It could be an availability PPP. We could procure the project, again not pay anything until it is operational and then the taxpayers of the city could have a \$50 million, \$60 million or \$70 million annual availability payment to a private operator to run a convention centre, and that would be a hit on our budget, another \$60 million or \$70 million. I am looking at ways, through this next phase of work, to try to reduce that sort of cost because at the moment, given everything else that the budget needs to absorb, another \$70 million a year, for arguments sake—even if it were \$50 million—is still more than we can bear for that particular project.

An alternative way of funding it could be to bundle it up with a parcel of other development rights. Effectively the taxpayers of the ACT could grant to Australia Forum \$500 million worth of land or \$500 million worth of development rights to allow them to build a whole range of things that would make money. And then as a requirement of that big development deed they would deliver the city a convention centre. That is another possible model we need to look at. We are exploring now the best way to deliver such a project.

I have a submission already from the Convention Bureau and the existing convention centre for a modest package of upgrades to see the current centre through a future phase. And the question of how long that phase is is still subject to the first piece of work around the best procurement methodology, finalising a reference design and the like, because obviously the costs have escalated greatly since the project was first mooted. The scope has increased. The desire for an iconic building has added another \$100 million at least to the costs associated with the delivery of the Australia Forum model. What was a \$300 million project some time ago that was much more modest and not iconic has now grown like topsy into something that could be \$500 million to \$600 million, depending on how grandiose the designs are.

That process needs to be managed. You need to get your experts going through and going, “Do we really need that?” You need to get the costs down a bit and then the project will get to a point where it could be considered for ACT government support.

Alternatively we have the land available and if anyone wants to come and build it, it is available and we would probably sell it to them for a dollar. But I am not being rushed. There is no demand to come and build a convention centre in the ACT at this point without the public subsidy.

Mr Nicol: Can I just add a couple of points? The government allocated some funding to get Australia Forum to investment ready. In last year's budget Treasury received a small amount—I cannot recall what it was—that was allocated to Mr Murray's team to undertake some of the analysis that the Treasurer was talking about. That is why that project is actually listed separately.

As to future PPP projects, we are constantly or regularly looking at projects and what is the best procurement methodology for them. Some of those projects may come to fruition in the future; some may not. That also involves Mr Murray's team analysing whether a PPP is the right approach or whether a more traditional procurement arrangement is the right approach.

Mr Barr: Ninety-nine times out of a hundred it is not the best approach.

Mr Nicol: Indeed. It is very rare that we will use it.

THE CHAIR: Just on the Australian forum metro, some \$10 million was to be made available. How much of that has been spent?

Mr Barr: It was \$2 million or thereabouts in this current fiscal year, which was split between this group within Treasury and within the economic development area. Would you like to know how much has been spent to date?

THE CHAIR: Yes.

Mr Barr: I will take that on notice and get that information.

THE CHAIR: And there was the possibility of a further \$8 million.

Mr Barr: Yes, that is right. So it would be necessary to set up a PPP delivery if you were to undertake an alternate procurement model and would not have to spend that much up front, I would imagine. We will take advice and make a decision on that in the next budget as to what we do in the 2015-16 fiscal year in relation to that project. But I will signal today, because I have already met with the convention bureau, that they put a strong case to invest some money in the existing centre and I am sympathetic to that. We will look at that option seriously.

THE CHAIR: That is to just replace existing infrastructure?

Mr Barr: That proposal is, yes. There are other proposals circulating for more substantial upgrades to the existing centre, but there are also other proposals circulating for other conference facilities associated with significant private sector investment on other sites in the city. I sought some clarification from the convention bureau as to their attitude to those particular proposals and they indicated a degree of comfort that they did not believe it would crowd out the need ultimately for a new

centre but would be a worthy addition to the city's overall conferencing infrastructure. They were supportive of the government actively considering what role if any we would play in the delivery of that.

THE CHAIR: The other facility as I understand it might include convention facilities inside a hotel as opposed to a separate convention centre.

Mr Barr: That is my understanding.

THE CHAIR: Has the government been approached for assistance with the land or labour?

Mr Barr: Yes. There has been an approach in the context of would we support this model being more fully developed. Having had that approach, I sought advice from a number of industry and other players as to what their attitude would be and how that would impact upon the existing centre and any potential future centres. We now have a degree of comfort that it would be a net benefit and would not detract from either the existing centre or a new centre and would, in fact, increase our capacity to host a range of conferences we do not currently have because we do not have a product that suits that particular market. What I am getting from those in the sector is, if you like, the green light for further consideration. As to any level of ACT government assistance, we would need to go through a more formal process. What I have indicated is that, having sought that advice, we would actively consider proposals in the context of future budgets.

THE CHAIR: If a combined hotel with a convention facility went ahead, do you still accept there would be a need for a new convention centre?

Mr Barr: Ultimately, yes. I think it is really a matter of timing and when the city can afford it and what sort of facility we need. Again, there is a lively debate about build it and they will come versus infrastructure excessive for the market we have. We have touched on this in the Assembly that we could aspire to a convention centre the size of those in Adelaide or the Gold Coast, but we are a much smaller market.

THE CHAIR: I do not think anybody is suggesting it be as large as the Gold Coast or Adelaide. The Adelaide extension is as large as what the Australian forum is proposed. You are obviously not building anything near as big as Adelaide, which has done very well out of the conventions market.

THE CHAIR: Ms Berry.

MS BERRY: Regarding the superannuation account, a few organisations have divested out of fossil fuels with their superannuation. Is that something the government has considered or will consider in the future?

Mr Barr: We have a responsible investment framework. Mr McAuliffe can give some detail on this. We have a relatively low level of exposure to fossil fuels. The issue, as this has played out with a number of organisations, has been how a government or an organisation identifies which companies to divest from. That list is either very long or very short depending on the views that individuals take about the

nature of the business. An example, outside of superannuation but very pertinent, is that we have a 50 per cent shareholding in ActewAGL, so our largest investment is in an energy company. A logical extension of complete divestment from companies that have anything to do with fossil fuels would see the government privatise and sell its share of ActewAGL. I have seen lists and there have been advocates saying we should not have shares in AGL. If we should not have shares in AGL we probably should not have shares in ActewAGL either. That changes the nature of the debate a little. One thing—

THE CHAIR: So are you looking at selling your half share in ActewAGL?

Mr Barr: No, that is something the government has ruled out. It is something that would require considerable community debate. It may well be that electricity distribution companies at some point in the future become stranded assets if there is a disruptive technology. I was watching television last night and there was a solar company spruiking, “You can go off grid. We have the solar and the battery and you no longer need to be part of an electricity network.” If that technology is developed at a cost that is affordable for a lot of households and a lot of businesses, then the whole basis of our electricity distribution changes and our asset that we currently have a 50 per cent share in could be worthless or significantly reduced in value.

THE CHAIR: If that is the case why have you ruled out your half share in ActewAGL?

Mr Barr: Because I think that technology is some way off and, as I said, we would need to have a community debate about this question. The alternate view is that energy companies that might currently have a fossil fuel interest also have a very significant renewable energy interest. So staying with them and holding your investments may be beneficial in the longer term.

I reject the simplistic, tokenistic approach to this issue. It is much more complex than undergraduate slogans, basically. I want to have a more detailed analysis based upon the financial risk. I understand the emotional points that are raised. I understand the desire to campaign on a particular issue. I note the ANU took a decision. They did not necessarily consult with the companies they divested from. They made a very public announcement about the social harm those companies were alleged to have done and then found themselves backtracking a little in a couple of instances when the full picture was presented. A number of things have to be taken into account.

The question I am also grappling with is that we could spend an extraordinary amount of time and resource working through all of these issues in fine detail. It is a very small area of government. Is it the highest priority? Is our very small level of ownership of shares in a very diverse portfolio worth spending a huge amount of time and money on? I have asked Mr McAuliffe to undertake some further work for the government, and I might get him to outline that work.

Mr McAuliffe: I think at the last hearing I flagged the policy approach we were taking to try to better integrate this, and it is around a risk assessment into our portfolio to take into account these governance, environmental and social risks in the terms of our holdings. It was probably around about April or May this year we

actually completed our first stage of that implementation.

We have a service provider that does a lot of research around all the companies, and depending on what the particular industry it is, it is more of a peer comparison. They look at companies involved in energy, for example, and try and get a relative assessment based on their exposure—it might be carbon emissions or it might be where they happen to be mining or something—and where they sit relatively, and then they come up with a rating. It is a little bit like a credit rating, if you like, but it is more of a risk rating.

We have put that in place across all or equity portfolio and the first step actually resulted in a reduction in our energy sector exposure by around about 20 per cent. That was not naming companies or just knocking companies out; it was based on this risk assessment, so taking out those ones that demonstrate the highest risk against their peers.

That is the framework the government has agreed to, because it is a more of a rules-based methodology. If we just start picking random companies, it is not going to achieve a better result. We still have to maintain our exposures across all the different sectors as well, so we have to make sure we have got a portfolio that works from an economic sense and an investment sense as well.

The next stage, as the Treasurer said, is we will have a look, now we have a framework in place, around the carbon exposures. We will do an assessment of where our portfolio sits and look to see if there is a way we can further modify some of the rules already in place to look to assess whether some other companies may well fall out of the portfolio.

The other thing that is important—and I think it was perhaps poorly communicated in terms of the ANU situation—is we do not invest in a lot of companies now. That is not because they are excluded. We have got some hard, negative exclusions—tobacco manufacturers, cluster munitions, land mines. What I am talking about with this other approach is more of an assessment. A company is either in or out based on that assessment. The research companies that do this work communicate their thinking where they sit through these companies.

One of the high principles of the principles for responsible investment, which are all around engagement, is the companies can see why they are being assessed in a particular way relative to their peers and they have got the opportunity to improve that score. So while we may not be investing in a company at the moment because of the way the assessment turns out, the next time it is reviewed they may well come back into the portfolio because they have actually improved on those particular areas. That is the framework, and the next job I have is to have another look around that fossil fuel exposure and then we will see what options we have to consider.

Mr Barr: In summary, the headline story is we are reducing our exposure, but we are adopting a more sensible, managed and low key response to this rather than seeking headlines for the sake of seeking headlines.

THE CHAIR: Ms Lawder, a supplementary.

MS LAWDER: You mentioned a couple of your hard exclusions—tobacco and land mines, and what was the third one?

Mr McAuliffe: Manufacture of cluster munitions and land mines.

MS LAWDER: Does it include things like fast foods and gaming machines as well?

Mr McAuliffe: No. The government's current negative screening policy is tobacco manufacturers and the land mines and cluster munitions.

Mr Barr: The history of this is there was an inquiry and I think a tripartisan recommendation across all parties in the previous Assembly for us to move away and have a hard rule in relation to those areas. In terms of managing decisions around any further reform in this area, that is my preference—that is, if there is agreement across the Assembly, a unanimous decision of the Assembly, in relation to wanting to have a hard rule, the government certainly would respond to that. My concern, frankly, is that I do not think it is good for the territory overall for personal views of the Treasurer of the day to dictate long-term investment decisions. If it is a unanimous view of this entire parliament, then that is a very strong endorsement.

MS LAWDER: I guess the other one is: recently we have had some discussion with Madam Speaker about slavery organisations.

Mr Barr: I am not sure that we invest in organisations that promote slavery.

THE CHAIR: It was slavery-free supply lines, which is slightly different to investing in slavery.

Mr Barr: Yes.

Mr McAuliffe: As part of our broad framework, not only does it do this environmental and social governance risk assessment, it also applies the United Nation's global norms principles as well. That is looking at companies that have been involved in significant controversies and may well be around human rights-type issues. There are already a number of those that are not held in our portfolio based on that assessment.

Mr Barr: I think it is fundamentally very important that this is not my money, it is not the money of any one politician, to make a decision. It has got to be a collective view of the community and there has to be a process around it. And I am very conscious that it is not up to me, nor should it be up to any successor, to decide, "Right, you're in and you're out." We need an informed approach to this. "We will make a collective decision as a parliament if we want to go any further on the issue."

We have in the past had specific inquiries and looked at issues in detail. I think that is a better way and ensures a position is locked in into the future. The worst thing that can happen, frankly, is that you get this yo-yoing impact one way or the other. One day one Treasurer says, "No, we are doing this," and then another day, with a change of government, hypothetically speaking, it all changes. I will make that comment and

observation about my preferred approach, and if the committee wish to examine the issues further in coming years, then I would certainly welcome that and we would engage as appropriate.

THE CHAIR: Ms Porter has a supplementary.

MS PORTER: I have got a couple of questions of clarification. On page 34 it talks about the portfolio's performance benchmark arrangements in the superannuation provision account. Could you tell the committee how the return that appears to be positive in terms of the ACT's financial position has been achieved in our performance against the benchmarks? Could you also outline the performance of the Australian-listed equity investment managers against their individual benchmark hurdles, please, so that I actually understand what that means?

Mr McAuliffe: The portfolio is diversified across a range of asset classes, from cash to fixed income to international equities, Australian equities. It was a strong market last year. So the overall portfolio return net of fees was 15.8 per cent. The large driver behind that return was the performance of equity markets. I think Australian markets were about 22, 23 per cent last year. International was about 21. So that was a large contributor to the performance.

In terms of the way we manage against a benchmark, your benchmark comprises a set allocation you are going to have for each of those asset classes. You might have five per cent to cash, 20 per cent to Australian equities, for example. What we do is measure the performance of a portfolio like that, effectively almost a set-and-forget portfolio, to see how it would have performed; whereas our actual portfolio is never going to match the benchmark perfectly. You are always going to have some different weightings, actual holdings to the asset classes, because as the market moves, your allocation or exposure will increase or even decrease. There also is some active management that we have in place.

We have a large part of our portfolio where we say to the manager, "We want you to go and just manage to an index." If your index comprises 300 stocks, an active manager may only hold 20 or 30 stocks. They are really trying to actively—take bets is the wrong phrase—

MS PORTER: Sorry, I did not get what you said.

Mr Nicol: You try to beat the market if you are an active investor.

Mr McAuliffe: That is right.

Mr Nicol: There is a passive investment over the entire market—the average of the companies, given their particular weight, is taken into account—and a passive investor just takes the index, takes an average position in each company; whereas an active investor will try to pick those companies that will outperform the market.

Mr McAuliffe: On the whole, we pretty much matched the benchmark returns except, as I point out in the document there, our Australian managers, where we do have three active managers, all outperformed the actual benchmark quite well, which made the

overall portfolio return marginally ahead of the benchmark return.

THE CHAIR: Minister, on page 35, the fourth dot point under “Future Directions”, the triennial review will commence when and will be finished when? And the second dot point, transition to the new master custody service provider, could you enlighten us as to its progress?

Mr McAuliffe: The actuarial review has commenced. ComSuper has provided our actuary with all the membership data as at 30 June this year. What our actuaries do is cleanse that data, reconcile it to try to make sure there are no surprises, if you like, in terms of the data, in terms of errors or things like that. I expect to have the first set of financial results—probably at this stage it will not be until—in early January, I would have thought. This reconciliation process takes time. The results of that, as usual, will come into next year’s budget.

The transition to the master custody service provider was pretty much complete at the end of last week. That basically involved moving our \$4 billion worth of assets from one custody provider to a new one. The trade date for that process was last Monday. Those transactions are all currently being settled as of now. It is 99 per cent complete as we sit here today.

THE CHAIR: Ms Lawder.

MS LAWDER: I will move on to third-party insurance.

Mr Barr: A quick change of personnel.

MS LAWDER: In the annual report it says, for the outlook, that the CTP regulator will establish a framework to support increased competition that provides benefits to the motorists of the ACT. Can you talk more about what that is going to involve? What will the framework bring?

Ms Doran: This is an ongoing process. We certainly made some changes a year or so ago that have been successful in establishing a level of competition within the market, something that we continue working on. Basically the framework is around having a clear regulatory structure for the scheme, a level playing field that will encourage other insurers to come into the market, clear regulation, as I said, around price setting and the information that the insurers need to provide to the regulator as well as the reporting that provides transparency of information to them to allow them to make their judgements in terms of considering coming into the market.

In 2013 we had our first entrants of competition in the market. We had three new insurers come in. We now have four players in the market and we are continuing to have discussions with other insurers.

MS LAWDER: What are the benefits that you are trying to provide to motorists?

Ms Doran: Basically choice, I suppose, and competition, which bring the benefits of downward pressure on prices as well as improvements in services and the range of benefits, scheme design-type benefits, that they might be offered. We have seen, with

the new entrants, a range of marketing offerings around rebates, bundling discounts on their range of insurance products, those sorts of marketing initiatives.

MS LAWDER: Do you think there has been that downward pressure on cost?

Ms Doran: This is something that will take time. Obviously a new entrant needs time to understand the dynamics of the market, what market share they are going to pick up and how they can price their products. We are only in the first 12 months of the cycle. We have just had NRMA undertake a new premium filing, which is when they put in their new assessment of costs for the next 12 months. We would be expecting the other insurers to do this shortly as well. That is usually something they review on an annual, 12-month cycle. As I said, it is something that will take time. There are a number of dynamics in the market as well with the introduction of the lifetime care scheme, which is something that they have to take into account and reflect in their premium filings.

There are some issues. Reducing their cost profile is one. Other issues potentially increase their cost profiles. We will see a mix of these factors coming through. The recent NRMA filing was the first filing for two years and it came in at a very small increase, less than a two per cent increase, over that two-year period.

MS LAWDER: And the next point there was about public awareness of the causes of motor accidents, which may also be closely linked to the price. For example, there was an article yesterday about us being the leading jurisdiction for kangaroo accidents.

Mr Barr: One of the benefits of living in the bush capital is that we are the only capital city where you are likely to run into a kangaroo in the CBD. There would not be many others.

MS LAWDER: The annual report refers to promoting public awareness of the causes of motor accidents with the aim of reducing motor vehicle accidents. How might that occur with relation to kangaroos?

Ms Doran: I do not know specifically in relation to kangaroos but, as the regulator, we do look to spend some of our levy moneys on road safety initiatives. We do this in conjunction with the JACS department, which has more direct regulatory control of road safety issues. We also do it in conjunction with the insurers themselves who, of course, have an interest in this space and are usually fairly willing to support various initiatives.

Last year the main initiative that we took forward was some advertising around tailgating, not driving too close to the car in front, which is an issue that we identified as a significant cause of accidents in the ACT. A large proportion were the rear end-type accidents that can cause injuries of a whiplash nature, which are one of the highest cost injuries in aggregate quantum for the scheme. Year on year, we look to target a specific initiative which is coming out of our analysis of the scheme's statistics.

THE CHAIR: Ms Berry.

MS BERRY: Just a supplementary to that question about the insurance companies that have started operating in the ACT since 15 July, do they report somewhere about people signing up to their insurance offerings or is there some way to know whether they are—

Mr Barr: What level of market share they have got?

MS BERRY: Yes.

Ms Doran: No. This is one of the ongoing issues in making the framework transparent and providing that sort of feedback to both the insurers playing in the market and the consumers. Again, because we are just in the first 12 months of this process, we have not as yet disclosed publicly that information, but in our next public report we will be looking to disclose market share statistics. We have just started reporting back to the insurers themselves on a quarterly basis the aggregate market shares across the market, which is information, of course, they are interested in to track how they are going as well as how their competitors in the market are going.

MS BERRY: Just on third-party insurance, on page 99 of the report it talks about the profit margins. Could you explain what that actual bit is all about—profit margins for the insurance companies?

Ms Doran: Yes. Again, this is part of our reporting back, part of our establishing our transparent regime and facilitating competition in the market. When insurers price their premiums with CTP, they take into account a range of factors, the most obvious being their expectations on scheme costs—the number of claims, the average size of those claims and hence the benefits that they will need to cover in a 12-month period. But being commercial organisations, they also have to build in the costs of capital that they need to hold as required by the financial regulator and the level of return on that capital that their shareholders require them to hold, which is essentially the profit margin for them. As I said, in disclosing the profit margins, that facilitates transparency around that element of their cost structures and gives information to other players who may be looking to enter the market to understand where they might have to pitch themselves to be competitive and whether that is a risk of capital that they are prepared to take, or not, on their own assessment of the risk profile of the sector.

Being in the early stages of competition, the NRMA still holds a substantial share of the market, so their experience is still dominating the statistics, the data. For that reason, we still have to be careful how we disclose this information. That is why it is there as a broad range. Going forward, we hope to be able to get more detail in the level of information we can provide.

MS BERRY: And just one more question: is the compulsory third party an opt-in or an opt-out option? Do you have a choice?

Ms Doran: No; it is compulsory.

MS BERRY: I mean for the provider.

Mr Barr: So when you get your renewal slip?

MS BERRY: Yes.

Mr Barr: Yes; you can choose which. You get a premium cost, but then what has been happening is that competition has come in terms of bundling, after-market rebates and the like. If you go with insurance provider X for your CTP, they will give you a discount on the package of other insurance you might have with them. Or some are targeting you just for CTP; they will give you a rebate if you are in a particular driver category. They are looking for low risk drivers. Ultimately there are people who pay every year but are unlikely to ever claim. I guess that is your insurer's dream in the context of seeking market share.

The substantive issue we have to address, again as a community, is our accident rate. What can lower premiums, where we have fewer accidents? Is it driving a bit slower? There is a pretty key element where speed contributes to not only the number but the severity of accidents in the ACT. That is a clear issue. The other major area is cost within our scheme. If you do not wish to tackle at all the level of payouts that are provided to injured parties, it really relates to legal fees, and we know how fiercely legal fees will be protected by those who receive them.

THE CHAIR: Ms Porter, you have a supplementary.

MS PORTER: Yes. On page 101 it talks about the function of the regulator to identify feedback from the community. I was just wondering if we could talk about that and what has happened in relation to that—whether there are privacy issues or whether anything like that has impacted on it, as you mentioned before. Ms Doran, you also mentioned the introduction of the catastrophic injury scheme. I just wondered what effect that has had on any of these decisions of the insurers. I am getting feedback from the community that they have not seen any. I know it is very early days, but they are saying, “We do not see any evidence that that is actually providing any benefit,” even though obviously they realise that if they were catastrophically injured it would provide a benefit. As usual, people only think about the benefit to them now rather than when they might be injured.

Mr Barr: Yes. At a very high level you can make the observation that the most expensive and long-term liabilities in cases within the old scheme before lifetime care were those critically injured, with that loss, with a significant injury, who had been participating and needed lifetime care. Having a separate scheme for those people certainly reduces the long tail with the CTP arrangements. And, as I think Ms Doran indicated in this most recent NRMA file, when that was a factor—

MS PORTER: Sorry, Treasurer; I just wanted to understand what difference it made—a positive difference?

Mr Barr: A positive difference in terms of it being a lesser premium increase, because that risk, I guess, over the total haul, is removed. That is right, in a nutshell, is it? Yes.

Ms Doran: That is right. One of the distinctions between the lifetime care scheme and

the CTP arrangements is that the nature of the benefits to be provided from the lifetime care scheme will be that they will be ongoing payments as the need arises for medical treatment or other support that the individual needs. So they are getting that reasonable care and treatment from the point of their accident, for the rest of their life, potentially.

With the CTP scheme, because it was more of a compensation arrangement, often the payments were contested for a long period, there was a long delay in receiving your payments, and then the payment was ultimately paid as a lump sum, which put the onus on the recipient to manage that for the rest of their life needs. From the insurer's point of view, that structure also brings a lot of uncertainty and a lot of risk in terms of managing their financial arrangements and their reserving for those sorts of unknown future liabilities. All of that risk and uncertainty is taken out of the CTP scheme. It is not just the pure cost of the claims but also the risk margins that the insurers necessarily have to build into their premiums to cover that uncertainty.

Again, it will take time. We expect this to take a few years to play fully through the system because these claims are very long term in their very nature. But in this first NRMA premium filing, we were very pleased to see an explicit and quite positive response from them in their costings, which did evidence a reduction in costs associated with the lifetime care scheme. There were other increases in the trend of claimed costs overall for the scheme, which meant that the two items balanced out, but the sort of provision that they put on the lifetime care scheme was close to the quantum of the levy that we are actually charging, so it was a positive sort of check for us.

Mr Nicol: Could I also add—Ms Doran might want to comment as well—that the lifetime care scheme is a no-fault scheme. It is extending benefits to those who are covered who cannot identify an at-fault other driver.

MS PORTER: Like a kangaroo.

Mr Barr: Like a kangaroo, for example. Ultimately, we will bed down some of these processes, but it is lending weight to the need for further reform of CTP arrangements. As I reiterated earlier, in the interim what we can do to keep our premiums down is drive more slowly and have fewer accidents. That is a collective call to action. How many Canberrans are prepared to take that up is an interesting question. I did this experiment for a couple of weeks myself. Regardless of what was happening in the traffic, I drove absolutely to the letter of the speed limit, and everyone went past me and beeped at me. I was—

THE CHAIR: Are you admitting that you had not complied with the law previously?

Mr Barr: I am suggesting that from time to time you might. But I was absolutely under the limit all the time—all the time—and it was extraordinary.

MS PORTER: My son is in the AFP. He drives to the letter of the law all the time; he has driven in all sorts of places. He has only lately come to the ACT, and he reckons they are the worst drivers in the whole of Australia. I constantly get this—

Mr Barr: Don't broadcast that too loudly to potential and new insurers seeking entrance into our market. We are, of course, working very hard to improve our—

MS PORTER: We are, and I think—

THE CHAIR: The conversation has taken an interesting turn.

MS PORTER: But with the community engagement, I just wondered whether or not we are getting feedback from the community as to whether they are happy about the new entrants into the market and whether or not the market is such that we will have more entrants coming in.

Ms Doran: On the first question, I suppose that with any change in the market sometimes the issues you hear about initially are the dissatisfactions rather than the positive statements. There was a bit of confusion initially around the nature of rebates and discounts—and, I suppose more particularly, the CTP's role in that space. We have worked hard, through our website and the way in which the premiums are disclosed on the registration paperwork, to make it very clear that the price, the actual premium, is what the CTP regulator controls. The competitive marketing initiatives are what the industry itself does to facilitate competition at its end of the market. I think that is now better understood, and we are not seeing those sorts of issues arising anymore.

In terms of new players, we are always hopeful; we are always open to talk to other insurers interested in entering our market. I think our capacity to disclose more information and more data will facilitate that going forward. And as the Treasurer said, we are looking to—

Mr Barr: Future reform will also attract more interest.

Ms Doran: Will also attract; that is right.

THE CHAIR: I will ask the last question. Mr Nicol, it is now hard to work out what your staffing has done, given that it is all now included in the Chief Minister and Treasury directorate. How many staff did you have on 1 July last year and how many did you have at 30 June this year?

Mr Nicol: So 1 July 2013 and 30 June 2014. Can I take that on notice and perhaps come back after the break?

THE CHAIR: Yes, that is fine. Minister, is there any financial analysis of Mr Fluffy that you could make available to the committee—how it will all work?

Mr Barr: Not at this stage, because it is subject to some further decision making at a cabinet level. Once those processes are concluded and negotiations with the commonwealth are concluded, we will provide more information—I imagine the midyear review. And we will have to appropriate funds. There will need to be another bill, so there will be a process that will allow the committee to look at those issues in coming months.

THE CHAIR: Thank you for that. We will suspend the hearing now and then we will return and look at ACTEW.

Sitting suspended from 11.13 to 11.35 am.

THE CHAIR: We will recommence, and I thank the minister for reappearing with a different hat on. We welcome the officers from ACTEW.

Would you confirm that you have seen the privilege statement on the table, which is the pink card, and if you could confirm that you understand its implications and protections.

Mr Knox: Confirmed, thank you.

THE CHAIR: Minister, would you like to make an opening statement?

Mr Barr: No, thank you.

THE CHAIR: Minister, I have had cause to write to you about privilege cards, something that ACTEW or ActewAGL has been giving out—

Mr Barr: ActewAGL, so not related here at all.

THE CHAIR: So there is nothing that ACTEW will do or can do about it? This is a question directed for ActewAGL?

Mr Barr: That is correct.

THE CHAIR: This morning we spoke about capital metro and interaction and movement of services. I was wondering if you could tell us, Mr Knox, what work ACTEW has done with looking at what has to be moved along the corridor and how much that is likely to cost?

Mr Knox: John Knox, Managing Director of Icon Water Ltd. I thought I would just get that one out of the way. We have had several meetings with capital metro to date and they have been in conjunction with ActewAGL. There have been separate MOUs issued for both organisations, and at this point in time they have just been exploratory conversations. Little work has been done at this point in time because we do not have a very detailed understanding of what is actually going to be required of us at this point in time.

THE CHAIR: Could you tell us when those conversations took place?

Mr Knox: I do not have the dates off the top of my head, but there have probably been about two or three meetings, the most recent about two or three weeks ago.

THE CHAIR: And the first one?

Mr Knox: I am sorry, I will take that on notice.

THE CHAIR: That is very kind. The work that will be required, is it necessary to upgrade the water and sewerage assets on Northbourne Avenue, or what capacity do they have in them currently?

Mr Knox: As far as we are aware, on the Northbourne corridor we are pretty much towards capacity. If the light rail is put down there, it will be a case of understanding whether or not we are required to relocate our infrastructure. As to the secondary stage, my understanding of the project is that there could be further infill down that Northbourne corridor. If there is further infill, then we would need to understand what that plan looks like from an asset augmentation and a capacity perspective.

THE CHAIR: Let us run through the three services. So water? Is that capacity?

Mr Knox: We have sewerage services on Northbourne Avenue, and it is fairly towards capacity. The other services, being electricity, gas, telecommunication and the like, are really matters for ActewAGL, being the electricity and gas, and the telcos.

THE CHAIR: And water?

Mr Sachse: My understanding is that there is not sufficient capacity in the water network, but I can confirm that out of session, if you would like.

THE CHAIR: All right. If they need to be relocated, where would they go?

Mr Knox: We just have no understanding of what that may look like at this point in time. From what I can gather, the due diligence around the actual utilities is still being undertaken. We are working through that, and when we know a little bit more we can probably cast a few more views around it all. But it is still, from our perspective, very early days.

THE CHAIR: If you had to relocate the trunk water and trunk sewerage supplies, that is a fairly major undertaking.

Mr Knox: It would be a massive job.

THE CHAIR: A massive job?

Mr Knox: Yes.

THE CHAIR: What sort of time frame do you need to deliver that?

Mr Knox: I could not tell you off the top of my head, because we have not actually done any sort of feasibility or concept design work around what it would take to do that work.

THE CHAIR: Normally when you do a relocation, how long does it take?

Mr Knox: It depends on the order of magnitude a bit. If you are talking about major sewer lines going up Northbourne Avenue corridor, that is 12 to 18 months in the planning, a job like that.

THE CHAIR: So 12 to 18 months in the planning, and then how long in the delivery?

Mr Knox: I could not tell you. I would have to seek some advice from our engineers.

THE CHAIR: You will take that on notice?

Mr Knox: Will do.

THE CHAIR: That is kind. Ms Porter.

MS PORTER: Mr Knox, page 39 of the report under bushfire risk management mentions an important component of the draft bushfire operational plan being the management of vegetation that poses a risk to the integrity and operation of water and sewerage assets. When I think of electricity I can readily understand what that risk might be, but, when it comes to water and sewerage assets, I do not have a clear understanding, so I was wondering if you could give me an understanding of what that would be.

Mr Knox: Ms Porter. I will refer you to Mr Webb.

MS PORTER: And how that would be managed.

Mr Webb: Our bushfire operational plan identifies all of our key sites and looks at the bushfire risk associated with those sites. What it effectively means is that is the inherent risk in the vegetation around the particular sites, and it is principally a vegetation issue. For example, some of our water treatment plants may be on isolated sites that have substantial vegetation. The bushfire operational plan looks at managing that vegetation, so looking to see whether there is actually an acceptable risk associated with the vegetation around those particular sites.

A lot of our sites are urban sites so it is not as much of an issue, but certainly with our major sites around our water treatment plants, for example, there is a risk that we need to manage. The bushfire operational plan does go down to a level of detail of mapping all the land around it, who is responsible for that land, who is the responsible land manager. It sets up protocols with agencies such as the Emergency Services Agency, and we have an agreement then about how that vegetation is actually managed. If it means regular clearing of that vegetation, that is something we can look at. It really is a risk-based approach.

Obviously we have an issue with our dams as well. We have got two dams in Namadgi national park, so that can be a little bit more problematic. But, again, you look at the risk to the actual asset itself. We are not like an electricity provider; a lot of our assets are underground or a lot of our assets are not as susceptible to bushfire. Again, that comes into the risk assessment. It really is based on the degree of risk around the asset—the vegetation type and the land management arrangements in place.

MS PORTER: The water catchment area I recall in the 2003 fires was very much affected, so the actual asset, which is the water, was affected.

Mr Knox: Correct. If there was a bushfire, obviously there would be an impact on the atmosphere and then that has an impact on the water quality and hence varying treatments would need to be undertaken to deal with that.

Mr Webb: It is worth while stating that the major impact was the lower Cotter catchment, mainly the pine plantation, that affected the water quality. As a result of that bushfire event, we substantially upgraded the Mount Stromlo water treatment plant. We now have far greater capacity to treat a range of different quality of water. A lot of the risk associated with bushfire in terms of water supply to the city has been removed because we have more robust treatment facilities in place.

MS PORTER: Does the type of vegetation that has now been replanted in those areas make a difference?

Mr Webb: Certainly in terms of the 2003 bushfires, the plantation pine has a greater risk because basically you need to clear that. What has been allowed to happen in the lower Cotter catchment is it has gone back to natural vegetation. That actually has a much better recovery from bushfire events. From a water quality point of view, that is an advantage to us. It really comes down to catchment management issues. Obviously we work very closely with the ACT government on those particular issues.

MS LAWDER: A supplementary?

THE CHAIR: Sure.

MS LAWDER: While we are talking about dams, I was wondering why you are not running Googong since it has been at capacity for the past couple of years.

Mr Knox: Certainly, Ms Lawder. The cost-benefit of running Googong, it is a fair way down the list with regard to when we would actually engage it. The most appropriate supply is actually coming out of Bendora at the moment, which is a gravity-fed dam, so we utilise that. Googong, from memory, is about the fourth pick on the list.

MS LAWDER: What do you mean by “most appropriate”?

Mr Knox: If we do not use Bendora—and we do a lot of planning around what that capacity looks like on the levels at Bendora—if the water supply was to get down and we were ultimately to engage in Googong, it is a higher cost to utilise the water out of Googong. We do not run the plant all the time, so we have to fire it up and take steps to treat the water whereas it is far more cost effective primarily out of Bendora.

MS LAWDER: With regard to water quality, my understanding is you have four water quality zones in the ACT. One of them, I think it is zone 1, is the city and Gungahlin, which is quite a large and disparate area. Do you have any plans to adjust those water quality zones?

Mr Knox: Not that I am aware of, no.

THE CHAIR: A new question, Ms Lawder.

MS LAWDER: I just wondered what you may be doing about discoloured water complaints.

Mr Webb: Thank you, Ms Lawder. Most of our water discolouration complaints come from when we are doing maintenance on the network. Ostensibly the water runs through the network in a certain direction. When we have to go in and do maintenance, we will shut off a main between two valves or we may need to reverse water flow, and that stirs up sediment in the pipes and leads to discolouration events. It is unavoidable, unfortunately; that is just the way it is.

We try to engage with the community as early and as quickly as we can, so we try to identify where there is plain maintenance or reactive maintenance and get that information out to the community as soon as possible. There is no problem from a health point of view; it still meets the Australian drinking water guidelines, but it can have impacts in terms of it is not the best to wash your clothes with, for example. We try to get messages out to the community via a range of means—using local media, social media and what have you, website notifications—to let people know exactly why the discolouration is there, how long it may last, and what to do during that period. Generally speaking, they are fairly short periods, and our levels of complaint in this area have been very, very low this year. It is about actively managing the particular event.

MS LAWDER: One of the examples very recently was an issue at Macarthur dam, or whatever you call it.

Mr Webb: Yes, Macarthur reservoir.

MS LAWDER: Can you run through what was the cause of that failure or the flooding that occurred?

Mr Webb: Yes. That certainly was not planned; that was unplanned. We had a major burst in the main that fed that particular reservoir, so it was a large main and events like this are basically a major outage. Because that pipe burst just near the reservoir site—our reservoir is up on top of the hill—it led to some spillage of water down the hill.

Obviously our first concern is about water supply to the affected properties, so we need to make sure we have enough water in the network from an alternative reservoir to maintain supply. We got together very, very quickly with local agencies in terms of the department of health and also the fire service to make sure we were managing the incident collectively and making sure we could actually do the analysis to get water to all affected houses.

Because it is unknown with a lot of these pipe bursts until you excavate the pipe and find out exactly what the extent of the burst is and what work needs to be done and you then obviously need to assess that, the key was going to the community and letting them know the cause of the burst. We made sure we had water supply available to the community, so we set up water stations at each of the local schools so if people were concerned about water, there was bottled water available to them.

It is really all hands on deck managing the incident; it is an incident management situation where we are managing the repair, we are managing the community, we are working with the fire brigade to make sure there is firefighting capacity in the network. It was really a full-on response for about 48 hours until we got that back on track.

MS LAWDER: What was the cause of that burst?

Mr Webb: We have a lot of bursts, so whether it was actually the age of the pipe or movement in the particular soil. They are the sorts of things that happen. Pipes in the ground actually burst. We try to be as proactive as we possibly can in terms of planned maintenance to resolve that issue, but we will always have burst pipes.

Mr Knox: If I could just add: in this case we understand that it was soil displacement, but we are still investigating. It is unlikely that it was the age of the pipe.

MS LAWDER: Could you keep us informed when you find the cause?

Mr Knox: Yes.

MS LAWDER: Thanks.

THE CHAIR: Just for the record: soil displacement is?

Mr Knox: The pipe sits on the soil and there has been some form of erosion or soil movement or underlying. You actually build up weak points so the pipe is not sitting evenly.

THE CHAIR: Ms Berry.

MS BERRY: I had a question regarding work health and safety. I see you did a safety culture survey in February this year. You also put in place a work health and safety strategy for 2014-16. Can you just give us an update about how things have been going since the survey in February and, prior to that, the review that was done following the Cotter Dam expansion?

Mr Webb: I will take that again, Ms Berry. On the Cotter Dam, we were in an alliance arrangement with John Holland and Abigroup as our major construction partners. For the dam project itself and all our other Bulk Water Alliance projects, we adopted the John Holland safety system. They were the primary contractor. Those particular projects were done under that safety system. I need to point out that the dam had an impeccable safety record and it was well within industry standards in terms of lost-time injuries.

Generally speaking, in our organisation we felt the need to look at a strategic direction for safety. That is why we did a safety survey, to look at the culture of safety within the business. That gave us a range of things to then act on. The safety strategy looks at a number of years and it is based around a lot of tangible issues. It is based around the creation of an asset risk profile, because our main business is managing a fairly

extensive asset base. It looks at how we actually manage the asset risk profile and the impacts of safety on our individuals.

We also deal with a lot of hazardous substances in terms of treatment of water, so it is managing that as well. It includes things like managing our contractors. We have a lot of contractors and we need to ensure that they are accredited and are going to work within our safety standards as well. That is another aspect.

There are a range of different things. I think the big thing with safety is that it has been about the culture within the organisation itself and having an open discourse with our staff. For example, we do regular toolboxes with our field crews. What we are trying to do is encourage our field crews to have a two-way conversation. It is not a compliance-driven system; it is more about creating a culture that protects everybody, and we can actually have an open discourse with our staff. That is something we have really engendered into the organisation as well. It is our number one priority, and we have stated that explicitly over the last couple of years. It is really good to see that our general lag indicators are all going in the right direction. Certainly in terms of our lost-time injuries and our serious injury frequency rate, they are all going down. It has been a particularly good result from a safety point of view.

MS BERRY: Were the injuries that you had previously related to people working on their own or were they people working in groups? I know lots of your employees work on their own. How do you manage that?

Mr Webb: We have field crews who do active work out in the field, and that is where a lot of the injuries tend to happen. A lot of them are not serious. We have put in place, again, a toolbox system so that the crews are discussing and working through the job before they approach the job. Before they get into it they actually look at safe work method statements, ensuring they are approaching the job correctly. They do that every day before they approach the job to check whether any conditions have changed. It is having, I suppose, oversight to make sure that the issue of single workers does not happen. You make sure you have got more than one worker out there on site and that they have better access to base. All those things are starting to work. Traditionally, our injury rates have come down but we have not had a great deal of serious injuries over the years. It is more like things such as slips, trips and falls, cuts and abrasions—those sorts of things.

MS BERRY: Thank you.

THE CHAIR: Going to the dam, is there an official final cost of the dam?

Mr Knox: There is. At this point in time we are forecasting 410.3. As far as that number is concerned, we are in the final throes of dealing with the insurance claim with Zurich through our broker Marsh. Until that is signed off, the claim has been fully processed and all the rest of it, I could not lock down that number. But on our estimate of final insurance recovery, it is 410.3. As soon as we have got that insurance recovery we will be closing off the project and reporting it accordingly.

THE CHAIR: And the likely time frame for the closure of the claim?

Mr Knox: We are keen to close it as soon as possible. There have been very protracted discussions with the insurers. It has gone on for months and months. We would hope that this would be wrapped up within the next month or two.

THE CHAIR: Does the dam come with a warranty period?

Mr Knox: Yes, there is a defect liability period. On the actual civil works, it is a 12-month period which runs out in—

Mr Sachse: October 2014; so it ran out last month.

THE CHAIR: It has run out; all right.

Mr Knox: There is a valve defect period as well which goes on for another 12 months beyond that.

THE CHAIR: Have there been any defects that needed remediation?

Mr Knox: Yes. Recently we have had work undertaken on two leaks. There has been seepage out of the design joints. Through the Bulk Water Alliance, we have sent people in to repair those—inject some grout into those joints and reduce the seepage that has occurred.

THE CHAIR: A leaking dam is probably not such a good thing.

Mr Knox: Correct.

THE CHAIR: How major were the leaks?

Mr Knox: To an extent that we had to address them. These were what I would call expected. Just going back to your earlier comment, Mr Smyth, it is okay to have the leaks as long as they are coming from where you expect them to leak, that flow through the expected points.

Mr Barr: They are like political parties.

Mr Knox: Just to make sure I am on record here. These particular leaks were showing flows probably about four times what would have been the norm. So we investigated those and fixed them.

THE CHAIR: All right. So two categories: the expected and the unexpected. Were these where you would have expected leaks from?

Mr Knox: Yes. The seepage was expected to come through there but the volume of water that was coming through there was considerably higher than what we would have anticipated.

THE CHAIR: This is just a joint between two sections of the construction?

Mr Knox: Correct.

THE CHAIR: Have there been any unexpected leaks?

Mr Knox: No, not at this stage. In saying that, the dam is approximately 80 per cent and it is still filling, so as that goes up there is settlement. We have still got 20 per cent to go. Over time you will get a calcification and things tend to settle a bit as well.

THE CHAIR: The flows that had to be addressed: when you say it was four times what was expected, what volume of water are we talking about here?

Mr Knox: I will just refer to my notes. Off the top of my head, it was about 1,800 litres per minute at the maximum seepage. Post the remediation we brought that down to approximately 820.

THE CHAIR: So when will that leak fully close?

Mr Knox: It will not fully close.

THE CHAIR: So that is expected?

Mr Knox: It is expected.

THE CHAIR: Okay.

Mr Knox: The two that we sent divers in to work on reduced the flows out of those particular joints by approximately 60 per cent, and we consider that to be a success.

Mr Barr: It is useful to give some context about the total volume of water we are talking about here within a dam.

Mr Knox: Yes. These seepages are very immaterial compared to, obviously, what is sitting on the other side of the wall and they are counted in our environmental flows as they go down to the Murrumbidgee as well.

THE CHAIR: Is that double dipping?

Mr Knox: No.

Mr Barr: Water is water.

THE CHAIR: So divers had to go into the dam wall and patch it from the exterior?

Mr Knox: Yes, absolutely. They actually had decompression chambers. All of that was done through the Bulk Water Alliance through the defect period. They went down, I think, about 50 metres, right to the base and put in tubes, injected a grout, sealed those and reduced the flow.

THE CHAIR: Thank you.

MS PORTER: On page 23 of the report under “Ecologically Sustainable

Development” it talks about delivering cost savings and reducing greenhouse gas emission targets. Towards the bottom there are dot points about reductions and the time when the reductions will be made. Can you talk about how you are going with reaching these goals and also the offset forestry projects which it talks about immediately below that?

Mr Knox: I will just refer you to Mr Sachse, Ms Porter.

Mr Sachse: I will talk about the first issue you have raised, Ms Porter. ACTEW contributes towards the ACT government renewable energy targets in the context of the feed-in tariff scheme that the ACT government has created for large-scale generators. ActewAGL Distribution will pay the generator for generating that energy and the distributor will pass those costs on to all consumers in the ACT through higher electricity prices. ACTEW continues to contribute towards achieving those targets through that method. I guess the other strategy that the ACT government has is improving energy efficiencies in households and businesses. Again, ACTEW contributes towards that through higher retail electricity prices to achieve those targets.

MS PORTER: It also talks about the operation of pump stations. Is that a significant contribution to lowering gas emissions? That is just above where it talks about the percentages of emissions that need to be reached. It talks about Mount Stromlo’s mini-hydro system.

Mr Sachse: We are looking at including that system as well. There are some further design improvements that we can make to that mini-hydro to extract additional renewable energy out of that plant. We will be looking at that next year to improve the operational capacity of that system.

Mr Knox: We are quite keen on the mini-hydros. If the business case stacks up and it ticks all the boxes then we will continue to invest in those where we can.

MS PORTER: We were talking about forestry before and whether or not it was appropriate to have forests. I was just wondering what the carbon offset forestry projects were.

Mr Knox: I might refer you to Mr Webb. There is a bit of ECD history here.

Mr Webb: The carbon forestry offset was part of our commitment to offset the impact of Bulk Water Alliance projects. In order to offset we decided to go down the path of looking at a carbon farming initiative. Through that process we purchased this property, which allowed us to offset that project.

MS PORTER: Where is that?

Mr Webb: It is in Perth in Western Australia.

MS PORTER: So nowhere near our—

Mr Webb: The issue was actually finding somewhere appropriate to buy into these projects. Ironically, areas affected by bushfire that are revegetated are not counted, are

not allowed, in that particular quote. So you cannot look at bushfire recovery initiatives. You need to look at a separate initiative. That was one we identified a couple of years ago and that is performing quite well.

MS PORTER: Thank you.

THE CHAIR: Ms Lawder.

MS LAWDER: Treasurer, you and the Chief Minister announced an independent panel appointed to undertake the review into the ICRC's price direction. I think it was in April this year. Where are we at with that?

Mr Barr: This work is continuing.

MS LAWDER: Do you have an idea of when that will be completed?

Mr Barr: That is in the hands of the panel. They are highly independent of government so I do not get to direct outcomes or time frames. My understanding is that they intend to have a draft report this side of Christmas and then a finalised report early in 2015, but beyond that we are in their hands.

MS LAWDER: What kind of engagement has ACTEW had, if any, with the panel?

Mr Knox: We have had numerous requests for information over the last four or five months, and we have supplied all of that information. My understanding is that, as the Treasurer indicated, it is about late November and probably February at this point in time. We have been asked to provide opex, a consumption forecast, capex—just about everything you could possibly be asked. Very comprehensive is the answer.

MS LAWDER: Good. The Auditor-General concluded her review on governance and administration for the ICRC review. Have you made any changes or have there been any developments at ACTEW as a result of the Auditor-General's comments?

Mr Knox: I think I may refer to the Treasurer there. Certainly from our perspective, the Auditor-General's report discussed a review of, in general, the economic regulation framework and the act. They are being addressed, I understand, by government. With regard to any of the other observations, I guess we were very relieved, and not surprised, that any allegations were unfounded with regard to withholding information. From our perspective, it is just making sure the communications, relationships and all the rest of it are appropriately and professionally managed moving forward with the ICRC.

MS LAWDER: Nothing you want to add to that, Treasurer?

Mr Barr: Not at this stage, no. We will obviously have further things to say in relation to both the Cohen review and the Auditor-General's report in due course.

MS LAWDER: Thanks.

THE CHAIR: Just as a supplementary to that, how much has it cost ACTEW to

participate in the review?

Mr Knox: The original—with the appeal process, the budget that the panel has advised is circa \$1.4 million. I think they are about two-thirds of the way through that to date.

THE CHAIR: How is that payment made?

Mr Knox: From ACTEW to the—

Mr Sachse: I think to Treasury, and they will manage the costs for the panel through the Treasury.

THE CHAIR: But it is made at the end? You make periodic payments?

Mr Sachse: We have been making progress payments over time.

THE CHAIR: So you have paid about \$1 million so far?

Mr Sachse: Circa, yes.

THE CHAIR: Thanks for that. Ms Berry, a new question?

MS BERRY: Yes.

THE CHAIR: We will finish about 20 past and then move on to ACTTAB.

MS BERRY: Okay then. Regarding your community engagement and support program, when I was a kid growing up in west Belconnen we used to go for excursions down to the sewerage works. I do not think that happens anymore; it has not happened for a very long time. Is that something that you would consider as a future program, as part of the program of engaging particularly schoolchildren, to find out where their stuff goes?

Mr Barr: I was wondering where you were going to go with that.

Mr Knox: The short answer is yes. We do take the community through tours and education. They have been through the ECD discovery trail, the enlarged Cotter Dam discovery trail. We have brought various groups through the lower Molonglo treatment plant. And yes; we are certainly on rotation wherever we can provide community access to our facilities and wrap it into their education program. We are very open to that.

MS BERRY: I know I found it fascinating as a child—and probably still do now, actually. Just regarding the community engagement and support program, do people seek out your support or do you have a program you go by where you pick and choose the people that you want to support or sponsor?

Mr Knox: We have a substantial framework that has been revised over the last four or five months. That is published on the internet. Anyone requiring sponsorship is

required to go through that application process; we judge it on its merits against the money that is available and understand basically where we are allocating our money and how that portfolio is managed.

MS BERRY: I was just looking at the major events program, and the one that jumped out at me was the National Gallery of Australia.

Mr Knox: It jumps out to me as well, Ms Berry.

MS BERRY: That is quite a lot of money.

Mr Knox: It is. I think I would be very surprised—

MS PORTER: What page are you on?

MS BERRY: Sorry; page 19.

Mr Knox: I was somewhat pre-committed to honouring that when I came into the role four or five months ago. It was wrapped up with regard to the energy investment, and it was a broader sponsorship. We are committed to one more year after this fiscal period; then we will reassess it on that basis.

MS BERRY: Thank you.

Mr Knox: If I could just add to the answer on the previous question as well, on page 17 of the annual report the community engagement there I think gives you a bit of an idea as to how many people have been put through those sites, just with regard to that. But to go to your point, I think it is appropriate that lower Molonglo gets a bit more coverage. We are also celebrating 100 years next year, and we were planning basically to do some open tours of all of those sites.

MS BERRY: I have just one more question on community engagement. I know that people's water usage habits changed a lot during the drought, during the really dry drought. That was through significant education programs that were put out, by everybody really. Is that something that ACTEW would be considering continuing, given that things are not going to get any cooler, things are not going to change? How do we make sure that people continue to be aware of their water usage and make sure that they are using water appropriately and sustainably?

Mr Webb: That is a really good question in the current environment. We went through a period over the last 10 years when we experienced a significant drought; we put a lot of resources into basically completely re-educating the ACT community about how to use water, with a lot of infrastructure solutions such as water wise gardening, and we did invest in a lot of water efficient measures.

The message has changed slightly, because we are actually in a period of security. But having said that, if we look at the climate outlook, it does not look that rosy for the next 10 years. Obviously, we will experience a drought again. What we have actually found is that the ACT community have not gone back to the way they used to use water. Even though our dams have been full for the last couple of years and we have

eased off with the water education message, we are still seeing water usage rates fairly similar to during the drought. Even last year when we had some of those very hot days, the peaks only came near 2005 levels—never back to the 1990s levels. So I think we have done a really good job in terms of educating the community about water efficiency.

How do we do that going forward? I think we need to think through that and be a bit more on the front foot. It could be educating people about the benefits of water, actively pushing our brand through things like water refill stations, and engaging more with school groups. But whether we will go back to that restriction methodology of really pushing harsh water saving measures, I am not too sure. We would like people to enjoy water; that is the message we want to send. But I think the community probably understand that they cannot go back to flagrant use of water with kids running under sprinklers—unfortunately, because that is what we would like to see. That will be in our messaging in part of our schools program and part of our education program.

We also work very closely with government, which has policy responsibility for this. Its current water policy sets out some targets in this area. We work very closely with it on that.

MS BERRY: Thank you.

MS LAWDER: A supplementary, chair?

THE CHAIR: Yes. Ms Porter had one; then Ms Lawder.

MS PORTER: My question is regarding customer service and engagement. On page 14 you talk about the launch of the customer strategy in 2014 in March. I was wondering how that is going. Are you reviewing that as you go along? I am particularly interested in the area where you are working to try to clarify and eliminate the brand confusion that is out there. It is obviously—

Mr Barr: We opened up with brand confusion.

MS PORTER: Yes, we opened up with it, so it is obviously still out there. And in relation to the comment about the sprinklers, surely if you are watering the lawn, the children can run underneath. We can water our lawns.

Mr Barr: Yes.

MS PORTER: So children can still play in the sprinklers.

Mr Webb: They can; that is true.

Mr Knox: I might ask Mr Webb to speak to the first part; then I will comment on the second and third parts.

Mr Webb: With the customer strategy, we articulated, I suppose about 18 months ago, that we really did want to focus on customers and become a customer-centric

organisation. To do that, we drilled heavily into our customer base. For a period, by independent survey and also by talking to our customers and people who had had contact with us, we looked at the sorts of things that they value most in terms of customer service principles. Then we could break it down into four tangible areas.

The highest priority, our customers have told us, is that they want more internet access. They want to be able to do more business on a really well enabled internet. They have also told us that the development industry wants to be able to do business with us a bit more easily, so we want to open up our development processes to make sure that we are aiding the development of the ACT community and really interacting there. The third thing was about restoration. When we have a pipe burst, for example, and it impacts on a customer's property, one of the issues we have always had is about restoring that property to the way it was. We have put a fairly heavy focus on that particular area. The fourth area was about how day-to-day customers like to deal with us, whether they are large water users or individuals. Do they like to access on the internet? Do they like to be able to ring us? How do we streamline those areas?

It precipitated into four projects around those areas. It has been quite successful—especially, for example, in restorations. For the quarter, we have gone down from an average of 17 complaints to five over the last quarter. That means we might have to do a bit more in terms of restoring that property, but we also have a happier customer. It cuts down our complaints, and in the longer term it saves us money. It is really focusing on those customer values.

We are looking at rolling out a new internet over the next 12 months. Our internet is still a bit too corporate; it is not interactive enough. We need to open it up so the development industry can get on and access our water and sewerage standards. The development industry obviously do not work nine to five; they work all night quite often, doing their development applications and what have you. They need to interact with us 24 hours a day, so we need to build an internet that is going to enable that sort of an approach. In terms of our large water users, we have looked at a portfolio management approach. A key individual will actually manage the relationship with a large water user—for example, the NCA—so that they have one person they can speak to about their water needs.

They sound like simple initiatives, but by doing that we are getting a very positive customer response. They are the sorts of things that are coming out of the strategy.

MS PORTER: And the brand confusion?

Mr Knox: It has been chronic, to say the least. From our perspective, the board asked us to look at this in February or March, when I came on board. It has been around for some time. That was discussed with the shareholders. Both individually and also publicly, they supported that rebrand. We launched the new name on 31 October. I think there will still be an education process to come. I would imagine that that would probably take the best part of the next 12 months, but we have got a lot of work lined up for the new year just to educate all of the stakeholders with regard to what Icon Water Ltd does versus ActewAGL.

MS PORTER: Thank you.

Mr Knox: You are welcome.

THE CHAIR: A supplementary.

MS LAWDER: Thanks. I was asking also about the major events on page 19. You have the Australian Water Association gala dinner and sponsorship. Was that related to a water conference held in Canberra? Was that a national conference where it was the ACT's turn, or what was that?

Mr Webb: No; I believe this was actually the local branch of the Australian Water Association. We were the principal sponsor for that. And through that, they also acknowledge key professionals in the ACT water community and they announce winners of that. We were key sponsors for that particular event. I think the national conference you are referring to is Ozwater, which is the AWA annual conference. We have not been associated with that other than sending delegates to it.

MS LAWDER: Even though it was in Canberra just recently, I think in the past year some time.

Mr Webb: There was not an AWA one. There was an ANCOLD one.

MS LAWDER: Something about water.

Mr Knox: ANCOLD was about the dam; professionals come together—

Mr Barr: It is the Australian National Committee on Large Dams. There is a fraternity for everything, isn't there?

THE CHAIR: You brought together the “dammed” and had a conference.

Mr Knox: Yes, the dam engineers—the dam fraternity, in the words of the Treasurer. Ozwater was actually up in Queensland last year. And we are also members of the Water Services Association of Australia. We just are careful about how we allocate our sponsorship between various organisations.

MS LAWDER: Also, with the sponsorship community support, I was under the impression for many years—I am not sure about the most recent years—that ACTEW sponsored the Tuggeranong Hawks. Has that concluded? It does not appear to be listed here.

Mr Knox: I do not know the details of that one, but I would assume that if it is not there it has concluded.

Mr Barr: Or that it was ActewAGL and there is brand confusion again.

Mr Knox: Possibly.

Mr Barr: I think it is ActewAGL.

THE CHAIR: Just to close, on the rebranding, what is the program? When will it roll out? I notice that in a *Canberra Times* article of 1 November it says:

The bulk of those costs were not for rebranding the organisation, they were expended on reintegrating the water and sewerage business back into ACTEW Corporation ...

Can we have a breakdown of the costs for the rebranding?

Mr Knox: Yes, certainly. The cost we have at the moment with regards to the rebranding process we are going through now is approximately \$220,000, which is an expenditure that has been incurred with an external agency with regards to the process. We are anticipating or forecasting to spend about another \$300,000 by 30 June to replace and roll out the brand. I am referring to vehicles, uniforms and the like.

Chair, the comment that was picked up by the *Canberra Times*, the expenditure refers to the previous launch of ACTEW Water on 1 July 2012. That number had various components to it, including the legal costs for reintegration of the water business, and there was a subset of rebranding costs that was incurred back then as well.

THE CHAIR: When we met at estimates you mentioned discussions were under way with ActewAGL about possibly a capital repatriation. Where is that at?

Mr Knox: We have had long discussions with the board with regards to the financial strategy and the debt strategy. We have also had open discussions with the shareholder pertaining to elements of that as well. We are currently in discussions with regard to forming a working group looking at the dividend policy and the second part to the discussions that were raised at estimates. We are also talking to government about potentially raising a very modest debt program on the ActewAGL side, which is the Distribution balance sheet. It would not be a capital repatriation due to restrictions that are in place—a very small debt facility is proposed. But there is some way to go on that one.

THE CHAIR: What does “very small” mean?

Mr Knox: Order of magnitude, \$150 million over three years, of which we would be set 50 per cent.

THE CHAIR: When is an outcome likely?

Mr Knox: We have just started forming the working group and we are aiming to firm up our position around the end of the third quarter of the financial year, so 31 March 2015.

THE CHAIR: We will finish with ACTEW there. You have taken questions on notice. We would appreciate answers by 24 November. As soon as we have a transcript we will forward it to you for your perusal and correction if necessary. Thanks for your attendance today.

Short suspension

THE CHAIR: We will move on to ACTTAB. Can you confirm that you have read the privilege statement on the table before you on the pink card and understand the privilege implications of the statement?

Mr Quinlan: They have not changed?

THE CHAIR: Acknowledged. They have not changed. Minister, would you like to make an opening statement?

Mr Barr: No.

THE CHAIR: The question that we are all intrigued with is: has the sale been completed, and when did that occur?

Mr Kourpanidis: Approximately three weeks ago.

THE CHAIR: What is happening now with the staff, or are they now the responsibility of TABCorp? Has everything moved across?

Mr Barr: It has. My understanding now is, with a couple of exceptions that were outlined previously, all staff have moved across. Three staff had very good superannuation arrangements from an era long since gone who have taken a different path, and the chief executive position was not part of the arrangement.

THE CHAIR: The committee would particularly acknowledge the presence of the former Deputy Chief Minister, Mr Quinlan. Welcome back to an annual reports hearing, perhaps your last.

Mr Quinlan: Almost certainly, I think.

Mr Barr: In this capacity.

THE CHAIR: What is the future of the racing industry and how will it be funded long term?

Mr Barr: Industry funding is a rolling four-year program funded off the territory budget, together with some periodic opportunity for capital investment associated with particular infrastructure priorities along the capital metro corridor, for example. There is a sponsorship arrangement with the new owner of the TAB in relation to the racing industry, and the product fee opportunities exist also. However, obviously this sits with Minister Burch as minister for racing, so you may wish to explore those issues more fully with her.

THE CHAIR: Could you give a breakdown of the \$105 million? Was value put against the various components?

Mr Barr: No, I cannot, but I believe the sale proceeded in that manner.

THE CHAIR: The value of the tax implications and its effect on the larger market,

was any consideration given to—

Mr Barr: Five potential purchasers, obviously. But the tax arrangements did not change. What applied for ACTTAB previously applies in the new arrangements.

THE CHAIR: There has been some reporting, though, that they now have leverage to take back against Victoria and New South Wales in the negotiations there.

Mr Barr: I guess you could call that competitive federalism, could you not?

THE CHAIR: Or just good luck. What financial analysis was undertaken to justify the approach, and can the committee have a copy of that analysis?

Mr Barr: We commissioned a piece of scoping work, and that has been publicly released. I am happy to provide the committee with a copy of that.

THE CHAIR: There is nothing further as to the value of the components of the sale?

Mr Barr: Not that can be publicly released, no.

THE CHAIR: Given that the sale has been completed, why can that not be publicly released?

Mr Barr: Part of the bidding process was to ensure confidentiality in relation to various elements for the different bidding parties. I am not in a position to provide that information. I have not seen it.

Mr Quinlan: If I may stick my bib in, at the end of the day, the purchasers make that decision and they make their own decisions. They look at the balance sheet, they look at the suite of assets, but they will put their value on it. It would not matter what we thought and what our balance sheet reflected; at the end of the day, they will make their call, and that is their own business. They did not bid on bits of it. “This is our offer for the lot,” end of story.

MS PORTER: Assuming, from what you have been saying, we have got a fair and reasonable price for the sale of the corporation?

Mr Barr: We got what the market is prepared to pay. We can have a thousand different bush lawyer opinions on it, but we had a process that delivered a lot more than most of what the bush lawyers and the people who prop up bars at various parts of the city were speculating. The market is the price—that is what the market is prepared to pay so that is the value.

MS PORTER: Can we assume from what you were saying before about the staff arrangements that those issues have been settled and the staff have been properly looked after in regard to the changeover?

Mr Barr: That was one of the sale objectives, and it has been achieved, yes.

MS PORTER: Fully achieved?

Mr Barr: Yes.

MS BERRY: Supplementary.

THE CHAIR: Yes, Ms Berry.

MS BERRY: Relating to the staff, I note page 20 of the annual report talks about a high number of mature aged workers employed at ACTTAB. As part of the change to the employment arrangements of people going over to the new owner of this organisation, is it going to change its name? Will it change its name?

Mr Barr: That is a matter for them.

MS BERRY: Yes, sorry, I will just call it ACTTAB. I wondered what arrangements were made with the new employer and/or if there were opportunities for those mature aged workers. Given employment in the ACT at the moment, I wondered whether those people would have chances of getting jobs in different areas. Given that they are more mature aged workers who have been in that sector for a very long time, is there any support being provided for them for training to move into different areas, things like that?

Mr Barr: In terms of the transition from one owner to another, yes, there was individual assistance for each employee. More broadly in terms of the labour market in the ACT, the last budget contained a number of initiatives to assist people if they were unfortunately in the position of having to make a transition out of one form of employment, principally in the public sector, into another form of employment. A range of programs exist supported by the territory government, together with a full suite of employment services provided by the Australian government.

It would be fair to say a comprehensive series of supports are in place. The bigger picture question, though, around the city's labour market is that it is obviously impacted by the employment decisions of the larger employers in the city, and the consequential impact of their most recent decisions and how that flows into the service sector who provides services direct to government but then also more broadly into the retail economy. What has happened in the ACT in recent times is that the total level of employment has fallen. It reached an all-time high around September 2013, and following the change of government the level of employment in the territory has reduced.

MS BERRY: Of the 101 staff that were employed, did all those accept employment with the new owner?

Mr Barr: All but three.

Mr Kourpanidis: All but three, and they were the three the Treasurer mentioned earlier, being the beneficiaries of the very attractive long-term super scheme where a like-for-like offer could not be matched by the new owners. Otherwise everyone else is still there. In the lead-up to the actual sale, or talk of the sale, a couple of people chose to retire and move on, but that was some months before we had gotten to the

stage of doing a deal.

MS BERRY: Does ACTTAB accrue the 15 per cent recycling?

Mr Barr: Yes. I have had an exchange of letters with Treasurer Hockey indicating that, yes, because this process was initiated by way of a formal vote in the Assembly to allow the sale to occur, it was substantially impacted by the asset recycling initiative that the commonwealth has on offer, and so will qualify, which means we get a 15 per cent boost on the sale price, paid in a couple of instalments. We will be negotiating with the commonwealth on the new public infrastructure, the new public assets, that will be acquired or constructed and delivered, depending on the mix, which we would apply that 15 per cent bonus to.

MS BERRY: But some of it is intended to be spent on capital metro, from our point of view?

Mr Barr: Certainly on our infrastructure program more broadly. To the extent that capital metro is part of a \$2.5 billion program—I guess we can argue over exactly where the \$15 million that comes from the asset recycling initiative is allocated across that infrastructure program, but if the commonwealth have a particular project that they are interested in funding in the ACT and would like us to apply those funds to it, and we agree with that project priority, then we would certainly do that.

That may mean a roads project, because the commonwealth have a particular interest in funding road projects at the moment. The territory will have ongoing road projects, so we could direct the funds there. It could be capital metro. But what we are doing is setting aside the proceeds from the asset sales, of which ACTTAB was one, into an infrastructure fund. That is how we are raising some of the capital to meet our overall infrastructure requirements in the next four years. As I said this morning, it is my intention that we will continue to add to that infrastructure fund with further asset recycling initiatives that will proceed and will be announced in coming budgets.

In the context of paying for some of the larger infrastructure projects, as we have delayed the timing of capital payments either by way of procurement methodology or by delaying the commencement of particular projects, we have a period now of four or five years where we can significantly build up that pool of capital for infrastructure and then apply it to the various projects. It will be a combination of capital raised through those means and some borrowed that will fund the infrastructure priorities for the next four years and beyond.

MS BERRY: Thank you.

THE CHAIR: The sale will mean that next year there will be one final annual report to cover 1 July to whatever it was.

Mr Barr: Yes, that would be correct. It will be a bit like Totalcare.

THE CHAIR: Yes, to wind up.

Mr Barr: This will be the second one of these I will have been involved in going

through.

THE CHAIR: Is there a tail beyond that date of the sale? Totalcare took some time to wind up.

Mr Barr: I do not believe it will be as long as Totalcare, but—

THE CHAIR: Are there long-term issues that have to be addressed or—

Mr Kourpanidis: There are some.

THE CHAIR: that we have liability for?

Mr Kourpanidis: The only tail, if you want to call it a tail, is what we refer to in the business as the unclaimed dividends that have not yet been produced, which sit quarantined until someone produces a ticket that they forgot to claim and are paid out. That is the only unfinished business, if you like, that will be left after the immediate winding up, in the next few months, of the obvious last bills that come in for payment and that sort of thing. Outside of that, that is my understanding of the only tail, if you want to call it that.

THE CHAIR: They are all looking at you, Mr Hays.

Mr Kourpanidis: Tony, would you concur?

Mr Hays: Yes, I concur with what Con has just explained. The sale was completed on 14 October. For the 12 months from that date, any unclaimed dividends would need to be retained by ACTTAB and paid out if people are able to provide evidence to claim them. What we are intending to do is arrange to have the company shell wound up before the end of the financial year, and to transfer that obligation relating to the unclaimed dividends to the territory to manage, rather than have the residual company staying in place until October next year and having another set of financial statements, another annual report and so forth. So we are trying to simplify that process.

THE CHAIR: And post 14 October, how are unclaimed dividends dealt with by Tabcorp?

Mr Kourpanidis: Unclaimed dividends from that date onwards are Tabcorp's responsibility and will sit with them.

Mr Barr: That is right, yes.

THE CHAIR: Any final questions? Ms Lawder?

MS LAWDER: I have a question about page 11 of your annual report, ecologically sustainable development. In this table, is it the case that you have used no electricity from renewable sources?

Mr Barr: It would probably be caught up in the decision to divert all of those renewable resources into demand reduction. There was a whole-of-government

decision that, rather than watching consumption increase and continue to purchase renewable, we would throw all of our resource into reducing the total consumption of electricity across the entire government asset base, and that is—

MS LAWDER: Is that what the asterisk might entail—except that the asterisk does not actually appear?

Mr Barr: It does not appear. Yes, I was looking at that, going, “Where is that footnote?” That is my assumption.

MS LAWDER: Perhaps you could check that and get back to us.

Mr Barr: I will check that. It would appear to be the case across every other annual report I have read—I have had to provide commentary—but we will double-check that.

MS LAWDER: I have another question on the next page, page 12, about transport fuel usage. You have seven cars, the same number of kilometres and the same petrol and diesel use, but further down in that table it says that emissions from transport have decreased by 8.17 per cent. How would that be the case when everything else seems to have remained the same?

Mr Quinlan: We will have to take that on notice as well. That would be complying with best practice et cetera within the place, but in detail that has been handled by management. Sorry.

Mr Barr: Yes. We will seek some information on that.

Mr Quinlan: We will give you an answer on those.

MS LAWDER: Thank you.

THE CHAIR: Any final questions?

MS BERRY: I just have one question. You might not be able to answer this, but it is on support for the community from ACTTAB. There was over half a million dollars to various organisations. With the sale—I know you will probably say that it will be up to the new owner whether or not they make contributions to the community—was there anything—

Mr Barr: Yes, there was. There is a commitment—in fact, it is an enhanced level of support—for the racing industry. If you look, you will see that there were particularly high levels of support for Thoroughbred Park and the greyhounds. Presumably the harness guys are in there. Yes. There is an ongoing commitment for a decade from the new owner there, and then also one in relation to broader community sponsorship that picks up where ACTTAB—

MS BERRY: So the same amount for a decade?

Mr Barr: Yes, indexed to CPI going forward. From memory, it was 300,000 and

400,000, indexed to CPI. I will double-check, though; it is in the press release.

Mr Hays: It was 750,000. That was all inclusive. It includes 50,000 indexed by CPI for problem gambling.

Mr Barr: That is true, yes. So there are three components—the racing industry, general sponsorship and problem gambling, all over an extended period of time with indexation.

MS BERRY: Thank you.

THE CHAIR: I know you are enjoying this, but we are going to have to call it to a close. You have taken a number of questions on notice. Could we have responses by 24 November. We will forward you a copy of the *Hansard* so that you might review it. If you have got any suggestions or corrections, the committee will look at those. Members, if you have any supplementary questions, they can be put on notice three days from receipt of the transcript. With that we will finish with ACTTAB—the penultimate annual report hearing for ACTTAB—and move on to the ICRC.

Short suspension.

THE CHAIR: We now move on to the ICRC. I welcome the new witnesses to the table. I simply ask that you check out the privilege statement, which is the pink document, and confirm that you have read and understand the privilege implications of the statement.

Mr Barr: We have.

THE CHAIR: Thank you very much. Minister, would you like to make an opening statement?

Mr Barr: No. In the interests of time I will go straight to questions.

THE CHAIR: Minister, what is ICRC's involvement now in the review?

Mr Barr: With the industry panel?

THE CHAIR: Yes.

Mr Barr: Providing assistance where required. Malcolm, do you want to add to that?

Mr Gray: It is just as the Treasurer has indicated. We have had various requests from the panel over the period since they have been established, and we have complied with those requests. When they were set up first of all we gave them all our report templates and media templates and various other materials to get them started. Most of our documentation is in the public domain; so they have been downloading it directly from our website.

They asked for all the confidential submissions that had been made to the inquiry, and we provided a package of those. They subsequently requested our terms of reference

for contract documents for the technical contractor that helped us with the water review, and we provided that. There have been a range of requests, some large some small, over the period that they have been operating. We have simply provided the material they sought.

THE CHAIR: Is there much of a financial impost on the ICRC?

Mr Gray: No, because essentially it was packaging up material and making it available to them. Our costs at the moment that we have got in our books are about \$11,140.

THE CHAIR: There is a question I should have asked ACTEW. Maybe it will go on notice. There was a *Canberra Times* article about keeping records on how quickly it responded to problems with the electricity network. Are you now happy that you are getting the correct information from them so that you can assess their performance?

Mr Gray: Yes. As you would have gathered if you had followed that story, it transpired that the information they told us they did not have, they in fact had, and they have now provided it to us. So we are happy that the information has been provided, and it indicates that they are complying with their code obligations.

THE CHAIR: Did they give you a reasonable explanation why you were given no data available for the three previous financial years?

Mr Gray: The only explanation we got was “administrative error”.

THE CHAIR: Do you take that further? Are you satisfied now that they are complying?

Mr Gray: I think what we have done is give that information a higher profile than it has previously had by including a new appendix to the annual report. We hoped in that process that both the public and the utilities would pay more attention to that process. That is occurring. We are satisfied that objectives have been realised, and we propose to continue to report in that way on that information in the future.

THE CHAIR: Ms Porter.

MS PORTER: On page 6 it says that large, unanticipated calls on commission resources are likely to cause problems. Could you give an example of this occurring and how it is dealt with, and could you expand on the statement that the audit placed a considerable burden on the commission’s resources?

Mr Gray: We met those demands basically by giving other tasks within our remit lesser priority and in some cases by the staff, including the commissioners, working longer hours than we might otherwise have worked. There were a number of requests for information from the audit office, some of them reasonably complex, and then the audit office produced a series of documents which it asked us to review. Some of those documents were complex in character, relating to a relatively large volume of material which we were required to review in order to comply with the request. That is how the resourcing of the task became significant.

MS PORTER: But it was managed? Is that what you are saying?

Mr Gray: It was managed within the organisation, yes, in the ways that I have described, by changing priorities and some people working a bit harder than they otherwise worked—weekends in the office for example.

THE CHAIR: So it was additional work, not working harder?

Mr Gray: Pardon?

THE CHAIR: So it was additional effort, not that they were being slack in the past?

Mr Gray: It is not normally the practice for the commissioners to spend the weekend in the office, no. So it was additional, yes.

THE CHAIR: Ms Lawder.

MS LAWDER: Starting on page 3 of your annual report, it talks about greenhouse gas emissions. In September we had a progress report on the government's renewable energy target on greenhouse gas emissions. Given that report, are you confident that the ACT is on track to reduce its greenhouse gas emissions by 90 per cent by 2020?

Mr Gray: I am sorry, that question was?

MS LAWDER: Are you confident that the ACT is on track to achieve the goals outlined in AP2, given the report that came out in September?

Mr Gray: We have not assessed that. There are clearly some very substantial policies in the pipeline designed to address that. We have not been asked to assess and therefore we have not assessed the likely effectiveness of those policies or whether they will be delivered in the time scale that has been indicated.

MS LAWDER: The minister requested the commission review its methodology for calculating the REP. How often does the minister ask the commission to undertake particular pieces of work?

Mr Gray: There was a general requirement under the service-level agreement that we had with the minister's directorate for the commission to provide advice on those matters. The specific request that the minister made in respect of the REP was filled within the ambient of that body of work. It is relatively unusual for the minister to make a specific request. Normally the onus is left with us to identify developments that need to be drawn to the minister's attention. But in the case of the REP there was a particular concern that the minister had about the consistency of the emissions report on the renewable energy percentage reporting which he asked us to specifically address.

THE CHAIR: Just for Hansard, the REP is?

Mr Gray: The REP is the renewable energy percentage and it tells you how much of

the electricity consumption in the ACT is sourced from renewable resources.

THE CHAIR: Ms Berry.

MS BERRY: Regarding the community engagement and support, you invite people to participate in some of the work that the ICRC does. I wonder whether you could tell us: were the eight submissions that were received on the draft report, on page 14, made by individuals or organisations?

Mr Gray: They were a mixture. Some of them were from individuals and some of them were from entities like the body corporate of a property management of a building. They were a mixture.

MS BERRY: And when you invite people to participate or provide public comment, how do you go about doing that? Is it just through the print media and on your website or are there other ways? Do you go out, as a human, rather than—

Mr Gray: The ways that you suggested, and sometimes we will also hold a public meeting purely for information at a point before the public hearing is due, to encourage people to participate and perhaps to provide them with information on the basis on which they can participate. We make those judgements on the basis of what we think is most likely to be effective.

MS BERRY: The other annual reports that we are looking at—and it might be somewhere in here and I just could not find it—identify the amounts that organisations provide in support for charities, like you have identified at the bottom of the page here, Anglicare, the Doris Women’s Refuge and the Cerebral Palsy Alliance. Are the actual amounts or the other organisations anywhere in here?

Mr Gray: I do not think it is in the report in terms of the sum of money. Most of that support has been provided in kind. We had various items of surplus furniture, for example, which we disposed of by contacting our suite or organisations and asking whether they had any use for it.

THE CHAIR: How many suppliers of electricity are there now in the ACT market?

Mr Gray: How many electricity suppliers registered? I would have to take that on notice. It is in the low teens, from memory.

THE CHAIR: Origin is now in the market. What is the ICRC’s position regarding a statement from the Australian Energy Market Commission in August that the mere presence of retail price regulation constitutes a risk to retailers because there is always the chance that the regulated price will be set below the retailer’s cost of supply and that consequently a new entrant may not be able to offer a competitive price while making a commercial return?

Mr Gray: The history of price setting in the ACT would suggest that that risk is very small. We do not think that the AEMC, the Australian Energy Market Commission, has produced very convincing evidence to suggest that regulation is having a depressing effect on competition in the territory, and the very fact that Origin has now

entered the market and is offering a 13 per cent discount on ACTEW's prices suggests that we are not, in fact, setting prices below the cost production.

THE CHAIR: Ms Porter.

MS PORTER: At the bottom of page 8 it mentions that whilst consumers can, in theory, seek a review of a price directions if, for example, they believe the commission has set a price too high, in practice they are discouraged from doing so because of the cost involved for the applicant to challenge such a decision. You recommend an industry panel. Could you explain how this could be beneficial, in your opinion?

Mr Gray: Because the only entity that can realistically mount an appeal is the entity that would directly benefit from the outcome, we think that the elements that the panel should be allowed to review should be restricted to those that go to the benefit of the entity. In other words, the review should recognise the legislative space in which the panel operates and should recognise the status of the act.

MS PORTER: Could you expand on that a little more please?

Mr Gray: If we take the current industry panel review as an example, ACTEW, in their letter of application, made reference to the fact that they did not consider the decision met the criteria of cost reflectiveness in the ICRC act, by which they meant they did not think we had given them enough money. Under the terms of the industry panel legislation, the industry panel can then look at everything and anything rather than the narrow question: did we give them enough money or not? And what we are suggesting here essentially is: that is what the industry panel should be focused on in the case where the request for a review has been brought by the entity that benefits from it.

Mr Barr: Potentially benefits.

Mr Gray: Potentially benefits, would benefit from it, would benefit from a certain decision, yes.

THE CHAIR: A final question, Ms Lawder.

MS LAWDER: At page 15, about your stationary energy usage—I am sure the minister can guess what my question might be—on electricity use overall, you have a 22.6 per cent increase in the amount of electricity used. You have got the same floor space but then you have had a slight increase in staffing. Have you any idea what the reason for the increase in your electricity usage is due to?

Mr Gray: There is nothing that I am aware of that would explain the change of that magnitude. Be aware that the way that these numbers are calculated is by taking all the lettable areas that the territory has in the building we occupy and then, as the property managing agency of the territory, aggregate all the data and then simply assign it out. There may not be any relationship between these numbers and the individual developments on that floor. I am not aware of anything that would explain how we are using 22.6 per cent more electricity.

MS LAWDER: And it appears, according to the information presented here, you have used no electricity from renewable resources.

Mr Barr: We have been consistent with the—

Mr Gray: The previous answer.

MS LAWDER: I knew you would be able to—

Mr Buckley: About 17 per cent of the electricity in the territory is from renewable resources. One could reasonably assume that the ICRC uses its share of the renewable energy in the territory. On that basis, like every other ACT electricity consumer, 70 per cent of our electricity would be from renewable resources—something between 60 and 70 per cent.

MS LAWDER: I would assume that but your report actually tells me zero.

Mr Barr: That is an interesting question, is it not, about how those matters are reported but presumably they were?

THE CHAIR: Will you take that on notice?

Mr Barr: Yes. All of this sits now within my responsibility.

THE CHAIR: We are in extra time. Thank you for that, Treasurer and officials. We will call it a halt there as we have to be back at 1.30 for the Chief Minister. Any answers to questions taken on notice, if we could have them by close of business on 24 November this year. Members, written supplementary questions, if you could provide them within three days of receiving the proof transcript, that would be fine. We will forward those and we would expect answers within two weeks of the date of receipt.

Treasurer, on behalf of the committee, I thank you and your relevant directorate and agency officials for attending today. The transcript will be provided when we have it. You might check and offer suggestions. And with that we will declare this hearing closed and resume at 1.30 this afternoon.

Sitting suspended from 1.02 to 1.32 pm.

Appearances:

Gallagher, Ms Katy, Chief Minister, Minister for Health, Minister for Higher Education and Minister for Regional Development

Chief Minister, Treasury and Economic Development Directorate

Leigh, Ms Kathy, Head of Service and Director-General

Peffer, Mr Dave, Deputy Director-General, Policy and Cabinet Division

Dixon, Mr Brook, Director, Policy and Cabinet Division, Regulatory Reform

Overton-Clarke, Ms Bronwen, Acting Deputy Director-General, Workforce Capability and Governance Division, and Acting Commissioner for Public Administration

Centenera, Ms Liesl, Director, Workforce Capability and Governance Division, Public Sector Management

Young, Mr Michael, Executive Director, Workforce Capability and Governance Division, Continuous Improvement and Workers Compensation

Noud, Mr Russell, Director, Public Sector Workplace Relations Group, Workforce Capability and Governance Division

Perkins, Ms Anita, Director, Culture and Communications Division, Communications, Engagement and Protocol

Hall, Ms Sue, Director, Corporate Management

Kefford, Mr Andrew, Head, of Asbestos Response Taskforce

Miners, Mr Stephen, Executive Director, Finance and Budgets Division

THE CHAIR: I formally declare open this public hearing of the Standing Committee on Public Accounts inquiry into the 2013-14 annual reports. On behalf of the committee I thank you, Chief Minister, and your officials, for attending today. Proceedings this afternoon will commence with the examination of the annexed report of the ACT executive, followed by the 2013-14 annual report of the Chief Minister and Treasury Directorate relating to the matters that fall within the Chief Minister's portfolio. These matters will be covered in the following order: government policy and strategy, coordinated communications and community engagement, CMTD corporate management, public sector management, the Commissioner for Public Administration and issues relating to the asbestos task force. We will then look at the Chief Minister's directorate as it is relevant to the regional development portfolio. The hearing will conclude at approximately 5.30 this afternoon.

I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement before you on the table. Can you confirm for the record that you understand the privilege implications of the statement?

Ms Gallagher: Yes, thank you.

THE CHAIR: Before we proceed to questions from the committee, Chief Minister, would you like to make an opening statement?

Ms Gallagher: No, thank you. We are very happy to go to questions.

THE CHAIR: If we start with the executive, minister, could you tell us what is

happening from your perspective with the upgrade of the Assembly to look at the increased size and how that might affect the ministry?

Ms Gallagher: Yes, I can. Whatever the Speaker said on Friday I agree with. We are working hand in hand with the Clerk. Kathy Leigh has been leading that on what the various options are, and I understand a document will be coming to both the Speaker and me in the not-too-distant future to outline some of the costs and pros and cons for the various options.

THE CHAIR: Are you aware of when that might happen?

Ms Gallagher: Do you have an idea, Kathy?

Ms Leigh: I think it will be in the next few weeks.

Ms Gallagher: So a document coming with options in the next few weeks. It would come to both me and the Speaker, and then I imagine the Speaker and I would talk about next steps.

THE CHAIR: We now have a sixth minister. What administrative support has been put in place for the minister and how many staff does that position have?

Ms Gallagher: He has got the same allocation that other ministers have. We can certainly provide it to you, but it is on par with what Minister Corbell and Minister Burch would have. There is a small additional amount of money for the deputy, for the Greens minister and myself.

THE CHAIR: You will take it on notice and give us a breakdown?

Ms Gallagher: Yes.

THE CHAIR: Ms Porter.

MS PORTER: With reshuffling the portfolios with the appointment of the sixth minister, how has that been managed by the ACT executive? What kinds of pressures has that placed on everybody, and how has the staffing been managed with the additional minister? Have we been able to staff the offices adequately?

Ms Gallagher: Yes, I believe so. New ministers come on; they have a chief of staff, a couple of advisers, a media person and a front desk person, supported by some ELOs. It has provided some extra capacity around portfolio distribution. Everybody lost a bit of work, which eased up the workloads which were too onerous. I think I was the only one that picked up a bit more, and that was only in relation to the asbestos issue, which came as requiring almost like a new portfolio. It is definitely progress in the right direction. I still believe an appropriate ministry would be eight or nine, which is why we are moving to 25 members. People's workloads are still too much, but they are better.

MS PORTER: So in terms of you having to pick up almost an extra portfolio, as you called it, have you got extra staffing resources to cope with that?

Ms Gallagher: Not myself, but the task force, which will be on later this afternoon, has extra capacity there. It is just some more meetings and a bit more work in my office, but there is certainly extra capacity across the public service to manage it, which helps.

MS BERRY: Supplementary?

THE CHAIR: Supplementary Ms Berry, and then a new question from Ms Lawder.

MS BERRY: With the refurbishment of the executive area upstairs, is the possibility of there being additional ministers in this government being taken into account during that refurbishment?

Ms Gallagher: Which refurbishment?

MS BERRY: Upstairs, on the second floor—well, the whole building, actually.

Ms Gallagher: When it moves to 25?

MS BERRY: Yes.

Ms Gallagher: Yes. That piece of work is looking at having an executive with a capacity for nine; I think that is the legislation is. The costings being done on the various options are being costed with that in mind.

THE CHAIR: Ms Lawder, a new question.

MS LAWDER: Your Twitter cabinets—I have not taken part, but I am not opposed to them by any means.

Ms Gallagher: Well, you are not in the cabinet.

MR HANSON: She could have tweeted to ask a question.

Ms Gallagher: You mean taking part in Twitter land?

MS LAWDER: Yes. Are there any costs involved in running the Twitter cabinets?

Ms Gallagher: Certainly some IT support comes in with the way the computers are set up, but it is just in the cabinet room. There would be some small cost from people who work on community cabinet, for example, and have been doing this.

MS LAWDER: So it is another way of reaching out to people?

Ms Gallagher: Yes.

MS LAWDER: Do you identify any success measures or particular goals, and have they been met?

Ms Gallagher: We did not know what we were doing; we were the first government to undertake Twitter cabinet, so we did not know what to expect. I think the first Twitter cabinet was the busiest one, from my memory, although I think the last one we just had was coming back. They have been very popular. In terms of the traditional community cabinets, which we have been having at our open days, you would probably on average get about 20 people through those and you would far exceed that on Twitter cabinet. But we acknowledge it is a particular demographic—my age group who are not busy with other things, quite knowledgeable about government systems and processes. It cannot be the only way you engage, but it is definitely a legitimate way. We endeavour to get back to people; we follow up with people.

I have also held a Facebook forum which was a different demographic again and very, very popular. A lot of people were involved in that. It is certainly part of the way governments need to engage. I know the ones the police have done they have found quite useful, although there are limitations with 140 characters. But, yes, it is definitely a way of engaging.

MS LAWDER: You expect to continue them next year?

Ms Gallagher: Yes, I think we have another one booked in a week or so, or maybe a bit longer. Yes, we will keep doing them regularly.

MS LAWDER: You also have Chief Minister's talkback on Friday mornings.

Ms Gallagher: Yes.

MS LAWDER: How many people go along to support you in that?

Ms Gallagher: Me and my communications adviser, who just deals with the requests that come in.

MS LAWDER: You will be continuing that too?

Ms Gallagher: That is at the request of the ABC. I am happy to go along. I think it started under Kate Carnell, and it has continued the tradition with every Chief Minister, and the ABC is still keen to do it.

MS LAWDER: I get a lot of positive comments about it.

Ms Gallagher: It is not really within my control, but as long as they are happy to continue to do it, I will. Again, it is a particular demographic. The challenge for governments as all these new media come forward is how you manage them all and make sure you are still getting to people who might not be connected either on the ABC channel or digitally. The role of the traditional community meeting is still quite important.

MS LAWDER: I think the recent older persons assembly identified some of those issues too.

Ms Gallagher: Yes.

THE CHAIR: Ms Porter had a supplementary, then a new question from Ms Berry.

MS PORTER: With regard to embracing new technologies we have just been talking about, are there any other new technologies you believe you might need to look at in engaging with the community? You mentioned Facebook and Twitter.

Ms Gallagher: There is something called Google Hangouts, which I have not quite got my mind around, but people tell me it is something that could work. But virtual town hall meetings, those kinds of things. I think that becomes more possible with NBN as people have access to that. But it will definitely continue. I cannot even imagine what it is going to be like even in a couple of years time, so it is a challenge as to how we keep on top of all that.

MS PORTER: At the same time, as you were just saying, making sure people who are not necessarily engaged in that way continue to have access.

Ms Gallagher: Yes, that is right. We have made a change with the *Our City Our Community* newsletter recently to shift it to a digital version. We have email addresses from when people have registered and we distribute it that way. That saves money, so we can potentially do more of those or put that saving somewhere else. We are doing a small print run which goes to libraries and places like that instead of people getting it in their letterboxes. Again, that is part of that balance of trying to make sure people are still getting information.

MS PORTER: Page 24 refers to the ACT's digital mail service. Is that what you were just talking about?

Ms Gallagher: Part of it, yes. We are increasingly trying to push digital as the way to get access to government information.

THE CHAIR: A supplementary, Mr Hanson, and then Ms Berry.

MR HANSON: The newsletter you were just referring to, your newsletter that—

Ms Gallagher: No, no, that was the government's *Our City Our Community* one.

MR HANSON: Your newsletter goes out from the ACT government website?

Ms Gallagher: No, it goes out from my website, and I pay for that myself. That is not paid for by the ACT government in any way.

MS BERRY: You talked about community engagement, the rollout of the NBN, the free wi-fi and things like that that will help people engage in that way, but there are lots of parts of Canberra that do not have it now and will not have it for a very long time. Have you ever considered going to local schools after school periods—in places where parents might not be able to access good internet—and having a community cabinet kind of thing at a school; taking it to the people rather than inviting them in?

Ms Gallagher: Those options of how you would facilitate a meeting like that are

being worked through, and also when our wi-fi will be going into town centres across Canberra. Part of it is looking at how we use our existing facilities, out of hours, to maximise their positive use. I could certainly see that happening. It is funny that in these busy times there is a group of people that will on a particular issue want to go to a public meeting, but quite often people's inquiries are not on the same issue. The beauty of engaging through either Facebook or Twitter, particularly for women of, say, your age and mine, is that the majority of the information they are getting is from Facebook early in the morning and late in the evening, for obvious reasons. That is one of the benefits of trying to look at how we can engage through those media. Yes, I think we will have to continue to do meetings as well.

THE CHAIR: Mr Doszpot.

MR DOSZPOT: I have a couple of supplementaries. Chief Minister, on the digital Canberra action plan, in reference to volume 1 of the annual report on page 38—

Ms Gallagher: Have we finished the executive? It is my fault. I have kind of pushed us out of—

THE CHAIR: We have crossed over. Is the supplementary on—

Ms Gallagher: It is about the executive?

THE CHAIR: The action plan probably fits into output class 1.1.

Ms Gallagher: Yes.

MR DOSZPOT: I am happy to wait because I have a number of questions I want to ask.

THE CHAIR: Any other questions for the executive?

MR HANSON: I have a question on the EBA negotiations with staff. Can you give the committee an update on where that is at?

Ms Gallagher: They are going too slowly, in my view. I understand there have been some attempts to encourage the CPSU to bring it to finalisation as soon as possible. I understand that the staffers on the first floor and the Greens' staffers—or non-executive members—have put formal final positions, as I understand it. The last update I had was there was contact going to be made with the CPSU to see about bringing it to a conclusion. So as soon as we can.

MR HANSON: Okay.

Ms Gallagher: I think there are a couple of areas. There is some concern around TOIL, which seems to always be the issue, and then some additional request about on-call allowances, which would come at a cost. Those seem to be the two outstanding issues.

MR HANSON: So you would anticipate that being finalised before the end of the

year?

Ms Gallagher: Well, if everyone just agreed with us it could be finalised right now, but I understand there are still a couple of areas of disagreement. So, yes, I hope it could be finalised as soon as possible.

MR HANSON: All right. Who is leading the negotiations from the government on that?

Ms Gallagher: It is a government negotiating team, and I think my chief of staff has been attending the meetings with the staff and union reps.

MR HANSON: Thanks.

THE CHAIR: Any final questions for the executive? There being none, we will move on to Chief Minister's. Chief Minister, in regard to capital metro, how much was spent by your department supporting capital metro in the last 12 months or in the annual reporting period?

Ms Gallagher: In terms of Chief Minister, there would be some—I do not know how you would cost it. Kathy Leigh will have been involved in some of the meetings. There has certainly been involvement across government, but nothing that I can recall in terms of a specific appropriation or allocation for it.

THE CHAIR: Were any of the Chief Minister's staff allocated to work on capital metro and were their costs recovered?

Ms Gallagher: In terms of my own staff?

THE CHAIR: The Chief Minister's directorate.

Ms Gallagher: In terms of Chief Minister staff, yes.

THE CHAIR: Yes, with the division between the Treasury—

Ms Gallagher: Yes, there has certainly been more involvement on the Treasury side, obviously, looking at financing and then costings.

THE CHAIR: What role do you have in relation to the delivery of capital metro?

Ms Gallagher: I am Chief Minister, which means I am responsible for everything, ultimately. I chair the capital metro subcommittee of cabinet. I take regular briefings from the project director, Emma Thomas. It is a pretty significant involvement.

THE CHAIR: Can you take on notice and determine what costs could be attributed to the Chief Minister's portion of the directorate?

Ms Gallagher: I think it would be very difficult to do it. You could ask it on any project—for example, how much time has been spent on the health redevelopment? This is part of the job that Chief Minister's does as the central coordinating agency.

THE CHAIR: So you will not take that on notice?

Ms Gallagher: I just think it would be very difficult to cost it. It is part of the standard job of a central agency to be involved. It is not trying to avoid it; it is just that I think it is part of the existing workload. It is not a new or specific thing.

THE CHAIR: Do you have any staff dedicated to capital metro?

Ms Leigh: No, we have no staff dedicated to capital metro. Our role is purely in relation to the normal role of the Chief Minister's directorate, providing advice to the Chief Minister and supporting the cabinet.

THE CHAIR: All right. Who negotiates with the commonwealth on behalf of the territory regarding capital metro? Is that done through Minister Corbell or through you?

Ms Gallagher: It depends. It crosses over. I do not know who you mean in terms of negotiations—with the NCA or?

THE CHAIR: With the NCA in particular, and possibly with Minister Briggs in regard to funding.

Ms Gallagher: I would be the lead minister in relation to that. I know, for example, that Minister Corbell may—and I imagine has and will continue to do so—have contact with Malcolm Snow as the head of the NCA; so does Emma Thomas. There are multiple points of engagement, but ultimately I am the one.

THE CHAIR: Have you or your department had negotiations with the NCA and Mr Snow?

Ms Gallagher: Yes, I have certainly had meetings with Mr Snow and talked about capital metro.

THE CHAIR: What is the role of the NCA in regard to capital metro?

Ms Gallagher: They have an approvals role.

THE CHAIR: And what would that involve?

Ms Gallagher: Them approving the project at a particular point, particularly the main entry to Canberra, the Northbourne corridor. Part of my meeting with Mr Snow was to make sure that he felt that he had all the information that he was going to need to support the board taking certain decisions, and he indicated he was.

THE CHAIR: In effect, does the NCA have a veto over capital metro?

Ms Gallagher: Potentially, yes, as I understand it. I think there was agreement reached that it would not want to get to that point, but if they had concerns about the design or scope there would be suitable officer discussions before that. Certainly the

NCA have not indicated to me any opposition to capital metro, but they do have an approvals role, and obviously they need to make sure that that approval is done in accordance with the way they operate. They are not going to come out and say, “We’re going to approve it under any conditions.” So they are an important stakeholder.

THE CHAIR: A new question, Ms Porter.

MS PORTER: On page 14, Chief Minister, it talks about the secretariat services that are provided to cabinet and the ACT Public Service Strategy Board, including support to you and the Head of Service in the role as chair, and the support of the ACT’s participation in COAG and CAF. I was wondering if you could talk about those. How important is that support and what influence and effect on government policy do you believe this participation in COAG and CAF have?

Ms Gallagher: It is an important role of the central agency to manage intergovernmental negotiations, agreements and meetings. I would say that the Head of Service probably spends more time on that than you would normally like because it is over and above everything else. In the lead-up to a COAG meeting, there are a lot of meetings at senior officer level and a lot of negotiations that happen on that. There are a lot of briefing pages that are developed to provide me with the information I need. There is often a dinner or a breakfast with first ministers, so it is to brief me to make sure I am aware of not only what the commonwealth is saying but what other states are saying and positions they might be taking.

In relation to CAF, that has probably changed a little. It has become more informal than formal from what it was perhaps three or four years ago. But still, on those issues where the states feel that we have a shared interest, there are meetings and briefing papers, and there is an agenda for those meetings as well. In order for the ACT to participate in those forums, these meetings and briefings are essential.

THE CHAIR: COAG, I suggest, is well known but, just for the *Hansard*, CAF is?

Ms Gallagher: CAF is the Council for the Australian Federation, and includes the state and territory members of COAG.

THE CHAIR: A supplementary to Mr Hanson.

MR HANSON: With the board, are the agenda items discussed and the minutes published?

Ms Gallagher: With the strategic board?

MR HANSON: Yes.

Ms Leigh: The agenda items and the minutes are provided to cabinet.

MR HANSON: They are not publicly available?

Ms Leigh: They are not publicly available, no. Obviously they are the working

documents for directors-general. We discuss matters that go to cabinet. We discuss a whole range of sensitive issues because it is the body that sits across the top of the public service.

MR HANSON: Can you give us a bit of an update on what issues you may have discussed? You give it a bit of a quasi cabinet-in-confidence status, do you?

Ms Gallagher: Yes. It is things like workers compensation, budget processes and whole-of-government savings. Then you could go and have a look at the cabinet agendas and see the issues, because we release those online, the summary of the cabinet outcomes, and they would mirror some of the discussions. Kathy, if you want to add anything?

MR HANSON: It does not have the privileges afforded to cabinet-in-confidence, so why are the minutes and the agenda items not published?

Ms Leigh: It has not become an issue before. You are raising it now. I think it is because it is the body of directors-general and they go across a very wide range of issues. It is both substantive and enabling. It is our responsibility, leading the public service, to make sure that it is properly equipped in every way to deliver its responsibilities. Some of the issues we will look at will be staffing, financial, ICT and capital works. Some of the issues that we will look at will be substantive issues that are coming to cabinet, particularly ones that go across a number of portfolios. It is an opportunity to make sure that the really difficult issues are debated at that high level.

You can imagine that between the matters that are coming to cabinet and once you are discussing some of those other enabling issues at the highest level, either they are things that will be coming up in a future budget process or they can be quite sensitive. To enable the minutes to be full and to go out to directors-general so that everyone can act on them, we just have a general caveat on the minutes so that we do not need to be concerned about that and they can be as useful as possible.

MR HANSON: Do you have a regular meeting?

Ms Leigh: Every fortnight.

MR HANSON: Every fortnight?

Ms Leigh: Yes.

MR HANSON: How long does that normally go for? I am just curious.

Ms Leigh: It goes for a couple of hours.

MR HANSON: Thanks.

Ms Gallagher: Directors-general meet every day or have a—

Ms Leigh: Every morning we have a video hook-up for about five to 10 minutes to do a quick update on the issues that everybody has on their plate to make sure that we

have got those connections. So you do not have to wait for the next fortnight to make sure that everyone knows what is happening, and we can act as one service.

MR HANSON: Just on that, in terms of that one service, is the government office block being driven out of Treasury, are you driving it, or who is driving that generally?

Ms Leigh: Economic development have the prime responsibility for that process.

Ms Gallagher: Through the procurement process, but the decisions that have been taken around it have been whole of government.

MR HANSON: Have been whole of government, yes. I guess that would be an issue that you have discussed.

Ms Leigh: That is right.

MR HANSON: With having video hook-ups and that sort of thing, but with the view in that proposal that all public servants have got to be within 10 minutes of the Assembly, can you explain the rationale behind that for me?

Ms Leigh: I think technology constantly makes it easier for us all to be hooked up, but still nothing beats being able to quickly get together with papers and meetings and quickly being able to convene a meeting with a minister when the minister needs briefing. So it is practical—

Ms Gallagher: It is essentially the whole of Civic—10 minutes.

MR HANSON: Yes, but I am interested in the logic where Shared Services has gone to Gungahlin. If there is any central element, putting Shared Services in Gungahlin when the rest of—

Ms Gallagher: I guess the view with Shared Services—and that was a separate decision—was around ensuring that we had a workforce out in Gungahlin. The federal government has not assisted us there in any way. We were looking at a group of employees who did not have to move around the city for their day-to-day work; if there is one group of workers, it was this group of workers, IT support, where they could contain—

MR HANSON: I think that was broadly supported, to be honest, but I am just trying to understand why we have got this competing strategy where there is a view that the workforce—there are only so many levers that the ACT government has. That was an idea to put some workers into Gungahlin to activate Gungahlin, but the proposal that everyone else has got to be 10 minutes from the Assembly seems to preclude the ability to use that.

Ms Gallagher: That was the decision to have a Civic office building. It is a Civic office building. We have got a number of our people already working in Civic. The main workforce that would go into this building is already in Civic, but in various locations around the place. And there is the option for that hub at Dickson as well. We

are not at all saying that we are going to put everybody in this building; it is about co-locating those functions where it makes sense to pull people together and not have them in a number of different leases around the city.

MR HANSON: There are a couple of views about how this could be done, in terms of leasing or building a new building.

Ms Gallagher: Yes.

MR HANSON: I guess there are advantages and disadvantages of both.

Ms Gallagher: And I understand there is a range of options that have come through the original expression of interest stage.

MR HANSON: Do you—

Ms Gallagher: I have not been briefed on it.

MR HANSON: Do you have a view?

Ms Gallagher: I just want the best outcome for the budget, basically. That is my view.

MR HANSON: So you will go for the cheapest option?

Ms Gallagher: No. The best outcome for the budget is not necessarily the cheapest one, but it is a consideration. We have to deal with the fact that most of our staff are in C and D-grade accommodation. The other issue, which definitely might not be the cheapest option, is about how we upgrade our accommodation. I do not think Civic will argue against having a level of investment happening on this scale at the moment. I think that is quite positive. But ultimately it has to be good value for taxpayer money.

MR HANSON: Have you had representations from particular groups who are interested in investing in a new building—or perhaps who own it currently?

Ms Gallagher: Over the years I have, but not since the formal expression of interest proposal has gone out.

MR HANSON: But that was only quite recently, wasn't it?

Ms Gallagher: Yes, but, for example, I have met a number of times with the section 63 consortium about their issues for trying to get a development up on that site. I do not know if they are in the list that is being considered—I presume they are, just from their interest in getting that development up—but I certainly have not met with anyone proposing a particular project through that process.

THE CHAIR: Ms Lawder, a question.

MS LAWDER: Yes. I want to ask about the 2014 people matter survey. It looks as though over 10,000 staff have had RED training over the three years or so from 2011 to 2014, which is maybe 50 per cent, in rough figures, of all ACT public servants who

have had RED training, which should include some component of anti-bullying training, in the past three years or so. But it still appears that, according to the 2014 people matter survey, 10 to 20 per cent of staff experience bullying and 20 to 30 per cent of staff have witnessed bullying. How has this continued to be the case? Is your RED training not satisfactory? Is it a culture that you are trying to address, and you may need other measures? Can you explain those figures, those concerning figures?

Ms Gallagher: I might hand over to Bronwen Overton-Clarke, who is the Acting Commissioner for Public Administration.

Ms Overton-Clarke: The sort of survey that was undertaken is very similar to one that is done across a number of jurisdictions, and we find a very similar result to a number of other jurisdictions. The definition is very broad. As I said, it is a result that is very similar. I can give you some figures, if you would like, around other jurisdictions.

MS LAWDER: I am only really interested in our jurisdiction.

Ms Overton-Clarke: Sure. We found that training and awareness have really increased over the last few years. That of itself leads to a lot of reporting. We have got an informal network of RED officers who have been very useful in terms of how directorates now recognise and treat bullying. Certainly there is a lot of discussion about it. There are a number of ways that we deal with it, and recognition is a very large part of that.

The statistics around it are quite different. In terms of the number of claims around workers compensation and in terms of the number of formal investigations that are undertaken and the results, they are decreasing or have remained the same in the last few years. So in terms of formally how things happen—and even in terms of the informal reports, what we notice by RED officers—what we do notice is that that is within a context of reduced numbers of formal complaints.

It is a very complex picture. We are certainly not resting on anything. One of the things we want to do early in the new year is some increased training for managers around a whole set of tools, including the RED framework, the code of conduct and performance management. In reality, I think quite a lot of issues arise from a lack of awareness about clear expectations from managers about work. So some of it ends up being about perceptions, recognition of work and clarity around what work expectations are. I think one of the key answers is that there are better sets of discussion sometimes between the staff and managers. That is some of the toolkit information we are putting together.

MS LAWDER: In last year's workers compensation and work safety plan, one of the components was "building stronger people management skills in line managers and supervisors to minimise the risk of psychological injury". That was last year's plan.

Ms Overton-Clarke: Yes.

MS LAWDER: Are you saying that has not happened and that it is going to happen next year?

Ms Overton-Clarke: I think it is an ongoing process. Michael Young can give you the actual statistics around the numbers of accepted claims, but I do not think it is something that stops. The performance framework was only rolled out in 2013; we have still got a bit of a way to go in terms of embedding that formal culture across ACT government. That is one of the things that we plan to do, starting at the beginning of the calendar year.

MS LAWDER: At the weekend, there was an article about Canberra Hospital maternity unit and bullying claims there which were quite concerning. But before I forget what you said earlier, let me go to this: the numbers of claims are dropping, but how does that relate to perhaps the cost per incident or the overall cost? Is that also decreasing?

Ms Gallagher: This is workers compensation as opposed to—

MS PORTER: Yes.

Ms Gallagher: They are two different issues—workers compensation claims across the service and complaints about bullying and harassment at work. You cannot necessarily compare the two.

THE CHAIR: We do have the commissioner for administration later this afternoon.

MS LAWDER: Okay.

THE CHAIR: We are sort of traversing the same ground. But as long as you are comfortable with this progressing—

Ms Gallagher: That is fine.

Mr Young: A number of points have been raised there. Let me address the question of the number of psychological injury and bullying claims that have come through the workers compensation system in the year of reporting. As Bronwen was saying, there was a significant reduction in terms of both the number of new psychological injury claims accepted and claims for bullying and harassment—which signals, I think, improvements across the board coinciding with the psychological injury components of the improvement plan that you referred to.

In terms of cost, psychological injury claims tend to cost approximately double what a physical injury claim costs. That rate has been stable for some years. They are certainly more severe. That is primarily as a result of the extended period of time that psychological injury claimants remain absent from the workplace.

A point of note that did emerge in the reporting period was that the ACT government's experience in terms of managing psychological injury was superior to what APS agencies saw within the commonwealth. Again, I think, that signals some—"success" is the wrong word, but certainly improved performance as a result of the initiatives that have been put in place around the RED framework and other workplace bullying prevention frameworks.

MR HANSON: A supplementary: in relation to the issues within Health, in particular, this seems almost in some sense identical to where we were in 2010 in terms of claims of bullying and harassment, with a divide by two camps of clinicians—

Ms Gallagher: They are quite different issues. The causes and the individuals are quite different, but yes, some of the pressures are the same.

MR HANSON: How has this been allowed to recur so soon after 2010, when there was a Public Interest Disclosure Act report and there was an external report which found failures in management—that there was significant bullying, there were cases not reported and there were cases that were reported that were not actioned? How is it that in a work environment that was under such scrutiny we are now at a stage where we again see staff making complaints?

Ms Gallagher: It is probably better that we do that with health annual reports, which are on 15 December, when we will have the officials involved that have been actively managing these matters for some time now. It is very complex; there are no simple solutions. The way you manage poor performance and inappropriate behaviour in the workplace in a hospital setting is difficult, particularly when you need a range of skills to be present. I am happy to go through that; I am happy to provide you with all the information I am aware of. We do not have the officers here who can answer that other than to say that no-one has allowed it to happen and that, once information was clear, all the steps that needed to be taken have been taken at the earliest opportunity.

MR HANSON: Do you think, given the roles and responsibilities you have got now—taking on Mr Fluffy and so on—you have paid sufficient attention to this issue?

Ms Gallagher: I can assure you I have, Mr Hanson. Indeed, the reason we have been managing it is that it came to my attention and it was actioned immediately.

MR HANSON: When did it come to your attention?

Ms Gallagher: It was 11 September.

MR HANSON: How were you made aware of it?

Ms Gallagher: I received a letter in my office and I made a phone call that day. I know a few years ago the Canberra Liberals attempted to run a campaign about how my workload was too busy. Thank you for thinking of me so generously, but I can assure you that I work—

MR HANSON: I think at the same time you said perhaps you had been health minister long enough.

Ms Gallagher: I work long and hard.

MR HANSON: That was four years ago.

Ms Gallagher: I work long and hard in this job. It requires many hours of the day, but

I can assure you that I leave my in-tray empty at the end of every day.

MR HANSON: But you were advised through an anonymous letter from, I imagine, a staff member—

Ms Gallagher: I did not indicate that they were a staff member, actually.

MR HANSON: But someone did. How is it that you did not become aware of this through your directorate staff or through the Commissioner of Public Administration or someone? How is that possible? Why are people circumventing your staff?

Ms Gallagher: They are not circumventing me. In fact, they came to me to seek support, which is exactly what they have got.

MR HANSON: But were your bureaucrats aware of this?

Ms Gallagher: I am happy to go into this. I just do not think it is relevant to the CMTEDD annual report.

MR HANSON: We are talking about bullying within the ACT public service.

Ms Gallagher: That is one small—

THE CHAIR: Can we keep it at the higher level?

Ms Gallagher: What I am saying is that is one subcomponent of some of the issues that are happening in that unit at the moment. There have been concerns, and those concerns around bullying were actively dealt with. I was aware of those. They were actively dealt with and I was informed by management. They are complex. There are particular individuals involved and I would prefer not to agitate this in a public forum. If the committee wants to close, I will tell you why. But that is one subcomponent. I was made aware of that subcomponent earlier this year. I became aware of the issues, which were in the paper on Friday, on 11 September when I received a letter.

THE CHAIR: But at the higher level, if we take it back to your responsibility as Chief Minister for all the public service—incidents at CIT, in the Ambulance Service, in the fire brigade, in TAMS, a number of incidents in the health system—do we have a problem with bullying in the ACT public service and why does it keep reoccurring?

Ms Gallagher: There is no doubt there are issues, a problem, that people come to work and feel like they are bullied or harassed. We have got issues at CIT and some issues in TAMS, and we are talking about them. We have put in place processes to manage those and to try, as much as we can, to not allow them to happen again.

I think from the executive down, the directors-general, the executive structures in the ACT public service are very good on this issue. I think the area where we have some weaknesses—and it is not peculiar to the ACT administration; you will see it in every state jurisdiction—is line manager to particular staff member. And that seems to be where particular issues arise, which goes to Ms Overton-Clarke's point about trying to make sure that the managers have the skills. Many of them do not perceive the way

they relate as bullying, but how they relate as managers and how individual staff members feel about that direction can be two different things.

If I could have a pill that everyone took that got rid of this in the workplace, I think everyone around the table would want it taken. Would I prefer that everyone went to work, did their jobs and there were no issues in any workplace? Yes, absolutely. But in a workforce of 18,000-odd permanent staff, that is not the case. Where the problems are identified, you go in and you try to sort them out and you try to make sure they never happen again. But there does not seem to be a miracle cure for this in any state public service that I am aware of, particularly in those areas where it is high pressure, shift work, high staff numbers. They seem to be the areas where you encounter some of these pressures.

MR HANSON: Just on that, last time this arose you described it as political mudslinging and you denied that there were concerns. Can you confirm this time that this is a real issue and that this is just not, in your view, political mudslinging?

Ms Gallagher: I think my response today explains my view on it.

THE CHAIR: A new question, Ms Berry, then Mr Hanson and Mr Doszpot. Remember, members, we have got all of government policy and strategy, coordination, communications and community engagement and CMTEDD corporate management and governance to get through.

MS BERRY: We can move around those freely?

THE CHAIR: You can go where you wish to go.

MS BERRY: I have a question about the healthy weight action plan, Chief Minister, and how it is being moved through the ACT public service. Could you update the committee on where it is at and how it is being received?

Ms Gallagher: This is an example of one of our priority areas and how it works across government. In fact, I had a briefing from the Chief Health Officer this morning on a number of different components to it, and we were discussing ways to ensure that ministers in the cabinet continue to be briefed on it so that it infiltrates into other environments in other portfolios.

I have been pretty pleased because it is a new way of working. I know that we received an award from the Obesity Policy Coalition for putting together this healthy weight initiative, and we were recognised as the only government that is trying to work across government in order to manage some of the issues that the community is facing from a weight point of view.

There have been a whole range of programs that have been done under the different subgroups. We have got working groups that have taken responsibility for particular areas of the action plan, social inclusion, food environment, evaluation, schools and communication. All of those working groups are developing their priority projects. You will see some of the good stuff we have been doing in the schools through a combination of prioritising the healthy weight initiative and the Canberra healthy

grants that used to be the health promotion grants, which we are now funnelling into this area as well. We are doing a lot about understanding our own issues across the workforce as well, in our workplace.

I think the other important component of this for me is evaluating it and making sure that as we are going along we are evaluating and understanding what works and what does not work. But good progress is being made.

MS BERRY: How is the healthy weight action plan being worked across the community and education across the community about this plan and this strategy? Is the government talking with fast-food outlets or is there any consideration around the development of fast-food outlets and where they sit within our communities?

Ms Gallagher: This is one that comes up and brings in the master planning process for communities. I know there are a couple of examples, particularly with our colleges, where they are closely located to major fast-food outlets. In an ideal world you would not have that, but it is difficult because you have the colleges close to group or town centres, as a rule, and that is where, under the planning laws, those restaurants or food outlets are approved to be operational. It is tricky. I would prefer that they were not co-located as a rule.

MR HANSON: A few years ago there was a headmaster, I think from—

THE CHAIR: Are you finished?

MS BERRY: No.

MR HANSON: Sorry.

THE CHAIR: We will let Ms Berry finish.

MR HANSON: Sorry, I thought you gave me the nod to ask a supplementary. My apologies.

MS BERRY: I understand these outlets being in shopping centres, but when you are further out into the suburbs and there are schools that might be near smaller group centres and then there is planning for redevelopment of those smaller shopping centres which could include outlets that target high school and college students—they are the ones that have more access than primary school students—and where they are in lower socioeconomic areas in the ACT, can the government do anything to manage that at all or is that just part of the—

Ms Gallagher: I think it becomes pretty difficult. I think we have to be aware of it when new planning is being developed. That is part of why we are trying to drive this as a whole-of-government strategy, that we are not just having planners thinking about it from a pure planning point of view but they are also thinking about the impact on people who live there, or people who are going to live there, in terms of their health.

The healthy weight action plan does not seek to solve all of these issues but its major

principles are that through education and information we need people to understand what they are eating and how much they need to eat of it. We need to make sure that other options are considered real alternatives. We need to be encouraging cycling and walking in our local centres.

In terms of what is going to be the biggest, immediate outcome for people, it is going to be encouraging people to do a bit more physical exercise and eat a bit less of the bad food. But it is definitely part of the discussion from a whole-of-government point of view.

MS BERRY: I know in primary schools there is a lot of focus on teaching children how to eat healthy and do more exercise and all that sort of thing. But they are not the ones that are in charge of the pantry; it is their parents. Is there something in the plan that works around how we engage those parents, who might be time poor or who might not have enough money, in cheap and easy ways to make nutritional but tasty meals for the kids?

Ms Gallagher: Absolutely. That goes to the social inclusion group that is running their projects under that. But there is specific funding that certainly has gone through the healthy grants program to target cooking classes, information, making sure people understand that you can afford to eat well, the costs. Once you know what some of the right choices are, the costs are comparable with buying four value-pack meals somewhere else. That is part of it for sure. It is particularly targeting disadvantaged demographics within the community, whether it is financially disadvantaged or from an educational point of view. We need to have a look at how we are doing that. That is very much part of that social inclusion group.

I had a word with the Chief Health Officer today about this. The Heart Foundation has done an audit of supermarkets about locating food in particular places and placement around the store, which is very interesting. We had a look at it. It is going to be de-identified. It will not surprise anyone. The findings are that it is extremely prevalent, but that will help inform some of the next discussions we need to have with those retailers about what changes, if any, can be put in place around that. That is a contributing factor too.

The other thing, in closing, I would say is that the front-of-pack labelling, which has taken years to get through health ministers, has finally been agreed with the Food and Grocery Council and associated industry groups. That, I think, will make a huge difference because it will be on the front of the pack. It will be really easy to see. You will not have to look at that little table down the back, look at saturated fats and look at salt, which is really hard. I find it hard. I have worked on this for a long time. It will be a much better way of understanding what food you are buying and how much salt, sugar and fat it has got in it.

MS BERRY: When is that expected to be released?

Ms Gallagher: That is rolling out now. Some places—the big supermarkets, the big chains—are getting on board now. You will start seeing it pretty quickly.

THE CHAIR: Mr Hanson has a supplementary.

MR HANSON: Very quickly, when the principal at Lanyon High School did exactly what you are trying to ask principals to do—stop kids wagging and eating Kentucky fried chicken and so on—your government legislated so that he was disempowered. Why was that? Does it not seem entirely contradictory?

Ms Gallagher: I did sense from that look on your face that it was about political point scoring and not actually a sensible discussion about the healthy weight initiative.

MR HANSON: You are sitting here saying how committed you are to helping principals and their kids, and it was a principal that went out to try to do that and you slapped him down.

Ms Gallagher: I think that was more around truancy and absenteeism from school. I think the fundamental issue that we were trying to deal with was in relation to that.

MR HANSON: If I can correct you, that is not the case. It was about going into fast-food outlets, and he tried to stop them doing that.

Ms Gallagher: We are not trying to stop anyone going into fast-food outlets. I am trying to say that the point that was raised about this was how we manage truancy and absenteeism. This project, which is in this annual report as opposed to the question that you are asking which I do not think is in the annual report, is about the healthy weight initiative across government and some of the steps we are taking. But that does not involve banning students entering fast-food outlets. It seeks to find the right balance on a range of different fronts.

THE CHAIR: I think the question did start with fast food, though. A supplementary, Mr Doszpot.

MR DOSZPOT: Chief Minister, with all of the talk about children's obesity—it is finally coming to a common perception that there is a problem and people are finally starting to address the issues—would you consider your government's action in cutting the Rob de Castella's smart start for kids program at a time when it really was starting to take effect? Now, de Castella has been doing this for 10 years. He has a plan which was accepted by people. He is a person with a very high profile, with credibility. Would you reconsider restarting the smart start for kids program, which proved to be very effective?

Ms Gallagher: My understanding is a component of it proved to be very effective and which we are working with Mr de Castella—that is in relation to a particular subset of children and their families who require some additional assistance. The area we did not agree with was for the wide scale testing of the entire student population or a subgroup—all of those children being measured and benchmarked. That was the largest component of the funding that was sought and it was not the funding that was being sought in the next steps of that program.

The program was originally funded for three years, as I understand it. That funding ran out. A subsequent proposal was put that was over a million dollars, as I recall. There were negotiations around that to try to reduce that. We measure children quite

comprehensively at five before entering primary school. They do some pips testing in primary school. Some testing is done in year 6. That wide scale population testing was not supported on the evidence by ACT Health in their advice to me. But my understanding is that we were able to negotiate some funding specifically through a single-select process with Mr de Castella about a particular part of his program that the health evidence supported was beneficial for a very small group of students.

THE CHAIR: A new question, Mr Hanson, then Mr Doszpot.

MR HANSON: Chief Minister, as to the government's infrastructure priorities, obviously there is light rail . But I heard you a few weeks ago basically putting city to the lake and the Australia Forum on ice, for want of another expression. There is also talk of the Canberra Theatre and some proposals around that. Can you give the committee a view on where the government stands in terms of major infrastructure programs, except for light rail because I think we have probably talked about that enough? Where are we at with city to the lake, the Australia Forum, the Canberra Theatre and so on?

Ms Gallagher: Sure, I can do that. I do not think I have ever said those projects are "on ice". I have agreed we have had to reorder our priorities because of Mr Fluffy, which I do not think is a surprise to anybody. City to the lake continues; there is the major piece of work that was funded in the last budget around Parkes Way. I imagine that work will be completed relatively soon and will inform the cabinet. That is probably from the city's point of view going to be the largest capital spend. That major road infrastructure through some engineering design will join the city to the lake. That work is underway and that report will come back to cabinet.

As to the Australia Forum, as you know, the commonwealth did not fund that along with a long and growing list of other things they have refused to fund in Canberra, despite requests from the Canberra Liberals and Senator Seselja. The ACT government has stepped in and allocated funding to get that to business case ready stage. My understanding is that was in the order of \$8 million allocated through the infrastructure spend in the last year's budget.

MR HANSON: Can you update us on where that is at?

Ms Gallagher: Where it is?

MR HANSON: Yes. Is it progressing? Has someone been commissioned to do it?

Ms Gallagher: It would have passed the Assembly in August, and I imagine, yes, it is going through. That is not in Chief Minister's portfolio that I am responsible for; it is under economic development, so Mr Barr should be able to answer in detail about where that particular project is. But the money was there.

I have taken with interest some of the commentary around the Australia Forum. We have been very clear from the beginning that the ACT government did not see this as something we should fund. We can bring land—tick—which we have allocated for it. In the interests of keeping the project alive, because no-one else was going to, we have agreed to fund the business case. But we have never, ever said we will fund it

because we have hospitals, schools, transport and now asbestos to manage, like any other state municipal government with budget pressures. I think that is a pretty reasonable view to take.

My understanding from the supporters of the Australia Forum is that the government would not need to fund it because the business case will attest to the fact that it will stand on its own two feet. Because the business case will stack up, the private investment will be attracted, particularly if the land can be provided, which is our cash contribution.

MR HANSON: I am a little confused then. If your plan was never to invest capital in this project, if the \$8 million was already appropriated, why did you say, then, that because of Mr Fluffy this is now a lower priority? If no further government appropriation is required, why has it slipped in priorities?

Ms Gallagher: I guess I was trying to indicate to people and manage expectations that we can progress it to a certain point, but if at the end of that you are going to look for \$150 million for your \$300 million to \$400 million convention centre, that is not going to be something the ACT government can prioritise.

MR HANSON: Sure, but you are saying that has always been the case—you were never going to give any capital money. Why did you then say that it was impacted by Mr Fluffy? Mr Fluffy has made no difference to this because you were never going to give any money to it. Why has it gone down as a priority?

Ms Gallagher: We have never committed money to it, and my own view was it should not be something that we fund as key infrastructure for the city when we have other pressing infrastructure needs. Yes, it is managing expectations about what can be delivered. The city to the lake will continue. I note there was some concern that the ACT government was indicating at the time that we could not chip in the capital funding for it. I think it is important to put that on the table and manage that.

In relation to the theatre, yes, some good work has been done in looking at the cultural precinct over here. The cabinet will have to take decisions on that in due course. But we are making all those decisions mindful of the fact that we are now managing an additional cost pressure that is quite significant.

MR HANSON: We have mentioned three. Are there any other significant infrastructure developments? Any roads? There is the north side hospital, I think that is progressing.

Ms Gallagher: There is the north side hospital and also the major rebuild at Canberra Hospital. It will be the schools that are required for the new suburbs and also for upgrades. It will be transport. That will be roads, buses, light rail, pedestrian and walking facilities. All of that is in there, and asbestos. Anything outside of that is going to be pretty tight.

THE CHAIR: Mr Doszpot, a new question.

MR DOSZPOT: In volume 1, page 38, can you tell us what the usage figures are

since its commencement in October?

Ms Gallagher: Of what?

MR DOSZPOT: Wi-fi.

Ms Gallagher: I do not know if we have that yet. It was only switched on last week. I have used it a lot.

Mr Dixon: The free public wi-fi network was only, as the Chief Minister just pointed out, switched on in Civic on 30 October, which was just a week and a half ago. We are getting live data on that, but I would have to take that on notice to get you usage data. When the wi-fi was trialled at Floriade in the past month or so, we were getting up to 400 people logging on to that per hour. But I am happy to take that on notice.

MR DOSZPOT: Thank you. Why were the download limits increased from 100 megabytes per day to 250 megabytes per day before it had been launched and usage tested and analysed?

Ms Gallagher: Because we got a good deal.

Mr Dixon: That is correct. Essentially, what happened was that iiNet, who are our supplier in Canberra, are not only delivering free wi-fi in Adelaide but they also have a contract for Melbourne, Bendigo and Ballarat. As part of that process, they decided that, looking at their data and their price structure, they could offer 250 megabytes a day to the good people of Victoria. We talked to them about it and, being a good supplier, they have offered us a similar deal here. So as the Chief Minister says, we are getting good value for money on that wi-fi contract.

MR DOSZPOT: That is good, and I commend you for doing that. But the question also relates to the impact on the usage. I would have thought there would be some testing, depending on the number of people using it. Is there an impact on usage with the greater downloads?

Mr Peffer: Mr Doszpot, as part of the negotiations for free public wi-fi we have an arrangement in place with the provider that looks at daily usage. Where that usage is consuming the capacity of the network, that will be increased in the future. As we go forward, what iiNet will look at in terms of daily consumption is 10 times the average use rate. Where that exceeds what has been agreed in the contract, iiNet will then index into the future the capacity that people can use.

MR DOSZPOT: I would like to see the figures, if you could take them on notice. There were reports that Gorman House, which was included in the initial rollout, was unable to connect to CBRfree. What was the reason for that?

Mr Peffer: At this point in time we have a large part of Civic east switched on and operational. If you walk outside this building and jump on your phone, you will have CBRfree. That is continuing to be switched on right past Gorman House and it will go down to regions within Braddon. That will then progress across through Civic west. It will be progressively turned on. If it is not operational at this point in time, it will soon

be.

MR DOSZPOT: Has the Gorman House situation been fixed, or they have not been turned on?

Mr Peffer: It is not a situation to be fixed. iiNet are working with ACTEW actively every day—you will see the trucks out right throughout Civic—to install the connection points. At a point in time they are switched on once they are ready to go live and are safe and secure.

MR DOSZPOT: But Gorman House was included in the initial rollout, as I understood.

Mr Peffer: No. I think parts of Civic east were ready to go live in October, which was the commitment that the Chief Minister gave. But we have a number of contact points that will be progressively switched on in the near future.

MR DOSZPOT: I will put some questions on notice about that. Wi-fi was available on Queanbeyan-based Deane's buses back in 2011. Why has it taken so long for this to be rolled out on ACTION buses?

Mr Peffer: It is my understanding that it is difficult to have a high quality, ongoing connection with free public wi-fi on buses. So the dilemma we have at this point in time is finding a provider who would be happy to put their name to a connection offered on buses. Obviously where reputation is quite important you do not want to be in a situation where people using that service find that it drops out regularly. So, yes, that service has been offered in some instances, but at this point in time we are focusing on the quality of what could be offered, and that is why we are still working through that.

MR DOSZPOT: How long will it be trialled on five ACTION buses before full rollout takes place?

Mr Dixon: It will be just a trial, and the reason for the trial is so that we can ascertain the best technology, the cost effectiveness of the technology and what is the user experience. There will be a full evaluation before any commitment by the government for a full rollout.

MR DOSZPOT: Has the trial started?

Mr Dixon: No, it has not. The trial is scheduled for early next year.

MR DOSZPOT: January, February?

Mr Dixon: The first quarter, I understand at this point.

MR DOSZPOT: How long will it go for?

Mr Dixon: From six to 12 months is my understanding, so we can actually understand what the technology is doing, how many people are using it and if we are getting a

good service. Then you can do that evaluation and the government can make a considered decision about it being value for money.

MR DOSZPOT: Is this coming through iiNet as well?

Mr Dixon: That is correct; iiNet, under their contract, have agreed to trial the wi-fi on the buses.

THE CHAIR: Chief Minister, on pages 25 and 26 of volume 1 the report talks about the centenary of Canberra. On page 26 it talks about the evaluation and that there will be a framework so that there is ongoing evaluation until 2020. The initial report by Langdale Consulting, is that freely available?

Ms Gallagher: I do not know.

Ms Perkins: I will have to take that question on notice. I am not 100 per cent familiar with the detail that is available in the reporting.

THE CHAIR: Chief Minister, will you make a copy of the report available to the committee?

Ms Gallagher: I do not see why not.

THE CHAIR: There was also meant to be a second report done later this year. Has that been done?

Ms Perkins: The commitment is that there will be a report done every January up until 2020.

THE CHAIR: So there is not a second one for this year?

Ms Perkins: No, January is the next one.

THE CHAIR: Chief Minister, you were provided with a Chief Minister's talkback key facts brief and it says:

Langdale Consulting will be reviewing the monitoring, evaluation and reporting activities of the Centenary of Canberra in late April. Another review will take place later in the year, to assess whether "these activities are on track".

Is there a second report being done this year or not?

Ms Gallagher: Isn't that the point—that we have got the first report and then the next 12 months will be looked at and then there will be a report in January? I am expecting the second report in a month or two's time. That will reflect on this year's program.

THE CHAIR: So there will be a second report this year?

Ms Gallagher: In January.

THE CHAIR: Ms Perkins just said that it would be next year.

Ms Gallagher: In January, yes; in two months. It is November.

THE CHAIR: Will you make that report public?

Ms Gallagher: Give me a chance to read it. It might tell me something I do not want you to know.

THE CHAIR: But you would not hide that. In this new era of openness and accountability, you would not hide that. So you will make that report—

Ms Gallagher: I do not see why not.

THE CHAIR: Could somebody update the committee on what the outcomes of the first report were then? Was the centenary a success, according to Langdale Consulting?

Ms Gallagher: I cannot recall the report specifically. I did read it at the time. I think the take-home message was what we all saw, which was people had a burst of pride, people got involved in events and things like that. I am very happy to make a copy of the report available to you. I think that is probably the easiest way. I do not think there is anything particularly—

MR HANSON: Just as a supplementary, Mr Chair, does that report have all the associated costs and projected income, so basically the financials?

Ms Gallagher: I would have to have another look at it, Mr Hanson. We have gone through the budget—

MR HANSON: Would it be possible, if it is not in that report, when you table the report, to provide an outline budget of that year?

Ms Gallagher: Of the centenary year?

MR HANSON: Yes.

Ms Gallagher: I am sure we would have done that. Mr Smyth has been on this case for years. I cannot believe he has not—

THE CHAIR: I am still waiting to see something.

Ms Gallagher: You would have had the budget allocation for the centenary program.

THE CHAIR: We know it was \$32 million, but that is about the only fact we know about it.

MR HANSON: It is not just what was spent but, I suppose, what income was generated and so on.

Ms Gallagher: We have certainly got some tourism figures that were up for the centenary year.

THE CHAIR: The first half, but not the second.

Ms Gallagher: That was the big part of it.

THE CHAIR: Ms Porter has a supplementary and then I have a few more questions to ask.

MS PORTER: On the same page, Chief Minister, in relation to the centenary of Canberra, it mentions the large number of volunteers who were involved during that period. Were these volunteers asked about their experience post the event as part of that review? Do we have access to the volunteers' records so that we can call on them for future events? Do we know if they are interested in being involved?

Ms Gallagher: I know there is a lot of crossover with the Floriade event with people who got involved in the centenary celebrations because I had some specific dealings with them. We do know who they are. I believe they were part of the evaluation as well. They were certainly spoken to.

MS PORTER: So that will be part of that review information when it comes to us?

Ms Gallagher: Yes.

THE CHAIR: A supplementary, Ms Berry.

MS BERRY: Regarding the centenary celebrations, was there anything during the centenary that has been retained because of its success, whether it was measured in community engagement, participation or—

Ms Gallagher: Parties at the shops is one example. We found some extra money to keep that going because that was very popular. I am looking at ways to keep windows to the world ongoing, perhaps every two years instead of every year, but we will try to align that. That was very popular both with the diplomatic community and people coming and having a look through an important part of Canberra's history and purpose. That is another example. I have no funding for that program, so I have to look at ways to do that. Anita, are there others?

Ms Perkins: I think they are the main ones.

Ms Gallagher: Yes, they are the two which spring to mind.

THE CHAIR: The brief you had said that the framework evaluates the success of the centenary as a whole and not just the activities of the centenary unit. What was the success of the centenary as a whole?

Ms Gallagher: I guess that is looking at our regional reach more broadly across Canberra, not just at the specific events that we put on. There were a lot of other events that were put on and tagged as centenary events. In fact, that was something

that quite a number of organisations sought to do during the centenary year. I think that is the point being made in that reference in the annual report—looking across the city as a whole and not just at the specific ACT program.

THE CHAIR: What was the economic benefit to the ACT of the centenary, and how has that been evaluated?

Ms Gallagher: Again, that is probably something you can ask the Treasurer and Minister for Economic Development, because some analysis of that was undertaken through Events and Tourism, in particular. My take-home message from that was that it was positive.

THE CHAIR: Mr Hanson has a supplementary.

MR HANSON: On the beloved Skywhale—is that still flying?

Ms Gallagher: Yes. I think she last flew in Japan where she was very well received.

MR HANSON: Is that being done commercially?

Ms Gallagher: Yes, that is a private arrangement with the artist and the balloon company who own the balloon.

MR HANSON: That is right. When that deal was done, was there a view that that would continue on to make a profit, in essence?

Ms Gallagher: Yes.

MR HANSON: We paid for someone that is now out there making a living out of this thing; we are paying for it.

Ms Gallagher: We paid for a service from the artist to deliver a centenary balloon and we paid for a certain number of flights within that contract. That is my understanding. The decision was taken, which has been well trawled through here in these forums, not to own the Skywhale in an ongoing sense because we would have had to become certified balloon people with all that goes with that. We decided that was not a core function of ACT government and it was best left with the experts.

MR HANSON: Someone is out there now basically running this as a commercial enterprise, even though the bulk of it was paid for by the ACT taxpayer; is that right?

Ms Gallagher: What we purchased, we got, which was the Skywhale in its centenary year for a number of flights and the artist specifically designing it for the centenary. That is an ongoing thing. Apparently when it flies, that is part of the ongoing “this was created for the centenary of the city of Canberra”. That is what we purchased. We did not purchase the balloon to own and operate for its flying life, which I understand is limited in terms of flight numbers.

MR HANSON: Is it? Do you know how long it can fly for?

Ms Gallagher: Yes. I cannot recall.

Ms Perkins: It is dependent on a range of things—the number of flights, but also the conditions of it within the bag. Obviously when it is stored it is susceptible, much like tents are, to damage. There is a time frame, but it is not an exact science.

MR HANSON: What is that time frame?

Ms Perkins: I do not know the time frame. I do not think there is an exact time frame.

Ms Gallagher: We have answered that before, I recall. I just cannot remember; it was an approximate flight number.

MS BERRY: But that would be the same for other balloons?

Ms Gallagher: Yes, for other balloons of that type, because it is quite a difficult design.

THE CHAIR: The last question I have: it says in the annual report on page 26 that the evaluation of the centenary will continue until 2020 in accordance with the framework. How will that be conducted and how much will be spent each year to evaluate the effect of the centenary?

Ms Perkins: The centenary of Canberra developed a monitoring, evaluation and reporting framework. There is a range of measures within that of the various goals that include increasing the pride and ownership of Australians in their capital, building on the positive image and reputation of Canberra, creating impetus for future development in the national capital, establishing enduring international recognition of Canberra and its role as the capital, and building lasting legacies of community value through memorable celebrations and high quality projects. Each of those goals is measured annually every year and will be reported against up until 2020.

THE CHAIR: So where will they be reported?

Ms Perkins: We will be reporting in conjunction with a number of the other directorates. We will source information from, for example, Economic Development within our directorate and our colleagues at Tourism and Events ACT, and we will be reporting in January. I am afraid I do not know the detail of how we are going to publish that information, but we will take that on notice.

THE CHAIR: Ms Porter, a new question.

MS PORTER: I would like to take you back to page 15, Chief Minister, which talks about the Red Tape Reduction Legislation Amendment Bill 2014 which was introduced on 5 June. Obviously its aim is to reduce red tape for businesses and the community. Can you let us know, in your opinion, how you think that is going? Also, can you talk about the commissioned research projects listed on the same page? One of them goes to surveying the general public's awareness of the government's regulatory activities and whether there are perceptions of them being over-regulated. One goes to developing an econometric model to estimate the cost associated with

potential new regulatory interventions. Another goes to mapping the regulatory burden faced by firms within the hospitality, building and construction and higher education sectors. It is all around regulation. Could you go to that?

Mr Peffer: There are couple of aspects to that question and I will try and tackle them in that order. The first is around the legislation which has just been passed. As it has only just been passed, at this point in time it is perhaps a little too early to tell how it is operating. This piece of legislation came out of the red tape reduction panel, which is currently chaired by the Head of Service. There are representatives from business peaks on that panel. A lot of what was in that legislation are pet hates of industry. They are small costs that perhaps, upon review, we thought could have been changed.

There are two key aspects to the legislation that went through. The first was around outdoor dining. There has been a lot of work done on this right across government to try and make this process easier for those intending to provide some sort of outdoor dining setting. At this point in time, we are just revising all the guidance material, which will be provided to proponents. We have really taken on this project through the red tape reduction panel as an example of how we can simplify the material to support businesses to get these operations up and running simply. Importantly, we have also looked at the process on an administrative side and how we can simplify that and look at least-cost solutions for businesses providing outdoor dining solutions.

The other aspect of it was around licence terms and signage requirements in businesses of varying types. As best as possible, we have looked at a risk-based approach there where we minimise the signage required to that which is deemed absolutely necessary. We have also endeavoured to look at licensing terms across various licensing categories, to harmonise the length as best we can. For most of the licences in that bill, we are looking at a term of three years.

Just moving onto the second part of your question, a lot of the work that we are doing is being driven at a national level through COAG. The mapping of regulatory costs in different business sectors is something that COAG agreed to do. Each jurisdiction has chosen important industry sectors. I think there are some looking at agricultural production and export-related activities, that sort of thing. Here we are looking at the building and construction sector, and also hospitality.

So we are going through it. We are looking at regulation across both tiers of government, so not just ACT regulations but also from the commonwealth. Often we can find that regulations are entirely sensible but they may already be covered by another tier of government. So we are going through that process. There is a mapping document that we have worked on which outlines all the regulations; that will be used to formulate options for reform that government can consider within those industry sectors.

The second part of what you were talking about, Ms Porter, was the econometric tool. What we have worked with a consultant to build here is essentially a costing module, so that as the government considers policies or regulations, we can go through a process of costing not just what the impact will be to government but also, very clearly, on an individualised business case, what the impacts will be on businesses. That is what we will be using that for.

MS PORTER: And the survey of general public awareness, the perceptions of over-regulation?

Mr Peffer: I guess on that particular front what was pleasing that came through was that the areas where perhaps perceptions were that regulation could be lessened are generally those areas where we have been working quite actively to look at reforming regulation—whether it is still up to date, contemporaneous and fit for purpose. So that is aligned quite well with those areas that we have been focusing our efforts on.

MS PORTER: Thank you.

THE CHAIR: Ms Lawder, a new question?

MS LAWDER: I have a question—I hope I can ask it now—about sustainable development. It is on page 45 and page 46. It is about the Canberra Nara Centre and London Circuit buildings, and their sustainable performance. Firstly, with Canberra Nara Centre, there was a small decrease in staff, minus 7.53 per cent, but an increase in floor area. Can you explain why that would be the case—why fewer staff need more space?

Ms Hall: The reduction in staff was far greater than the space utilisation increase. The reduction in staff was mainly due to the Canberra centenary. The increase in floor space, which I think was less than one per cent, about 40 metres squared, was only for part of the year, but it occurred between 30 June last year and this year. In the Nara building last year, we had five different directorates, and I think the government business enterprise unit had a few people in our building. During the year, they moved them out to Allara, which meant that there was a small space which we took on as our space usage.

MS LAWDER: Was there an increase in rent associated with taking on that additional space?

Ms Hall: Yes.

MS LAWDER: So we are now paying for the space in Allara plus additional rent?

Ms Hall: No. The people who moved out were not part of Chief Minister and Treasury directorate; they were other—

MS LAWDER: But for the ACT government as a whole—

Ms Hall: Overall, no, there was not an increase; the Allara lease was already in place, so it was just swapping around. They would have had better utilisation.

MS LAWDER: Natural gas usage increased quite significantly in the Nara Centre—21.24 per cent more. Why would that be the case?

Ms Hall: There is actually a note on page 45 about that. The natural gas is part of the building owner's costs; and it relates to the plant room and the air conditioning. We

have notified the building owners, and they want to find out as much as we do, but we have not got the answer as yet. They are still investigating why that is.

MS LAWDER: When do you expect a reply?

Ms Hall: They are going through and looking at it. It could be a number of factors, they think. Part of it might be that there was greater use, but we tracked our usage. If the centenary people were in the building and there was a lot more weekend activity, that might attribute for some of it, but it does not attribute for everything. I am not sure when they will be able to give us an answer.

MS LAWDER: Wouldn't some of the centenary staff have been in place the year before that as well?

Ms Hall: They would have, but the centenary events ramped up at different times. Treasury were in the building, and in the budget process they are in there for greater times, but that happens every year. That is why it is a real anomaly. They are looking into it.

MS LAWDER: On paper purchasing, there was less paper purchased, which is good—encouraging the electronic distribution of documents.

Ms Hall: Yes.

MS LAWDER: But far less recycled paper purchased. That looked to be the same in London Circuit as well. It is because of the desire for higher resolution printing, I guess, but why would this directorate have a greater need for better printing than any other directorate?

Ms Hall: When we looked into that, part of the increase in the 221 London Circuit building was because the 2012-13 figure is for only half the year, so the increase—

MS LAWDER: Yes, but even if you doubled it, it would still be quite a significant increase.

Ms Hall: Yes. There were some areas, particularly case managers in the workers compensation area, who said they had a lot of paper administrative work and if they used a lot of the recycled papers it was not working for them and their business. We have asked them to re-look at that. I am not sure exactly why, but we did ask. That is where it was coming from. They do have a different type of business from the rest of the directorate in terms of records.

MS LAWDER: You are not setting a good example to the rest of the government directorates, really.

Ms Hall: It is in our new resource management plan that we are doing a renewed focus on the use of recycled paper unless there is a technical reason not to do so.

MS LAWDER: Good. Then you had emissions from stationary energy use going up 25.98 per cent in the Nara Centre, another quite significant increase.

Ms Hall: Yes. The gas usage has caused some of that, and also reduction in the purchase of green power, which is explained in note 2.

MS LAWDER: All right. That is it for me on that one, thank you.

THE CHAIR: Members, remember that we have only got 40 minutes to go until the tea break and we still have to cover 1.1, government policy; 1.4, coordinated communications; and corporate management and governance. So keep the questions going. Ms Berry, this would be the perfect time to ask the question as to why the government has discriminated against the Woden Valley Community Council.

MS BERRY: No; that was not the question that I had in my mind at this time.

THE CHAIR: I have been waiting for that question.

MS BERRY: I have another question that I am more interested in at the moment. My question is regarding the ACT public service enterprise agreement which was negotiated for 2013 to 2017 and the new domestic violence leave of up to 20 days. I wondered what feedback the government had had regarding that leave entitlement so far.

Ms Overton-Clarke: We have been working closely with directorates to identify exactly how we will roll out the requirements on that leave, and how it intersects with personal leave. The HR directors and industrial relations directors are working through that. I will let Russell Noud explain in a bit more detail the specificity around that sort of leave.

Mr Noud: There is not really that much more I can add to Bronwen's answer. At this stage it is only a new leave type—new in the ACT, but new Australia-wide as well. It is a relatively innovative leave type. The concept behind it is to allow time for people that are experiencing domestic violence to take leave. It is for them to take some time off to be able to make their own arrangements. That might be to go and seek legal advice or to arrange other accommodation. To my knowledge, it has not been used yet, but I am sure that will change as the agreements come through. As Bronwen said, we are working with the directorates to ensure that people's privacy is protected and to work out the arrangements for them to actually use the leave.

Ms Overton-Clarke: That is really part of the complication. Because we want to ensure individuals' privacy, it is how we work with managers who would traditionally approve leave, and the sorts of requirements we need, and also to make sure it does not double up or intersect closely with personal leave.

MS BERRY: Chief Minister, you would be aware that the ACTU has made a claim for domestic violence leave across all awards in Australia. It is not something you could say you supported right now, but given that we have it in the ACT, the ACT government would have in-principle support for an application of this kind of leave to be accessible for people experiencing domestic violence across the country.

Ms Gallagher: Absolutely, and I think more and more, particularly when budgets are

strained in terms of what you can pay, pay rises—ours, when you compare it to what the federal government is offering, is a very generous offer—

MS BERRY: It is a pay rise.

Ms Gallagher: Yes, it is a real pay rise. You need to look at how you can support employees to live their lives, as well, through the leave arrangements. That is something we have always felt in terms of access to personal leave, maternity leave and maternity carers leave, and this special leave as well.

MS BERRY: Thank you.

Ms Gallagher: I would prefer that it was never needed.

MS BERRY: In an ideal world.

Ms Gallagher: Yes.

THE CHAIR: Mr Hanson, a new question?

MR HANSON: Yes. It is about the government communications, the surveys, that were reported in this morning's paper. You have probably read the article.

Ms Gallagher: I signed the questions.

MR HANSON: You signed the questions, but there is also—

Ms Gallagher: I do not have to read them.

MR HANSON: It was reported as well. The figure that was quoted in the answer to the question was 519,000 for phone polls, but I am just trying to get across what others forms of surveys may have been conducted beyond phone calls. Were there any focus groups or anything like that? I am just trying to get a grasp of all that sort of communication.

Ms Gallagher: I know how the story reads, but when you look at the different components—the public health survey, the survey of Canberrans' health, was a large contract within that 500,000 that we do in terms of updating information about the Chief Health Officer's reports and various others. I am not aware of any focus groups, but I think you would have to put that on notice for other ministers.

MR HANSON: All right. It is just that it would be trying to ask every minister what they have done in terms of that communication, that government-wide communication. I suppose we can do that on notice, but if that information could come centrally it would be good—if there is anything beyond what has already been provided, that is, I suppose.

Ms Gallagher: I do not think so, but we can have a look at it.

MR HANSON: The results of those various polls and surveys—

Ms Gallagher: It is not polling. Again, I can provide you with a list. It is a very reasonable list. I did ask for it to be with me today, but I do not think it is.

MR HANSON: Capital metro, for example, was ringing up and conducting a poll, because it was publishing poll results saying a certain number of people were in favour of something or not in favour. Surely that is a poll.

Ms Gallagher: I can provide the committee with the list of the different components that make that up.

MR HANSON: Sure. Can you provide us with copies of that information? I assume that if you are surveying the community about what they think about various things—

Ms Gallagher: I think most of it is, to be honest. It is reflected in the annual report through different performance measures. That is my understanding, but I will see what we can provide. I do not think any of them were done by Chief Minister's, from memory. They were done in TAMS, in those service delivery areas where you have to try and work out what is your satisfaction rating, what things you like, how you are feeling.

MR HANSON: Sure. I just want to look at the outcomes of those. If that is being spent and it is in the public interest, it would be useful information for the community, for community councils, for the opposition and so on. Is that possible to take on notice?

Ms Gallagher: I will have a look, yes.

THE CHAIR: Mr Doszpot, a new question.

MR DOSZPOT: Chief Minister, on page 15, volume 1, government policy and strategy, the third dot point states:

... facilitated ICT capacity-building workshops in partnership with Canberra Business Council on trends in digital web design.

What facilitation was provided from government?

Mr Peffer: Mr Doszpot, it was part of the digital Canberra action plan. The government established it as a partnership, and there are three partners in that: the government, of course the community, and then the business sector. In terms of the government's role under that plan, it has two. One is a role of delivery, which you can see in projects like the free public wi-fi, and then the second role is one of facilitation.

The digital workshops are essentially bringing together leaders in a particular field of digital service delivery, and it may be around use of the cloud, it may be around selling things online. Under that particular stream we worked with the Canberra Business Council and other business groups to bring in lots of small to medium enterprises from within Canberra to have these workshops facilitated by some sector leaders who have demonstrated capability in providing digital services and share their

experiences in what works and what does not. In terms of the government's role, we provided a small amount of seed funding to facilitate that, but that has largely just been us working in partnership with the Business Council.

MR DOSZPOT: How successful were these workshops that you mentioned, and how many businesses and not-for-profits were represented?

Mr Pepper: I know from surveying of the businesses that participated, overwhelmingly 90-plus per cent said they found it very useful and it was teaching the sorts of things that they would be able to employ in their own businesses. In terms of the actual numbers and the specifics, I will go to Brook.

Mr Dixon: Reiterating what Mr Pepper has just related, we are getting satisfaction ratings of about 97 per cent of businesses and people who are attending saying they found the workshops useful. The other key statistic is that around 60 per cent of participants are saying they will take what they have learned at the workshop and apply it in their own businesses. We are getting very high satisfactions in terms of what they are hearing, but also, at least on what they are reporting, it is relevant to them in their businesses and they will be enacting it in their businesses.

In terms of the numbers of people who have attended, there have been nine workshops to date. I would have to get the exact numbers, but over 200 businesses are represented.

MR DOSZPOT: Two hundred businesses?

Mr Dixon: Over 200.

MR DOSZPOT: Is there a published list of the businesses that attended?

Mr Dixon: There is no published list.

MR DOSZPOT: Can there be?

Mr Dixon: I would have to take that on notice, certainly.

Ms Gallagher: I guess we would have to ask the people that attended.

MR DOSZPOT: Sure.

Ms Gallagher: Which I am not sure is a good use of people's time. People have liked going, they are free, they are happy.

MR DOSZPOT: The logical extension of what I am asking is: have there been any practical outcomes by businesses? I am sure businesses would like to share those with us if there were.

Ms Gallagher: Perhaps you could ask the Canberra Business Council around that. They and their members and—

MR DOSZPOT: I can, and we will ask them to discuss it. What I am referring to is the ACT's facilitation part of that and what role we play.

Ms Gallagher: A very big facilitation role.

MR DOSZPOT: If you could take that on notice; if information on that is available that would be useful.

THE CHAIR: Just to confirm, Mr Dixon is going to confirm the number but not necessarily the names?

Ms Gallagher: Yes. I do not think we need to go back and find the names.

Mr Dixon: I will confirm the numbers.

Ms Gallagher: As much as we can be helpful we will.

MR DOSZPOT: Will these workshops be carried through to the next financial year?

Ms Gallagher: There is only limited funding for them from my understanding.

MR DOSZPOT: A future priority for CMTD includes developing iConnect, which will establish a secure online portal to provide access to core government services and payment transactions through a single sign on for each customer. Can you elaborate on what stage this development is at?

Mr Peffer: Mr Doszpot, it is still early stages. It is quite a significant body of work that needs to be undertaken. It is quite ambitious and it will impact all ACT public service directorates. At this point in time a core project team has been established within Chief Minister's and that is led by the Head of Service ACT. The project has been funded over four years. We are in the first year of that program so we are still in the preparatory phase where we are figuring out across government what is it we need to facilitate the joining up of many, many business systems. We will be engaging with the community at a point in time as well to identify what would be high priority services to shift on to that particular portal.

The first piece of work we will be looking at tackling is around identity and access management. This is essentially establishing that when someone logs onto a system that it is a secure system and they are who they say they are. It is a very complex piece of work. It needs to be mindful of the requirements of different government agencies where people may access certain records or certain files that are held, so we are going through that process at this point in time.

In the near term we will be conducting an industry briefing. We will be talking to many small businesses in Canberra as well as some of the larger national and multinational providers about what we will be seeking to procure at a point in time. I think it is fair to say we will be looking for advice from industry on what is available to help us in framing a particular product.

MR DOSZPOT: The expenses for this year were budgeted at \$2.047 million with

capital expenditure of \$1.651 million. Can you tell us what actual expenditure was made?

Mr Peffer: That has been appropriated for this financial year. At this point in time we have not acquitted the expenditure for 2014-15. We are still in the process of spending that money. The capital side will largely be expended within Shared Services, who will do a lot of the build, a lot of the enterprise architecture-type work. Some of the recurrent funding that will be spent within Chief Minister's is for the staff who are leading the design of the project and the policy side.

MR DOSZPOT: I understand the time frame you work within. What I am trying to understand is whether this is going to happen or how much has happened and how much expenditure has been made. If you cannot give it to me now can you take on notice as to how much has been spent?

Mr Peffer: We could certainly take that on notice and provide an indication of what has been spent in the last couple of months.

THE CHAIR: A question for Ms Leigh. Page 7 talks about "Our structure" and the fact that you chair the strategic board. What does the strategic board actually do?

Ms Leigh: We were discussing the strategic board earlier. The strategic board meets fortnightly. It is the leadership group of the public service, so it comprises all of the directors-general. We look at the highest level issues both in terms of substantive issues that come to ministers and cabinet and enabling issues that ensure that the public service is well equipped to deliver its responsibilities.

THE CHAIR: Is it possible to get the agendas of the meetings the board has?

Ms Gallagher: We discussed all this before.

THE CHAIR: That is okay.

Ms Leigh: They are not made public.

THE CHAIR: That is okay. Was it the board that decided on the three clusters that we have moved to?

Ms Leigh: That was a matter of the administrative arrangements, which is a matter decided by the Chief Minister .

Ms Gallagher: Which Kathy and I discussed in terms of practicality and whether it would work.

THE CHAIR: What is the function of the three structures then?

Ms Gallagher: Of the clustering?

THE CHAIR: Yes.

Ms Gallagher: This is another phase in the one government, building one public service and removing barriers where they exist. There is a general acceptance that the directorate structure is pretty solid, but there are directorates within the ACT administration that have more shared work and shared interests, and that is what the clustering is seeking to formalise.

THE CHAIR: Is one of the director-generals in charge of each of the clusters?

Ms Leigh: No, they work collaboratively.

THE CHAIR: How does that work?

Ms Leigh: Each cluster is deciding for itself what is the best way to make use of that. As the Chief Minister said, it is about recognising that while we all need to work together there are greater synergies between some directorates. You have those directorates that are focused on social issues in our community, you have those directorates that are focused on urban environment and then you have the Chief Minister, Treasury and Economic Development and JACS directorates, which can be said to be focused on governance and promoting better opportunities. It brings together those who have a closer connection and it is a way, as the Chief Minister said, of reinforcing the importance of working together.

For example, in relation to Chief Minister, Treasury and Economic Development and JACS, we have decided on some projects where we have a greater interest than other directorates, even though others will benefit. We have decided on a project looking at debt management, and we have also decided on a project looking at mentoring and having a pilot mentoring project. You can see from those that they both relate to core functions of Chief Minister's both in terms of shared services and debt management and our strategic staffing responsibility in terms of mentoring. They both also go to some of the JACS responsibilities. It was a good opportunity to select and make use of working together to come up with something that will be a good outcome for the whole service in those areas.

Other directorates are handling it differently. I did not see any need to prescribe how directorates would work. For example, in another week health and education and community services are having a joint planning day. They have decided that is a useful step for them to take. When we recently had a CMTEDD planning day we had a representative from JACS. It is a way of letting directors-general identify in relation to the particular challenges they face what is the good next step to work on together.

THE CHAIR: Is this another level of bureaucracy? Is it another level of oversight or coordination and is it necessary?

Ms Leigh: No, I think it is—

Ms Gallagher: Not at all. I have even heard occasionally the opposition benches talking about the need to work across the system and not with hard directorate lines. I see it as a natural evolution along the one government path. Where there are areas where it makes sense to work together, we should be encouraging that and hopefully driving efficiencies from that.

MR HANSON: A supplementary: Ms Leigh, you talked about debt management. This is whole-of-government debt you are talking about, is it?

Ms Leigh: That is right.

MR HANSON: Specifically what action is being looked at with regards to debt management?

Ms Leigh: It is looking at whether there are ways of collecting debt more effectively. It is just an example of the way we should constantly look at everything we do and whether there is a way we can do it better.

MR HANSON: Sorry, this is collecting debt from debtors?

Ms Leigh: That is right.

MR HANSON: From people who have not paid fines as opposed to the whole-of-government debt of \$4.5 billion-odd?

Ms Leigh: That is right.

THE CHAIR: A new question, Ms Porter.

MS PORTER: Page 17 mentions there was a review of the Public Sector Management Act for this period.

Ms Gallagher: Yes.

MS PORTER: What is the result of that review? Has there been any, or will there be any, or are there any plans to introduce any change post that review?

Ms Gallagher: Yes, there is. Yes to all of those questions.

Ms Overton-Clarke: I might start and then hand over to Liesl. We are updating and refreshing the Public Sector Management Act into a new bill. One of the purposes is to strip away the duplication that we now find. After a number of years of having modern enterprise agreements we really need to look at the structure of the bill. We will be leaving in, primarily, the executive arrangements—so for public servants who are on executive contracts—and making sure that we do not duplicate enterprise agreements. We are also setting up an independent public service commissioner and we are really embedding the values and signature behaviours into all parts of the public sector. The statutory office holders will also be subject to and sign onto the public service values and behaviours. I will let Liesl go to the bits I have forgotten.

Ms Centenera: We have been reviewing the Public Sector Management Act pretty much continuously. It has been a long time coming. There have often been calls for it to be completely reviewed. While its title says 1994, it is actually based on the 1922 commonwealth legislation that not even the commonwealth uses anymore. The commonwealth has had two substantial rounds of change since that act was enacted.

The most recent call was from Dr Allan Hawke during the Hawke review. He said there was a need to completely overhaul the Public Sector Management Act to modernise it and bring it into line modern public sector principles.

We have been consulting extensively with the human resources and corporate areas of each of the directorates and also a lot of public sector entities that sit outside the public service structure, like CIT and other large public sector employers. What we hope to have come up with is a more modern document that complements the agreements much better, with less overlap and a much more seamless framework that works together very well. We have hopefully also gotten rid of a lot of legacy concepts that were in the commonwealth legislation that the commonwealth does not use anymore, such as the concept of office, which is a very outdated kind of instrument we used to use when the public sector had its own industrial relations regime that was unique to itself and did not share the same governing legislation as private sector employees, which is no longer the case.

We have also, I suppose, put an ACT stamp on it in the latest draft that has been available for comment by staff where we have reflected not only the values and signature behaviours that Ms Overton-Clarke mentioned but also the idea of the ACT being one service with public servants, the staff of the Head of Service, operating at a whole-of-government level to respond to priorities and reflect that model, which does not exist in other public sector jurisdictions. We needed to come up with systems to reflect that. That is a pretty unique ACT spin on public sector legislation.

MS PORTER: When you talk about people having this concept of a one service, it is anyone who works in any directorate that you could choose—

Ms Gallagher: Yes. There are people that can be moved around the service and there are people that cannot. It is about creating, in a legislative way, a system that allows that movement. It is something that both Kathy and I think is really important, particularly in areas where it makes sense—people do not own a position and they cannot be moved forever and a day—where we are opening that up and you become an employee of the ACT public service at a particular level and you can move around. Obviously, it is not going to be right for everybody. You will not be able to move a staff specialist into a principal's job in a school, but there are areas where you can move people around and that sense of ownership of a certain position number is not necessary any longer.

MS PORTER: Do we know how the staff might feel about that? Some people may be extremely excited by that prospect; other people may find it—

Ms Gallagher: Vulnerable, yes.

MS PORTER: Yes, they feel vulnerable and disconcerted.

Ms Gallagher: We have been out consulting. It has not been a major issue on my radar. It might have been on Liesl's, unless she has been keeping it all away from me.

Ms Centenera: We have had two rounds of consultation on the bill with staff. We have explicitly raised this as an item because we wanted to take the opportunity to

explain this to as many people that wanted and needed to hear the explanation to feel very reassured. At the end of the day, they will still own a position. If they are permanent in the service they will still own a job, just not this particular position No 1234. The redundancy provisions will still apply as they do now. If there is a restructure and somebody is made excess, they will still have security but they will be able to be moved around the service to best respond to the needs of the community and best respond to the workload much better than they are now.

THE CHAIR: Ms Lawder.

MS LAWDER: I have a couple of questions relating to grants and assistance and sponsorship programs, starting on page 40. Under output 1.2, public sector management, there is promotion of the new access program. What format did the promotion take?

Ms Gallagher: What page is this, sorry?

MS LAWDER: Page 40 of volume 1, under output 1.2, public—

Ms Gallagher: I think it falls under the industrial relations portfolio. It has only just been announced by Mr Gentleman, I think last week.

MS LAWDER: What is involved with the promotion and what exactly are you promoting?

Mr Young: New access is an early intervention program which is being operated by Medicare Local in conjunction with the beyondblue foundation. It is an early intervention service that provides cognitive therapy to people who are, I guess, showing early signs of mental illness or difficulties coping in the workplace. The grant that was provided essentially created a position of a cognitive coach who has been able to provide services to ACT government employees who self-identify. In terms of the promotion, it has been promoted through a range of measures, mainly through internet and whole-of-government messages by directors-general, but as part of the grant experts in the field are available to present to the workforce on the services they are providing.

MS LAWDER: Is the \$18,000 just for the financial year of this report or is it for the year of the project?

Mr Young: The value of the grant is actually \$40,000, but around \$20,000 has been paid to date.

MS LAWDER: My next question about these grants and sponsorships is about the AFL dinner; notwithstanding that I am an AFL fan myself, \$100,000 for a dinner. What lasting benefits did that bring for the ACT?

Ms Gallagher: What page is it on?

MS LAWDER: It is on page 43.

Ms Gallagher: I would have to take some further advice on that one. They were the ones that the panel recommended. I think the project purpose is there.

MS LAWDER: Have they been held in other states and is the contribution from other states commensurate with the amount that the ACT provided?

Ms Gallagher: It was like when we held the Walkleys, for example. We went out and paid for a number of events to be held here in the centenary year. I am just dusting my brain off. As with the dinner, they had to have the centenary 100 on; there had to be some centenary promotion as part of it. They were broadcast, from memory. Again, it was the marketing and promotion of Canberra. I think they raised money for the dollars for Dili campaign where they were fundraising off the side of it.

MS LAWDER: It is quite a lot of money, \$100,000.

Ms Gallagher: Well, it was a big ticket—

MS LAWDER: Were there ticket sales? Did people buy tickets to attend the dinner?

Ms Gallagher: That was our component of them hosting their event in Canberra. The Walkleys spring to mind, and I am trying to think of other events where we went out and agreed to sponsor particular events in the centenary year to promote the centenary to a broader audience.

MS LAWDER: I will just duck back briefly to page 41, under “Community Support Fund”—for example, the Wreck Bay Aboriginal Council. As I understand it, that is a commonwealth statutory authority?

Ms Gallagher: It was for celebrations in Jervis Bay which the ACT—

MS LAWDER: Is it very often that the ACT government provides funding to commonwealth statutory authorities?

Ms Gallagher: It was for a particular community celebration. We are the provider of service, a large provider of service, to Wreck Bay. That is who we are—the provider. We run the schools and the other community programs. We are linked to Jervis Bay. This one comes to me for approval. As you can see, they are all very worthy causes of particular campaigns or support that needs to be provided. I look at it, weigh it up on its merits and consider what we can afford out of that community fund. I cannot recall exactly. It was \$3,000, so it was a very small part of that overall fund and it was for a worthwhile celebration.

MS LAWDER: Just finally on page 43, the Canberra International Film Festival with the Harvey Weinstein celebration.

Ms Gallagher: This is similar to the hall of fame dinner.

MS LAWDER: Was there any reduction or refund or anything, given that Harvey did not end up coming?

Ms Gallagher: He was sick, wasn't he? I cannot recall actually whether there was something that went on there. We can certainly find out for you. I do not think so because I cannot recall it coming back that way. Didn't the evening just go on without Harvey Weinstein? We will have to check. Anita will come back to you on that.

THE CHAIR: Ms Berry has a supplementary and then Mr Hanson.

MS BERRY: Chief Minister, the question everybody has been waiting for regarding—

THE CHAIR: Yes, anticipation is high.

MS BERRY: the community councils funding on pages 40 and 41 and where Woden Valley Community Council has a different amount to the other community councils.

Ms Gallagher: That was because they did not acquit their funds from the previous year. I think an arrangement was agreed to between them and the Treasurer.

MS BERRY: Just on the community councils and this funding, I know when people apply for a grant on certain things they say, "This is what we are going to do," but for the community councils do we ever go back and say, "What were the outcomes?" No?

Ms Gallagher: No. It is such a relatively small amount of money. I think it is really used to run the infrastructure of the meetings, holding the meetings. We do not seek a lot back in return for that \$12,000, knowing that it is all voluntary and people—depending on the community council—put in a fair bit of—

MR HANSON: It was good advice from the Tuggeranong Community Council this year, worth its weight in gold.

Ms Gallagher: There was some good advice from all of the community councils. That money is just to support them to run their meetings.

THE CHAIR: A supplementary, Mr Hanson.

MR HANSON: Yes, a follow-up based on what Ms Lawder was talking about—Wreck Bay. You talked about Jervis Bay. I do not want to put words in your mouth, but it is a bit of a historical anomaly that we have Jervis Bay in our jurisdiction. Have you had any further discussions with the federal government with regard to that?

Ms Gallagher: Yes, they are ongoing, with the federal government and the New South Wales government, around the provision of services to Jervis Bay. I think overall there is agreement that the New South Wales government should be the provider of the service, but there is obviously a lot more work that needs to happen in the meantime. So there have not been any further firm decisions.

THE CHAIR: Can we go back to the Woden community council? They did not acquit last year's grant—

Ms Gallagher: They underspent, I think—was it? They did not spend their funds.

THE CHAIR: So it was underspent? So the \$5,000—

Ms Gallagher: Yes. They only required the \$5,000.

Ms Leigh: The previous year was underspent.

THE CHAIR: Mr Hanson.

MR HANSON: I have a new question. In relation to the budget, you talk in the report about the anticipation of getting back into surplus in 2016-17. How does the impact of Mr Fluffy work on that? I cannot remember what page that is on, but—

Ms Gallagher: Budget cabinet will be meeting several times in December; that would be the forum where we get briefed following the budget.

MR HANSON: So when you did the Mr Fluffy work—

Ms Gallagher: We did not do it in a budget sense of how it would hit the bottom line. We just did the financials in terms of what the cost would be. Notwithstanding that a lot of other decisions could be taken, the expectation will be that there will be a significant hit in the next two financial years as we acquire and demolish assets.

MR HANSON: Yes. So we will wait for that.

Ms Gallagher: Yes. We will have more on that in the budget update. I believe that we will be able to reflect that either, if it is known, in the budget update or, if not, shortly after.

THE CHAIR: Minister, in relation to your role as the Minister for Higher Education, I understand you are not appearing before the education committee. Can you tell us what was achieved in that portfolio in the financial year?

Ms Gallagher: Under this portfolio, it has been really driving study Canberra. We have done a number of things in that area. I chair the vice-chancellors forum; I have another one of those meetings, I think, in the next two weeks. It is the VCs from ANU, UC, UNSW and the Australian Catholic University. We agree what priorities are within study Canberra.

We have launched the study Canberra website. In briefings to me, we are currently working on a couple of ideas that have been put to us by the VCs about how we can promote our higher education sector. I held the first student welcome for international students coming to Canberra, which was quite popular. We started relatively small this year, but we are looking to build that up next year. I note that it is something that the international students themselves think is a good point to sell in terms of marketing overseas, particularly to parents.

There has been quite a lot of work done. I have done two missions to China with the VCs, one just focused on study Canberra, the other one supporting the Prime Minister's mission. I spoke about higher education and study Canberra there.

Professor Ian Young was at that meeting, but I do not think the other VCs were. For a small area, it has done a lot in the last 12 months.

THE CHAIR: What a shame it is not reported on in a comprehensive way in the annual report. It is the same—

Ms Gallagher: It is a program within Chief Minister's, so it has only got 2.6 million, I think, from memory, to run over four years.

THE CHAIR: That is study Canberra; that is not higher ed.

Ms Gallagher: It is 2.1.

THE CHAIR: That is study Canberra, not higher ed, though.

Ms Gallagher: That has been the major focus driving higher ed. I also am the minister in relation to that. Particularly we are working on a big piece of work with UC about their desire to develop their campus. I am leading the negotiations across government there—and, of course, any other matter that comes to the government is led through me with ANU. Also with ANU we have been working closely with them to support a number of the new programs they have. We have got the cancer chair announcement in preparation soon, and also the innovation network, which the Treasurer has been leading, which has pulled together CSIRO and NICTA—you were there the other morning, Mr Smyth—which is another example of trying to build up that higher education focus and part of our economy here.

THE CHAIR: I was just going to say that I think we all agree that higher ed has a very important place in the future of this city. You can do a search, find higher ed and go and find bits of what you have just said through the report. But again, it was a recommendation of the estimates committee that people either be conglomerated into an output class or at least reported on in a reasonably significant section. Perhaps you might take that on board.

Ms Gallagher: I take the point. I think part of the issue is that we do not regulate it; our responsibilities are limited.

THE CHAIR: It does not undermine the importance of the sector.

Ms Gallagher: No; I agree.

THE CHAIR: Just because we do not regulate does not undermine the importance of a sector to our future.

Ms Gallagher: I agree, yes.

THE CHAIR: If it was all drawn together, it might be easier to (1) get a better sense of what you have been up to, which is obviously substantial, and (2) then make a reasonable statement to people that we view it as very important to our future.

Ms Gallagher: Yes.

THE CHAIR: It may appear as a recommendation. Who knows what the committee might do.

Ms Gallagher: I will keep my eye out for that.

THE CHAIR: Ms Porter, a new question.

MS PORTER: On page 18, up at the top of the page, it says:

... implementation of the electronic accident and incident reporting system (RiskMan) which facilitates time responses to incidents and early intervention by the ACTTPS injury management team to assist injured workers ...

Ms Gallagher: Yes.

MS PORTER: Is that proving to be effective?

Mr Young: It is, yes. The system has been rolled out. It is currently being used to record all workplace accidents and incidents across the ACT public sector, with the exception of Health, which has its own system, which is based on the same program.

Ms Gallagher: Health has had it for years.

Mr Young: The system provides for much more real-time monitoring and management of incidents and earlier response and also superior reporting around the occurrence and the management.

THE CHAIR: Thank you. We will suspend briefly and return to look at the asbestos task force, the Commissioner for Public Administration and the regional development portfolio.

Sitting suspended from 3.52 to 4.12 pm.

THE CHAIR: We will resume the public hearing and we will commence with the examination of the asbestos task force. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement before you on the table. I simply ask that you acknowledge for the record the privilege implications of the statement.

Mr Kefford: Thank you, Mr Smyth.

THE CHAIR: So acknowledged.

Before we go to questions, Chief Minister, would you like to make an opening statement?

Ms Gallagher: I will just table the list of surveys we have done pertaining to that last session.

THE CHAIR: Thank you for that. Would you like to make an opening statement?

Ms Gallagher: I am happy to go to questions. There are a lot of questions to be asked about this program.

THE CHAIR: Could you update the committee as to where we are at with the implementation and what has been announced?

Ms Gallagher: Last week a package of information went to the home owners affected outlining the offer from the government and seeking responses to that. Mr Kefford has just informed me that 39 responses have been received to date with follow-ups from other people who have not received their information. You are probably in a better position to update in real time.

Mr Kefford: Thank you, Chief Minister. Mr Smyth, in the day or so after the government's announcement on 28 October, a package of material with a letter from the Chief Minister was posted to all affected home owners, as well as being put on the task force's website, that outlined the details of the buyback and demolition program at a reasonably high level. That was followed last week, as the Chief Minister has indicated, with a pack including a letter from me and the formal elections to participate in the program. We were starting to receive those back today. That set out the detail of the buyback process in all of its detail, going into how the valuations will be conducted and so on.

In terms of the rest of the process for implementation, we are in a position to commence doing valuations this week and are preparing to bring forward a supplementary appropriation which, with the agreement of the Assembly, it is proposed to introduce and pass in the November sittings to position us to be able to settle on house purchases before Christmas.

Ms Gallagher: On the appropriation bill—because I have not had time to talk with Mr Hanson about it—we would try to provide an early copy of that bill for members, and if it cannot be dealt with in that sitting week, we would probably have to arrange another sitting day if people needed more time or the Assembly wanted a bit more of an estimates process. We would be looking to have that passed well before the end of the year.

THE CHAIR: What changed that we moved to establish the task force? Was it the discovery of the Downer house and the implications therein? How was it brought to your attention? When was it brought to your attention, and what prompted you to follow this path?

Ms Gallagher: The Downer house certainly contributed to the level of information we had about how asbestos fibres move through a property and the extent of the contamination. But Downer, as you would be aware, was a missed house. It had not had any asbestos removed. It was the diligent work of the public service in the forensic analysis of Downer that led to a growing awareness within that part of the industrial relations portfolio at the time and the report that was done on the Downer house to indicate to the government that a fresh letter to home owners should be sent asking them to have an asbestos assessment.

That letter was sent on 18 February, from memory. Even at that point, nobody in the government had even countenanced the view that it might start coming back with what happened then. Some home owners took the advice of the letter, and between February and Easter, a relatively small but growing number of people undertook asbestos assessments. Those started coming back saying that those cleaned homes still had traces of asbestos, some to quite high levels, resulting in people not being able to stay in their homes.

The time for people being asked to leave their properties was around April, and then between April and July, which was when the task force was established, we had more of those assessments. It was a growing picture being presented to the government that the asbestos assessments were coming back showing that the cleaned houses were not clean, or not as clean as we thought they were.

THE CHAIR: Before the Downer house and the analysis that officers did, there was just no knowledge at all that the supposedly clean houses still might have asbestos fibres?

Ms Gallagher: I think the understanding was that they were safe to live in. This goes back to self-government and the cleaning program in the early 1990s. There was a fresh review when I was minister in 2005, and that review indicated what I think we had all known—that care should be taken with Mr Fluffy homes if they were extended or renovated. That led to our general asbestos awareness program, which we have run fairly consistently since that time, and also a number of legislative changes which looked to tighten up our laws relating to asbestos and asbestos removal in properties. With the benefit of hindsight, people will go back—and I am sure they will when the time is right—but after the letter to Mr Fluffy home owners the decision was to treat asbestos as an issue.

We had no information before government that homes were contaminated to the point that we learned since the removal of the Downer house. To be honest, it is a credit—and I said this in the Assembly—to the public servants who advised the government on their learnings from the Downer house. That has led us to this position today. If it had not been for their advice to government after the forensic cleaning of the Downer house, we would be none the wiser and people would continue to live in those homes.

MR HANSON: A supplementary: There was another home that was demolished in 2013 in Yarralumla. My understanding is that a report was made to the Work Safety Commissioner. That was a Mr Fluffy home, and that identified, as I understand it, that there were fibres. And that was pre the Downer house by quite some time.

Ms Gallagher: No, the Downer house was 2011. The issue of dealing with the Downer house—correct me if I am wrong—was 2011. It came to the attention of—

MR HANSON: But the Downer house had Fluffy in it?

Ms Gallagher: Yes, so it was a missed house.

MR HANSON: But this house in Yarralumla in 2013 was a remediated house.

Ms Gallagher: Yes.

MR HANSON: I thought a WorkSafe notification was made. You are not aware of that?

Mr Kefford: Mr Hanson, if it is the one I think you are talking about, the house has not been demolished. The Chief Minister is correct. The Downer house came to our attention in early November of 2011, but it was not until 2013 that the process of forensic deconstruction was commenced. It was during that process of deconstruction that the house I think you are referring to came to our attention. At that point, we were still dealing with a further missed house and then a sample of one. Really, up until Easter, as the Chief Minister has indicated, there was no evidence in front of officials or the government to suggest that the extent of contamination that we are now finding was known about inside the government.

MR HANSON: Easter of?

Mr Kefford: Easter of this year.

Ms Gallagher: Easter this year, 2014.

Mr Kefford: It has historically been the position that the language adopted in formal documents that are part of the building files—that visible and accessible asbestos was removed in the original program in the late 1980s and early 1990s and that there were residual fibres in the walls. That was the message reinforced in the correspondence in 2005. From the process when the Downer house was discovered and forensically deconstructed, we learned a great deal about how far the asbestos migrates through the structure of the building from that process. Even if you go back to the February letter that the Work Safety Commissioner sent to home owners, which was published in the task force's report, the tenor of that letter is, "Don't forget, if you have one of these houses, to be careful if you're puncturing the walls." It was not really the case until we had the evidence—nearly 800 now—of some hundreds of assessments where we could form a picture that not only were there residual fibres in the walls but in more than half the houses there were fibres in the living areas.

THE CHAIR: The Downer house was discovered in 2011?

Ms Gallagher: Late 2011.

THE CHAIR: And was demolished?

Mr Kefford: In November 2011 it was first reported to us by Robson's as a potentially missed house. The decision taken at that point, as had been the case with other missed houses, was to go down a path of a program standard remediation.

Ms Gallagher: In line with the MOU.

Mr Kefford: But what was discovered shortly after that was that the extent of the contamination in that house was so bad that remediation was not possible, The cabinet

decided during 2012 to, in effect, purchase that house and then conduct a forensic deconstruction of it. The tender for the demolition was let in March of 2013. The works were commenced in July, but it was not until late November or early December that we received the final report on that deconstruction process, which was then used to inform the letter that was ultimately sent in February.

Ms Gallagher: It came to cabinet towards the end of 2013, and we took the decision—Christmas was right upon us and then January—that we should write when everyone was back in town to deal with any concerns that would come from people receiving that letter. That is why the letter went out in February.

THE CHAIR: Ms Porter.

MS PORTER: What would you say would be the most important task of the task force right now, and how do we manage the very real expectations of people right now who have been living in these homes, and are maybe still living in these homes, within the constraints of the ACT government's financial situation, given what the commonwealth has decided to do in relation to offering the loan?

Ms Gallagher: I think the most important thing is to ensure that home owners are getting access to accurate information about the offer and that we encourage people to start making their decisions. The sooner we can encourage people out of their homes the better, even though it is very hard to say that. A lot of people will not want to leave their homes, but for me it is getting the buyback up and operational so people can utilise it. That is the number one thing, but it is also making sure people have good access to information. I am sure all of you are the same; we were talking to people over the weekend about different aspects of the offer and some people are angry about the offer. Fair enough; I completely understand that. But once you talk to people about the different components, some of that anger can be addressed. Not all of it, but some of it can be.

MR HANSON: A supplementary: one aspect of the offer that seems to be particularly problematic, Chief Minister, is the valuation as at 28 October.

Ms Gallagher: Yes.

MR HANSON: Which is essentially a flat market. As Mr Fluffy owners are looking for new homes, obviously competing in some cases with each other for similar houses, anecdotally at least that is pushing the housing market up. I have had some representations about that issue, and I am sure you have.

Ms Gallagher: Yes, I have too. In fact, Andrew and I discussed it this morning.

MR HANSON: Have you got a view as to how that issue can be addressed? Is it going to remain at 28 October or is there any flexibility in the system? How can you deal with that issue?

Ms Gallagher: I accept that it is one of the issues that people are raising with us. Perhaps Andrew can explain why the decision was taken to have that date, and then we can take it from there.

Mr Kefford: Mr Hanson, you would be aware that the valuation process that underpins the government's offer to buy back all of the affected houses is being undertaken under the supervision of the Australian Property Institute ACT Division. We held discussions with the president of the Property Institute as we were going through the design process, and the clear advice we have from Mr Powderly was that not only does having a single date ensure a degree of certainty and prevent opportunities for gaming around the scheme eligibility but also it is very consistent with similar government buyback processes elsewhere and commercial practice in this sense.

The issue really is one starting from the point that we are in this space because the houses are contaminated and the best position is for people to leave their homes. So, yes, there is an incentive because of the effects that you are describing, to move more quickly. Although, having said that, we have taken advice around this. The state of the real estate market is, you would have seen from press reports, not strong. We will not sit here and argue that there is unlikely to be an impact; we are hearing the same sorts of stories you are. But the advice we have taken and provided to the government as part of the decision-making process is that the overall market impact of this is modest.

The other thing worth emphasising in that context is that it is not the case that 1,000 families are being tipped out all at once. There is staging of people moving into the market. Yes, a number of people have chosen to move quickly. Indeed, as soon as the buyback had been announced we had contact from families saying, "Can I buy a house first and then sell you my old one?" I think this reflects the whole spectrum of the responses we are seeing from families, right from, "I want to stay here forever," through to, "No, I am really happy to go right now."

MR HANSON: I think that is a good explanation but I suppose that some of these families are heavily mortgaged, are looking to move sooner rather than later maybe or, even if they have started, have a valuation plan from October and are not able to chase the market. For a lot of people, \$10,000, \$20,000, \$30,000, \$40,000 or \$50,000 is the difference between getting out of the home and not getting out of the home. There are other expenses, and I appreciate the government is meeting some of them. Are you looking at that as an issue, whether that 28 October date changes or whether there is some other mechanism, or is that basically the plan and we move on?

Ms Gallagher: Andrew and I met this morning and went to some of the issues. On balance, I think sticking with 28 October is the right thing to do in terms of ensuring fairness for everybody. We do not have a crystal ball of what is going to happen to the housing market. There could be another series of announcements from—I do not know—somewhere that this is not the flattest the housing market gets. Things change, and how do we compensate for that? Would it be fair if someone in six months time got a different result to the one they got on 28 October?

I am going to talk with the Australian Property Institute one more time. I have met with them once already about this. It is their very firm recommendation that that is the way we do it. It is in line with other buyback schemes, because it creates that level playing field, and it pulls forward people into that, "Right, let's move, take the offer up and get out." But I have had a number of representations over it. I would have to

say, on balance, that is my view today but I will have a further discussion with the API.

MR HANSON: I have another supplementary.

THE CHAIR: Ask the supplementary, then we will go down the rest of the line.

MR HANSON: It is on your response to the other issue, then, that seems to be emerging, and that is the people that want to stay in their homes. That seems to particularly affect older residents that have been there for 30, 40 years. I guess their view is, "If it hasn't got me yet, it is either not going to or it is probably too late to worry about it." But then they have a view that some of the requirements are punitive, that they are going to get booted out at some stage, essentially, and that there is a fairly short time frame. Some of these people might want to remain for 10 or 15 years perhaps, rather than the three, four or five perhaps that is being considered by the government.

Is there any flexibility there for an asbestos management plan, signing waivers, some sort of action whereby people who have been in those homes for a long time and want to remain can remain? I appreciate there are issues around people that might be coming to work on those buildings or other people who might be visiting, but that has emerged as an issue. Have you given any thought to that in terms of flexibility as well?

Ms Gallagher: Yes, indeed. Perhaps we should invite you to our Monday morning briefing. Mr Kefford has faced the same line of questioning.

MR HANSON: I imagine you are getting the same sort of correspondence I am.

Ms Gallagher: Yes, they are moving into themes of areas. Ultimately we want all these homes demolished, as hard as that sounds saying it out loud, because they are people's homes and their lives have been spent there. It is very difficult, I think, to create a system where we will be able to make safe the homes and people stay in there long term. I think that, at the end of the day, it is almost impossible—in fact, it is probably impossible—to do that. The issue then goes to: yes, people can sign their own individual waivers but they cannot have anyone work on the homes or visitors to the homes.

If it was a workplace you would be dealing with it very differently. These are very difficult issues. I asked would you have to have, basically, the plastic covers, all these things covered off, and was that the only choice. And the advice from the experts is that it is.

Mr Kefford: I think there are two things that are important to say here. We are hearing some feedback on this too. The first is that it is not the case, as is being discussed at least amongst some owners, that people have to be out by 30 June. Clearly that is implicit in your question but I think it is important that we say that. The date, 30 June 2015, is the end of the buyback offer, not the time that people have to move by.

In the task force's report, although it was written in August and was based on a smaller number of assessments, the recommendations about what is necessary if people are to remain in the homes in the medium term, recognising that they cannot be fixed, are evidence based. It is also generic. At some point there will have to be an individual discussion about an individual home, and clearly across 1,000 homes there are different levels of contamination and different levels of degradation.

The other element which I think has not been drawn out perhaps as much as it might be is: although the report and the documents we have released do go to basically sealing every penetration in the skin of the building, they do also countenance more, in one sense, significant interventions like plumbing exhaust fans all the way through, rather than into the ceiling, that do render it more practical in the longer term.

But at the end of the day, as the Chief Minister has said, the advice we have from our consultations is that these houses cannot be saved. While we will do what we can to accommodate people who do wish to stay in their homes—and I have had a number of these conversations with affected families—at the end of the day their houses are contaminated.

We are already seeing responses from people who need to work in the homes, never mind on the homes—personal carers, health carers—expressing significant reservations about going into homes. While we have to respect the wishes of the home owners, there are broader issues of public safety that we need to take into account in terms of what a future management regime might be.

THE CHAIR: Ms Lawder, a new question.

MS LAWDER: On page 22 of the annual report, it says that advice was also provided on issues relating to the liability for the remediation of contaminated land and the ongoing management and liability of asbestos in the territory. When was this advice given, and who prepared the advice?

Ms Gallagher: That is not your hat, is it?

Mr Kefford: It used to be, yes.

Ms Gallagher: It did; it used to be.

Mr Kefford: I am sorry, I am just trying to find your reference.

MS LAWDER: It is about halfway down the page.

Mr Kefford: At the point of the reporting period, the Office of Industrial Relations was responsible for it. Obviously, as we were engaging with what was significantly increasing public attention on this issue, as is our ordinary practice, we took advice from a range of colleagues in the service, including the Government Solicitor and his office, the Solicitor-General and his office.

MS LAWDER: And about when was that? When was the advice?

Mr Kefford: I would have to take the detail of that on notice.

Ms Gallagher: There were a number of, I think, different ones.

Mr Kefford: Indeed. We can take the detail on notice, but I think it would be fair to say that the majority of that advice would have been taken around the time of our receipt of the Downer report in December 2013, and when we were in the process of drafting the letter that ultimately the Work Safety Commissioner signed and then, as I say, as we moved into that period where we were gaining an increasing understanding of the extent of the issue in the affected houses.

Ms Gallagher: I think it also goes to ongoing issues like the north Weston ponds. I have not given up on my representations to the commonwealth on some of the issues we have found at north Weston ponds and other places across the territory where we have come across large amounts of dumped asbestos waste. Because the territory did not really have a strong position in bargaining for itself before it was created, I do not know how much was known at self-government about the level of contamination of ACT land.

I have written, I think, to the last three prime ministers on this matter, and I think we should continue to do so, although I think their position on Mr Fluffy probably indicates the position they will take on the broader issue of contaminated land.

MS LAWDER: Was WorkSafe ACT involved in providing advice on liabilities?

Mr Kefford: Not so much on the liabilities, because that is really a strictly legal question, but in terms of the government's overall response there are a number of mechanisms beyond the informal, ongoing consultation with colleagues. There is the Asbestos Regulators Forum and other bodies that have existed for some time to allow the public service to get its advice in a form which is coherent and robust.

MS LAWDER: I certainly would not want to put words in your mouth, Chief Minister, but I vaguely recall you may have said in the chamber that the federal government felt that their liability was limited.

Ms Gallagher: They had none, yes. I think their belief is that there is no liability to the commonwealth.

MS LAWDER: Does the advice you have received agree with that?

Ms Gallagher: I think there are a couple of ways we look at it. One is through legal goggles or just in a purely legal sense, acknowledging that the agreements around self-government were created between one arm of the federal government and another arm of the federal government because the territory did not exist, and then some of the moral arguments.

I think the buyback scheme is not a legal one in the sense of our legal liability to undertake a buyback scheme. However, I feel there is a moral responsibility to address a wrong that has been created through no one's fault and fix that. This issue is isolated. If you look at the issue of asbestos contamination in the ACT, you can isolate

it to other liabilities that we have incurred in assets through the transfer to self-government, but I think there is a moral question here. I would suggest that the commonwealth has not accepted that moral argument at all.

It is difficult to share legal advice. We will be preparing, no doubt, for cases related to Mr Fluffy. It is a difficult one. I certainly have argued long and hard about the moral responsibility related to a problem that was created on someone's watch where there was some knowledge of the harm that was possibly going to be created, the result of which is one small community facing this rather large, emotional and financial burden that has not been accepted to this point other than the commonwealth agreeing to loan us a billion dollars, which does save us some money. I am not sitting here and saying we got nothing. We got more than nothing, but it was less than what we asked for.

MR HANSON: I have a supplementary, Mr Chair.

THE CHAIR: A quick supplementary, then we will go through to about 10 to five on this, members.

MR HANSON: On the legal issues, I have been advised by a number of people that they are going to take legal action. I do not know if that is going to happen, but has any legal action commenced against the territory? There are a number of cases that have started.

Mr Kefford: There has been one matter filed but not served. That was reported on in the press—I cannot remember—a few weeks ago.

MR HANSON: I recall that.

Mr Kefford: The suggestion was that that particular home owner was conscious of the expiration of the statute of limitations and sought to lodge something so that they had at least preserved that option. We have had a number of people, as I am sure you have, indicate that they are taking legal advice on what they might do, and we would expect them to do that, and we would respond appropriately.

MR HANSON: To date there is that one filing and that is it?

Mr Kefford: There is the one filing in the Supreme Court. There has been one, perhaps two—I might take the exact number on notice—in the Dust Diseases Tribunal in New South Wales, where we have received subpoenas for documents. Beyond that, there is no other legal action on foot about this issue.

Ms Gallagher: And participating in the buyback does request that the participants sign a waiver against the ACT government and the federal government, although we have not finalised that agreement. The federal government want their waiver in there as well, but that does not relate to personal injury. It just relates to property.

MR HANSON: If someone does not sign up to the scheme, because they do not want to sign away their legal rights, or for whatever reason, then what?

Ms Gallagher: We will wait and see—and we are hoping that does not happen—but

there are other ways that the territory could acquire that property and compensate on just terms.

MR HANSON: Would it need to go to court to work out what those just terms are, or who determines? Dennis Denuto is getting himself ready to go to the High Court?

Mr Kefford: The processes available for compulsory acquisition under the Lands Acquisition Act permit the government to compulsorily acquire property for a public purpose, in effect at market value. Market value in that context is the sum that an informed purchaser would pay. That takes account of the presence of asbestos. Beyond the timing benefits of the government's offer, the significant difference between the buyback offer and compulsory acquisition is the fact that the buyback offer is at market value, ignoring the presence of asbestos.

THE CHAIR: Ms Berry, a new question.

MS BERRY: How many public housing properties are affected by this?

Mr Kefford: Five.

MS BERRY: Only five? I should not say "only five", because that is—

Mr Kefford: The NCDC, when it was responsible for public housing at the time, did not put Mr Fluffy in its homes, so these are properties that have been acquired subsequently. There are five. We have been talking to our colleagues in Community Services; they have responded in relation to their management of the homes. They have gone through the same process of assessment, remediation and so on. Obviously the buyback is not relevant in that context, but in terms of the management, our colleagues in CSD have been looking after that from the outset of this process.

MS BERRY: So those five are not included in the whole number, the total number?

Mr Kefford: They are. The 1,021 number includes the five that the government owns, yes. They are in the total number because they are an affected house.

MS BERRY: Some people in these homes are a bit confused about how the scheme works as far as the home is concerned—the actual structure and the land.

Mr Kefford: Yes.

MS BERRY: Can you explain how the scheme works in that respect—that it is not about just acquiring the infrastructure; it is the actual land?

Mr Kefford: Sure. Ms Berry, the government's buyback offer is to purchase the house and land at market value ignoring the presence of asbestos. We have deliberately gone down that path, recognising a number of influences, including the extent to which those more than 50 families who have been advised to leave their homes have found the obvious financial burden of mortgages and rent to be intolerable even with the government's assistance.

One of the reasons why we have made the offer to buy all of the houses at once is to allow people the option to leave that contaminated home, but it is also because we will not know, and cannot know, how long it will take us to demolish homes until we get a sense of which ones we own in which area. Obviously one of the things that will defray the overall cost of the scheme is for us to schedule the demolitions in a way which is efficient, which minimises cost and minimises community disruption. That means sending trucks to a street once, because often there is more than one house in a street, and certainly sending them to a suburb-type area once rather than in dribs and drabs.

Recognising that at the point we are offering to buy the houses we cannot say that we will get to a particular suburb until we have been through the tender process next year, the view was taken that the best way to break that nexus with mortgages was to offer to purchase the whole of the house and land, and then, because it has been a message right from the start that families have been very keen on, provide a mechanism for affected home owners to re-purchase their block at the point it becomes available following that remediation step.

MS BERRY: With the buyback—I know, Chief Minister, you were talking about this being a moral obligation by the ACT government—there are some people in the community who think it is a way for the government to make money, to get some land and profit out of this.

Ms Gallagher: Yes, I have heard that.

MS BERRY: What do you say to people? Clearly there must be some sort of misunderstanding.

Ms Gallagher: Yes. We talked about this this morning—about ways to provide more information to people about what is going on. At the end of the day, the net cost will be in the hundreds of millions of dollars, so no-one is making any money here. The issue for me that comes from the potential for unit titling to occur on some of the blocks is that you minimise the net cost to all of the tax base. We are buying at market rates—home and land. We are then demolishing, cleaning, remediating, putting the asbestos waste in a safe place for a thousand-odd homes, and then selling the land back as a clean block. When you put all those things together, there are sunk costs that you are not going to recoup through land sales.

But we have to continue to talk with people. When you try to get information out to a group of people who are angry and upset, when a big change has come into their life, it is hard to process all of the information accurately. But the best-case scenario that I see is a net cost of \$300 million.

MS BERRY: Some people have already left their homes, because they have either themselves decided it is not safe or their homes have been deemed unsafe after the assessments have been done on their homes. With the people who are staying, except for the ones that might be taking a risk in being in a home where they might be at risk of exposure, they are quite safe if they have sealed up the walls and things like that so that there is only a very small chance of them being at risk. They could stay, if they wanted to, for the next how many years. I am thinking about the market. I know it is

not going to all happen at the same time, but I think people will be keen to get out as quickly as they can for those who want to.

Ms Gallagher: And they can. There is nothing to stop that. The other misconception that has come up in the last couple of weeks is that there are some rounds to this. There is round 1 and then round 2. I got an email today saying: “Please put me in round 1. I want to go.” I think that came from conflating a couple of things. One was me saying that we were estimating that we could demolish 200 houses a year. People took that to believe that only 200 people a year were going to be dealt with over five years, and that would get us to the end point, whereas that is just the demolition. As many people who want to participate can participate as soon as they would like to. Then we manage the vacant houses across the city as the owner of those homes.

MS BERRY: When those cleared blocks of land eventually go up for sale, will that be just like the normal selling of a house, with the ACT government selling it?

Ms Gallagher: This was the other attraction to the buyback scheme. We can get Mr Fluffy off the record books, to the greatest degree that we possibly can ever, by cleaning the block and then issuing a new crown lease, which will not have warnings about Mr Fluffy because the property and the land have been cleaned.

Mr Kefford: Ms Berry, I might just go back to your observations about staying in the house. I would not use the term “quite safe”. Essentially what has been happening with the assessments that have been undertaken since July is that assessors have been doing a visual assessment and collection of settled dust samples. As a result of what those samples have shown, they have recommended that certain hazard reductions be undertaken. They have been done and paid for by the task force. That makes the house safer than it was, but not all better. We have been very clear that this is a short-term response pending the decisions that the two governments have now made.

To stay in the house in the medium term, which is really what we are talking about, if people are staying beyond where they are now, there is a more extensive program that needs to be undertaken. This gets back to Mr Hanson’s question before. Part of that process is a full environmental clean of the property. That is not just a sampling process; that is a much more rigorous intervention to clean the property and then put in place interventions that minimise the likelihood of fibres re-entering.

The other observation I would make about that sort of work is that we have already had reported to us cases where we have done that hazard reduction sealing work, the house has moved and it has re-cracked within weeks. So part of the reason why long-term habitation is not practical is the level of vigilance that is necessary and the likelihood of places re-cracking, be it through weather, climate or just being old houses.

MS BERRY: But you are saying that this program will take some years—to demolish all of these houses?

Mr Kefford: Yes.

MS BERRY: So some people might have to stay in their homes?

Mr Kefford: No. The offer is to buy all of the houses now so people can move.

Ms Gallagher: We would prefer that everyone came out.

Mr Kefford: The five years is an estimate based on the fact that at the moment there are a very small number of licensed contractors doing this work in Canberra. It is our expectation that when we do the tender we will have a larger pool, so it may well be that five years becomes something less than that, but at this point we have nothing on which to base an estimate that this is 18 months work versus five years work; it is just a sense that we have used for planning purposes. At the same time, the overriding message is that the houses do need to be demolished; they cannot be fixed.

We have put in place an arrangement that allows people to get out of affected homes with the market value of their property, ignoring the presence of asbestos. Yes, it is possible for people to stay. It is not easy for people to stay. That is because the houses are contaminated. But the way in which it has been structured and the way in which the loan is being discussed with the commonwealth put the territory in a position to purchase all the houses now.

THE CHAIR: We will move to Mr Hanson. We are using up lots of time here. Do you have a question?

MR HANSON: I just want to get an idea—we talked about it a bit before—in terms of what changes need to be made to legislation, regulation and so on. There was talk that an approp bill is coming sooner rather than later. I imagine there are other acts and so on that will need to be amended—planning laws and so on, maybe even the territory plan if we are doing some rezoning. Have you got a view of all of that legislative framework and what is going to be coming forward to the Assembly?

Ms Gallagher: Yes. It will be coming forward. My understanding is that the vast majority of the redevelopment of the sites can be done via regulation—is that right?—because it is basically only looking at dual occupancies on blocks. That is the majority of them. But there are some issues around heritage and trees which we will have to look at. That will be work that comes to the Assembly. There is no tremendous rush for that work. The appropriation bill is the one we need to get through.

MR HANSON: Right. And how is the approp going to be managed? If the money is coming—

Ms Gallagher: From the commonwealth.

MR HANSON: From the commonwealth.

Ms Gallagher: It is providing a legal instrument for us to spend money.

Mr Hanson: You can then spend.

Ms Gallagher: Yes, the Assembly has to authorise—

MR HANSON: The expenditure of the money against—

Ms Gallagher: Yes, and then I guess it is just a financing technical adjustment, with the loan coming in—I am just pointing at Stephen Miners, because he is from Treasury, and he is nodding at me, so I am continuing down this path. When he starts shaking his head, I will shut up. Do you want to come over, Steve.

MR HANSON: Can I use that technique?

THE CHAIR: Mr Miners, we need you to be quick. We probably need to finish this at about 5 o'clock, if we can. We have gone a bit over time, but it is an important issue.

Mr Miners: No problems; I will be brief. The Chief Minister is exactly right. The appropriation is to give authority to spend the money. The loan will be recorded as effectively a financing source in the same way it would be recorded if we went to the market ourselves and borrowed the money. The difference will be the interest costs, which will flow through. If we had borrowed it ourselves, it would have cost us around \$30 million more. That interest cost will still hit the bottom line, and that will need to be shown in appropriations as well, but it is literally to get the authority to spend the money.

MR HANSON: And will the approp then be for the full billion or will it be incrementally based on a gauged program of a certain amount each year? Are you looking for a blank cheque for a billion dollars?

Mr Miners: That will obviously be a matter for negotiation and discussions. I would expect that the appropriation should cover enough money to make sure that the task force can do its job. You want to make sure you actually have that covered rather than have to come back again for further appropriation.

MR HANSON: Thanks.

THE CHAIR: I have a final question. We talked about the homes. What about the soft goods? What will happen with clothing, furnishings, curtains?

Mr Kefford: The task force has published advice that we developed in consultation with the Work Safety Commissioner, the Chief Health Officer and national experts in asbestos. That is published, and we can table that for the committee if that would be helpful. It is not the case that all of the contents of an affected house need to be thrown out. It would be significantly wasteful for us to do that in most homes.

Essentially, the advice says that if goods have been stored in an area where there has been contamination found or presumed—for example, a cupboard where we found visible asbestos or in the subfloor areas—the assumption should be that they are contaminated, they should be left in the home and the government will dispose of them as part of the demolition process. In other areas, essentially the advice is that people will need to take notice of what the asbestos assessment says of their property, but in general terms, and in most houses, the likelihood of goods being contaminated is low, and the secondary likelihood of fibres escaping those goods and being able to

be breathed in is similarly low.

The sort of practical example we have been to is that in a bedroom, for example, where perhaps you have got a cracked cornice, you might think about taking the mattress or leaving the mattress behind but there is no reason why you could not take the bed frame, the chest of drawers and other items. Essentially, the overriding message is that we can give generic advice to a point but then the rest really has to be done with reference to the assessment report on a particular house.

THE CHAIR: And for those who choose to leave items behind, will they be compensated for those items or is that a choice that they bear?

Mr Kefford: There is not a separate compensation for that, Mr Smyth. The government has agreed to pay a relocation grant of \$10,000 plus the \$2,000 for children living in the home at the point a house is vacated.

Ms Gallagher: We are extending that.

Mr Kefford: Which has been extended beyond the July announcement—thank you, Chief Minister. But there is no particular compensation beyond that—although, as I say, the government is disposing, and is continuing to dispose, of those goods.

THE CHAIR: We might leave that there. Members, any further questions for the task force can be put on notice. Thank you for your attendance, Mr Kefford. We will move to the public service commissioner.

Short suspension

THE CHAIR: The commissioner was here earlier when we had some questions on this so we will not go through the formalities. Mr Hanson, I defer my question to you on the ACT public service.

MR HANSON: Can I get a sense of the staff profile, the total numbers, in the public service and what changes have occurred? It seems there is an increase in some categories and decreases in others, particularly an increase in executive officers, professional officers, with a less commensurate increase in other staff—teachers only one per cent, bus drivers have dropped and so on. Do you monitor that to make sure we do not have a burgeoning and growing bureaucracy as opposed to front-line staff? How is that managed?

Ms Overton-Clarke: Yes, we do. You can see on page 107 of the report the breakdown in terms of the FTE and head count of different groups and the changes between last financial year and the 2013-14 financial year. As you would expect, we have had significant increases in front-line services, in particular, professional officers, 11.3 per cent; health assistants, 33 per cent increase; health professional officers, three per cent; and nursing and midwifery, 5.3 per cent. In line with the government commitment to modestly grow the ACT public service and its service delivery focus, the increase is generally in those service delivery areas.

MR HANSON: What is the definition of a “professional officer”? What do they do?

Ms Overton-Clarke: “Professional officer” covers a number of specific areas, but examples are engineers, architects, planners, those sorts of areas.

MR HANSON: In terms of the public service’s endeavours to try and increase the number of people who are employed with a disability and also people who are Indigenous, how are we going with regard to those two?

Ms Overton-Clarke: You may have seen the article in the *Canberra Times* a few weeks ago—we are not meeting the ambitious targets that were set and we are very conscious of that. In fact, I have met recently with the both the elected body and the disability commissioner as well as all the directorates at both director-general and deputy levels, and through HR directors, to really start reactivating much more aggressive, if you like, measures to attract and retain staff in both those cohorts.

Ms Gallagher: They are increasing, though; they are just not meeting the targets that we have set. We are seeing more people of Aboriginal and Torres Strait Islander descent employed but we are falling short of the target.

MR HANSON: Is it done directorate by directorate as opposed to government wide?

Ms Overton-Clarke: A bit of both. In terms of the graduate program, for example, that is done centrally out of Chief Minister’s. We are just pulling across from Community Services Directorate the Aboriginal and Torres Strait Islander traineeship program. We have an opportunity with those centrally organised programs to push that in a very strong way. Also we work with directorates, and part of the work we have been doing over the last few months is to identify the really good practice that is happening across some directorates around systemic ways to be able to make those increases—whether we create pools, whether we look at all recruitment processes. That is the work that we are currently doing.

MR HANSON: Chief Minister, with Indigenous employment and Indigenous affairs I suppose more generally, it is a whole-of-government approach but it does not rest within your portfolio area. Is that something you have given mind to? I know Jon Stanhope used to do that. Have you given thought to that?

Ms Gallagher: Having the unit in—

MR HANSON: Yes. So many times we see it as a health issue, an Indigenous issue or an education issue, and try to get that whole-of-government view of it. The problem is that if it is not in CMTEDD or dealt with centrally somehow, do we have an issue where we are sort of off to the side?

Ms Gallagher: I do not believe it should be. You have a similar argument at times put by the women’s movement that women’s policy has to be in the central agency. I think to accept that continues to accept that there should be delineation of responsibility in the directorate structure. I see no reason why Aboriginal and Torres Strait Islander matters sitting in Community Services Directorate cannot deliver the same whole-of-government outcome just because it is sitting under Natalie Howson

and not Kathy Leigh. I just do not accept that. The way the strategic board is working in terms of the roles director-generals have within that on leadership areas should allow for the one-government approach across directorates. I do not accept that everything has to be in the central agency.

Indeed, in the past where things have been in the central agency—I am not talking specifically about Aboriginal and Torres Strait Islander matters—the central agency becomes almost schizophrenic about what its role is: is it a service deliverer, is it a policy agency, is it a bit of both, does it have the appropriation to support all these things, does it have the natural partnerships within other areas of the directorate to support that? Ultimately, I am trying to deliver admin arrangements that break down those barriers. I am not convinced. I still meet with the elected body. They come to cabinet. I receive their reports. I think it works well.

THE CHAIR: Ms Berry.

MS BERRY: Pages 34 and 36 refer to the age demographic for people employed in that older, more experienced age group. I am assuming at some point those people will move on, and there is quite a number of them. Has the ACT public service got a plan for recruitment to fill those positions?

Ms Overton-Clarke: Yes, the demographic is really interesting. Between 35 and 50 years we have got 50 per cent of the employees. Over 50 years is 30 per cent of employees and then roughly 20 per cent under 35. Many years ago we did a retirement intentions survey which predicted that a lot of people would be leaving in their mid-50s. In fact, that did not end up being the case. We have to balance on the one hand the planning that we do about what people's intentions are with what the stats show us.

The median age is obviously getting slightly older from year to year, but we have a pretty good retention arrangement with people who are moving into thinking about retirement. We try as much as possible to have flexible working arrangements—transition to retirement is taken up across directorates; people can move to part-time work. There are lots of ways for people to ease out of the workforce—as well as, of course, refreshing and bringing people in at the other end.

Certainly Kathy and I are looking at a lot of initiatives to look at rotations and secondments. We have talked about the graduate program briefly. All of those initiatives are really important to refresh and renew people around the service as well as encouraging people from other workplaces like the commonwealth government.

MS BERRY: Of course, there is no requirement for people to leave at they get older.

Ms Overton-Clarke: No, that is right.

MS BERRY: Just on the gender pay gap of 1.7 per cent, which is quite low compared to the rest of the country, if women are choosing to stay in work and come back to work after they have had children, are they allowed, in those higher executive roles in the public sector, to have those flexible work arrangements that you would have at the level 6 kinds of levels? I know it has been a problem for some women that that

flexibility has not worked.

Ms Overton-Clarke: Obviously it is on a case-by-case basis, but as much as possible we allow for that, whether it means that someone does not return immediately to a front-line position or not. The thing with flexible working is that you do not actually always have to be there in an office in front of someone. You are only a mobile or an iPad away. Yes, flexible working has meant that for women returning to the workforce there are lots more opportunities to do that in a different way.

THE CHAIR: Ms Lawder.

MS LAWDER: I am looking at table 4 on pages 34 and 35 of the state of the service report, a snapshot of the ACT public service workforce. The left-hand column on page 35 has the annual pay rate excluding casual staff. Are you able to give a breakdown by those categories for staff at the Capital Metro Agency? How many are in each of those groupings?

Ms Overton-Clarke: Can I give that for capital metro? The problem with giving lots of detail for capital metro is that one of the issues we have is about identifying individuals. Because it is such a small number of people, it would probably identify—

MS LAWDER: How about below \$100,000 and above \$100,000?

Ms Gallagher: I imagine you could do that pretty easily. At capital metro the contracts that have to be tabled in relation to executive salary are public knowledge; they are tabled in the Assembly. Once you took that group out, you would have to look at what that does to people being paid those salary rates. We will have a look. There is nothing to hide. They would be more highly paid on average, I expect, because it is a very technical area.

MS LAWDER: Because I also note, looking on page 34, the right-hand column, that capital metro has well above the average number of personal leave days of the entire public service. Can you explain why that could be the case?

Ms Overton-Clarke: What I can explain is that we did not have a very good vetting process. All the work I have just mentioned around not identifying small numbers of individuals has gone a bit amiss in terms of releasing that information. It is quite unfair for a very small agency to have that information revealed. I am going to make sure that next time we do a better quality control of this. It is about a very small number of individuals. That is all I will say.

MS LAWDER: I am not quite sure why that matters, how many people you have.

Ms Overton-Clarke: Well, it matters because—

Ms Gallagher: It is their personal health, I imagine. It is personal leave.

Ms Overton-Clarke: That is right.

MS LAWDER: But whether you are a small agency or a large agency.

Ms Overton-Clarke: If you have a very small number of people, it obviously skews the amount of days, because this is in absolute numbers. That is the issue.

MS LAWDER: From my recollection there is work underway to try and reduce the number of personal leave days. Is there a target across the public service you are aiming for?

Ms Overton-Clarke: It is very hard to set a target because we generally find that people in front-line work tend to have more personal leave days than people in office-space work because of the nature of the work. It is very hard to generalise.

Ms Gallagher: Usually benchmarking is done against an average nurse, for example. We do all that and I think that is reported separately in the health annual report, just to make sure you are not seeing anything out of the ordinary.

MS LAWDER: But, for example, the Gambling and Racing Commission and Long Service Leave Authority are vaguely on a par with ACT Health. I would have thought your client-facing staff would potentially have higher rates of personal leave. You see that in Medicare, for example.

Ms Gallagher: I do not know what the rates are, but they are much smaller agencies. If you had a couple of people take a large amount of leave—say, someone had cancer and had to go off for months—you are going to see skewed results. That is the issue here. I hope no-one is identified through that, because it raises other questions.

THE CHAIR: Ms Porter, a new question.

MS PORTER: Page 8 talks about various things that were done under an improvement plan. One of them is implementing enhancements to the existing ACT public service redeployment framework. Would you talk to us about what those enhancements were?

Ms Overton-Clarke: I will get Ms Centenera to talk about that.

Ms Centenera: A range of things were done to the redeployment framework, so I will start and Michael Young might continue. We made some amendments to the redeployment framework that were around where people did not want to be redeployed smoothing the access to voluntary redundancy and not requiring them to sit on the redeployment panel waiting for a job when they did not want to be redeployed. A range of initiatives were arranged around that. The agreement provisions did not change but we expedited that process for those people who wanted to go to redundancy straightaway. In how we manage redeployment we certainly have had refinements along the way that are looking at making sure the people on the panels wanted to be there and that we expedited the process as much as possible. They were the measures this refers to.

THE CHAIR: We will devote the last nine minutes to regional development. Chief

Minister, in regard to regional development, we have an MOU with New South Wales that looks at areas like health, education, transport, emergency services, justice, tourism, planning and economic development. A gentleman asked me on the weekend if it was true that from next year ACT preschools will no longer be accepting students from New South Wales. Is that so?

Ms Gallagher: This may have come up in the Assembly. I have certainly heard the issue somewhere, and I think it is an issue where the preschools are full. They might not get their choice of preschool rather than people not being allowed to come.

THE CHAIR: But we will not be excluding preschool students from New South Wales?

Ms Gallagher: I will have to take further advice; it is not my area, and I have not seen that decision.

THE CHAIR: If you will take that on notice, that is kind. The gentleman raised it in terms of, "We're part of the region. Why can't we?" I said, "I'll be talking to the Chief Minister on Monday. I'll ask her."

Ms Gallagher: I can only think it is capacity, because there is a 25-student cap per preschool.

THE CHAIR: In regard to SEROC, what has the involvement of the government been with the member councils and how many meetings did the government attend in the 2013-14 financial year?

Ms Gallagher: I think we have attended every meeting. I have certainly attended two or three, and there is another one coming up in November in Sydney that I am attending next week. It is fair to say that part of SEROC's big focus this year has been on the New South Wales local government reform that has been underway. It crosses into the ACT. As much as we would like SEROC to be a joint organisation for the region and not divvied up, it is easier for us, probably selfishly, dealing with one regional entity. Those discussions are ongoing and, indeed, the meeting next week is with New South Wales ministers and hopefully there might be some further information on that.

We have attended a number of meetings. We have facilitated meetings with federal members. Now there is a process in place where Angus Taylor, Zed Seselja and Peter Henty meet with SEROC members to talk about the region. That has been a good outcome, and I think there is another meeting this side of this year for that.

A number of pieces of work are underway but the SEROC members have been very keen to develop the Canberra region brand, so using CBR as a selling point for the region and getting on with that. That was completely unprompted.

THE CHAIR: A supplementary, Ms Berry.

MS BERRY: What are the other projects you just mentioned that SEROC is working on?

Mr Peffer: A number of initiatives are being progressed under SEROC at this point in time. As to developing a regional brand, SEROC has adopted the CBR brand and branded itself as the Canberra region, which is quite a positive for the nation's capital. That is from up north from Cowra, down through Bega and then across west to Temora. That region now brands itself as the Canberra region.

Other things that SEROC is working on is the federal government has announced a national stronger regions fund. This is a billion dollars that will contribute towards regional infrastructure projects to be rolled out right across the nation. The Chief Minister is working with the chair of SEROC on some strategic priorities that could be put forward as key infrastructure projects for this particular region.

Something else that continues to roll out under SEROC but in that broader region is the ACT government's smart business recycling program. This program is being done under a service agreement with the ACT government and it is being rolled out in businesses in Queanbeyan, for instance. It has been recognised that it is a beneficial program and rather than setting up a New South Wales bureaucracy to deliver it in the region, New South Wales is leveraging off the ACT.

THE CHAIR: A new question, Ms Porter.

MS PORTER: Obviously commonwealth budget reductions have an impact on the ACT, but also one would imagine it flows on to the region. Are there any discussions or do you anticipate any discussions in November about that at the SEROC meeting?

Ms Gallagher: SEROC met two days after the federal budget and every mayor present was very concerned about the impact of the federal budget on their region. Also, they are some of Canberra's strongest friends I have to say. Their interest in the survival of the towns they are responsible for is that Canberra is strong to support its role as the centre of the region. All the mayors are supporters of Canberra and supporters of Canberra staying strong. The first meeting with the federal representatives came out of that meeting where people were angry at the decisions that had been taken without acknowledging the role Canberra takes.

We see today the *Canberra Times* reporting another 250 public service jobs are to go from Canberra to Geelong creating an ABS centre of excellence in Geelong. These are the decisions that will not just affect Canberra but the region. The people of Canberra should be rightly outraged at some of the decisions that have been taken. On the back of job cuts, we are now having transfers out where we have got the ABS based in Canberra relocating existing Canberrans to Geelong if they want to keep their jobs. This is the sign of the times. I imagine the mayors will be concerned about that as well.

THE CHAIR: Ms Lawder.

MS LAWDER: Chief Minister, have you had any discussions with any entity or organisation about the ACT providing services to a new development across Ginninderra Creek in New South Wales?

Ms Gallagher: Have we? No.

THE CHAIR: Chief Minister, our time is over. Thank you for appearing before the committee. Answers to questions taken on notice at this hearing are due with the committee secretariat no later than close of business on 24 November. Members' written supplementary questions covering the Chief Minister and regional development portfolios should be with the secretariat no later than three working days after the proof transcript becoming available. If any of those supplementaries are forthcoming, they will be forwarded, Chief Minister, and it would be great if they could be answered within two weeks of the date of the covering correspondence.

On behalf of the committee I thank you, Chief Minister, and the relevant officials for appearing today. When available, a proof transcript will be forwarded to witnesses to provide an opportunity to check the transcript and suggest any corrections. I formally declare the meeting closed. Thank you.

The committee adjourned at 5.28 pm.