



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Annual and financial reports 2014-2015](#))

Members:

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

TRANSCRIPT OF EVIDENCE

CANBERRA

MONDAY, 2 NOVEMBER 2015

Secretary to the committee:
Mr A Snedden (Ph: 620 50199)

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

ACN 07 1257 504 Limited (formerly ACTTAB)	1
ACT Insurance Authority	1
Chief Minister, Treasury and Economic Development Directorate	1
Icon Water	1
Independent Competition and Regulatory Commission	1

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Amended 20 May 2013

The committee met at 9.34 am.

Appearances:

Barr, Mr Andrew, Chief Minister, Treasurer, Minister for Economic Development, Minister for Urban Renewal and Minister for Tourism and Events

Chief Minister, Treasury and Economic Development Directorate
Leigh, Ms Kathy, Head of Service and Director-General
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, Economics and Financial Group
Murray, Mr Peter, Executive Director, Infrastructure, Finance and Advisory Division
Tanton, Mr Graham, Executive Director, Shared Services
Salisbury, Mr Kim, Director (ACT Commissioner), Revenue Management Division
McAuliffe, Mr Patrick, Director, Asset Liability Management
Wickman, Ms Dani, Executive Director, ACT Records

ACN 07 1257 504 Limited (formerly ACTTAB)
Johnson, Mr Anthony, former Chief Finance Officer

ACT Insurance Authority
Fletcher, Mr John, General Manager
Pritchard, Ms Suzanne, Finance Manager

Independent Competition and Regulatory Commission
Gray, Mr Malcolm, Senior Commissioner
Nayager, Ms Ranjini, Chief Executive Officer

Icon Water
Sachse, Mr Sam, General Manager Finance
Breaden, Ms Jane, General Manager Governance
Lewry, Ms Amanda, General Manager Asset Management

THE CHAIR: Welcome to the opening of annual report season. Good morning, minister, and your staff. I formally declare open this public hearing of the Standing Committee on Public Accounts inquiry into the 2014-15 annual reports. On behalf of the committee, I would like to thank you, Treasurer, and relevant directors and agency officials for attending today.

The proceedings this morning will commence with the examination of the 2014-15 annual report of the Chief Minister, Treasury and Economic Development Directorate as it relates to the following matters: economic and financial management; revenue and government business management; the superannuation provision account; the territory banking account; Shared Services; and ceased agencies. That is the Treasury side of it. At approximately midday we will move to the CMTED side of it: Director of Territory Records; ACT compulsory third party; Office of the Nominal Defendant;

the Lifetime Care and Support Fund; the ACT Insurance Authority; the Independent Competition and Regulatory Commission; and Icon Water, formerly ACTEW Corporation.

I remind witnesses of the protection obligations afforded by parliamentary privilege and draw your attention to the pink privilege statement before you on the table. Could you please confirm for the record that you have read and understand the privilege implications of the statement. So noted. Thank you very much.

I remind witnesses that proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast.

Members, we have a lot to get through, so questions will need to be concise. Ministers and staff, answers will need to be just as concise. Before we proceed to questions from the committee, Treasurer, would you like to make an opening statement?

Mr Barr: In the interests of being concise, chair, I am not trying to prepare to declare this festival of annual reports as a new tourism event for the city, but given the size of the audience here, it is good to have this opportunity to respond to the committee's questions across the range of areas in a new directorate. I am happy to take questions.

THE CHAIR: Thank you for that. We will start taking visitor numbers and work out whether we can charge a visitor fee. Starting with output class 2.1 on page 30 and then going straight to page 32, "Future direction", there is a dot point that says that the area will "undertake a review of the Lease Variation Charge framework". Where is that review, and when will it be made public?

Mr Barr: In the context of the next five years of tax reform, I have asked for some work to be undertaken across the territory's revenue base, and we will be considering that in the context of putting together the next five-year program of tax reform.

THE CHAIR: Has it commenced? When will it report? What do you expect it to say?

Mr Barr: It will report when it is ready to report; it will be considered by cabinet, and it will inform decisions on the government's next five-year tax reform path.

THE CHAIR: Could we have the terms of reference for the review?

Mr Barr: It is an internal review for the cabinet on tax reform, looking at options.

THE CHAIR: There must be terms of reference?

Mr Barr: As I say, it is an internal review for government for the purposes of our consideration for tax reform.

THE CHAIR: Are there terms of reference for the lease variation charge?

Mr Barr: I have asked for a range of issues in terms of the territory's taxation base to be considered.

THE CHAIR: What other areas of the tax base are being considered in this review?

Mr Barr: In terms of what is informing the government's next five-year tax reform plan, issues relating to federal-state financial relations and the government's own-source revenues. They would be the two.

THE CHAIR: There you go. When do you expect the lease variation report to be available?

Mr Barr: It is not a public document; it is information to cabinet to inform the next—

THE CHAIR: But, still, when do you expect it to be available?

Mr Barr: When it is ready.

THE CHAIR: We can play games like this all day. You must have some expectation of when it will be available.

Mr Barr: We have indicated we will be making announcements in relation to the next five-year path for tax reform by the next budget.

THE CHAIR: There you go; that was not hard. If we are going to talk about the next budget, let me go to the conveyance charges. When will they be removed?

Mr Barr: Stamp duty?

THE CHAIR: Yes.

Mr Barr: It will depend on which property class, which element of stamp duty is currently levied. We have a range of programs in place that have already seen stamp duty cut by up to a third for certain property classes and reduced to just \$20, the administrative fee, for certain buyers who meet eligibility criteria. The government will outline its next five years of tax reform in due course.

THE CHAIR: So that will be in the next budget, the 2015-16 budget?

Mr Barr: We will outline it, yes. We will have forward estimates in relation to the next phase of tax reform.

THE CHAIR: And with the renewed interest in GST, does the government have a position on increasing GST?

Mr Barr: I think it is unlikely to happen unless the incumbent federal government takes it to the next federal election and wins a mandate for it. If that is the case, I would expect that the Senate would honour that mandate and there would be a change.

THE CHAIR: Is the ACT government pushing for an increase in the GST rate?

Mr Barr: No; we are not advocating that at this point.

THE CHAIR: Ms Porter, a question.

MS PORTER: In relation to our credit rating, on page 31 it mentions that the credit rating has been reaffirmed by Standard & Poor's as AAA. I was wondering if you could comment about that AAA rating and whether you believe that in the future this will be maintained.

Mr Barr: Yes, it was pleasing, once again, to have the territory's AAA credit rating stable outlook reaffirmed. That has been a consistent position throughout my time as Treasurer, and I am very pleased that that has once again been confirmed by Standard & Poor's. There are, of course, challenges the government has faced in the past 12 months, particularly in relation to increased borrowings associated with the asbestos eradication and removal scheme. We have been able to absorb those borrowings within our total government borrowings. That has been commented on and, as observed by Standard & Poor's, has removed a great deal of the capacity and flexibility that we had under the AAA metric. So, in the context of adopting the scheme, we have stretched our capacity under that credit rating.

MS PORTER: In relation to the introduction of amendments that it mentions on page 32 as far as the Financial Management Act is concerned, to improve and modernise our appropriation budget management and provisions, do you think that is a good step?

Mr Barr: Yes; that is why we introduced the changes. I was pleased that they were supported in the Assembly. That is an important first step in further modernisation of the Financial Management Act.

MS PORTER: Thank you.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: I want to ask about the standing Council on Federal Financial Relations and where you expect the work of that group will go over the course of the next year in the context of the broader tax discussion.

Mr Barr: There are two key elements of work that are being undertaken by the ministerial council. The first relates to an "all options on the table" modelling exercise in relation to taxation arrangements—federal and state and territory. All jurisdictions have agreed to participate in that exercise to at least keep all of the tax reform options on the table. That process will continue over the summer. Treasurers will meet again in 2016 to review the options that have been put forward. I think it is unlikely that there will be consensus on every element of reform that may be ultimately proposed by the federal government, but the new commonwealth Treasurer has indicated a willingness to work with the states and territories to address a number of areas of concern, particularly the future funding of health and education services in this country.

The challenge is going to be that there are probably five or six distinct areas of reform where various interest groups are seeking to hypothecate the increased revenue that might come from tax changes elsewhere. Unfortunately, that increased revenue, say in

the case of an increase in the goods and services tax, could not possibly simultaneously reduce personal income tax, provide sufficient compensation to households who are not earning income, provide company tax cuts, remove stamp duty and then provide a range of other tax cuts—simultaneously do all of that—unless the GST increase was something in the order of going up to 20 or 25 per cent, which I do not think anyone is advocating at this point. That, I think, is going to be the challenge: any increase in the rate of the goods and services tax will generate increased revenue, and that increased revenue is being hypothetically spent by various groups on their preferred reform project, but it cannot do them all. That is one area of particular focus.

The other, which I am pleased to see come back onto the national agenda, as I have been calling for this for some time, is the implementation, and collaboration on future phases of implementation, of the Harper competition review. Professor Harper identified a range of areas for further microeconomic reform. Some were wholly the responsibility of states and territories, some were wholly the responsibility of the Australian government and some were shared responsibilities. The ACT, along with a few other states and territories, has particularly looked at areas that are wholly within our responsibility and have moved on them. In fact, we did so in one area just last week, in relation to taxis and ride sharing. There are areas where there is a joint regulatory or oversight responsibility between the two levels of government that requires further work; then there are some areas that are entirely the responsibility of the federal government. Treasurer Morrison has put this back on the national reform agenda, which is a good thing; we look forward to areas of collaborative work that can occur in the coming 12 months or so.

MS FITZHARRIS: With the ACT's own reform program, are any other jurisdictions looking at similar reforms on their own, ahead of the broader—

Mr Barr: South Australia, in their most recent budget, has announced a number of changes that reflect the same broad direction as the ACT. In some areas they have sought to reform faster than we have; in others they are taking a more considered approach to challenges that are unique to their jurisdiction. They have local government, so they do not have a situation where they can immediately switch to an existing broad-based land tax; they would, for example, have to introduce one. So they need to work with local government in South Australia to achieve that. In New South Wales they have undertaken some reforms in relation to insurance and taxation, but they still have a way to go on that. The New South Wales Treasurer has indicated a willingness to look at a number of the areas that have been identified in the Henry tax review and elsewhere.

I think it is fair to observe, though, that there is always a desire from one level of government to shift responsibility for raising revenue or making any tough decisions to another area of government. The states and territories want the commonwealth to raise the revenue; the commonwealth are quite happy for the states and territories to cut the spending. Everyone tries to be at arm's length from actual responsibility for decision-making and being accountable for what actually happens in terms of service delivery. That is a very frustrating element of federal-state financial relations in this country, but who knows? Maybe we are about to enter into a period in the next 12 months when people will stop shouting at each other; when three-word slogans are

a thing of the past, in the dustbin of failed political leaders; and when we might just see a more rational and informed debate. Time will tell.

THE CHAIR: Ms Porter has a supplementary, and then we will go to a new question from Ms Lawder.

MS PORTER: Chief Minister, you mentioned education and health as being two areas of concern and financial stress, in relation to cuts by the commonwealth in the past. In this brave new world that you were alluding to just now, have you seen any indication that these two areas of concern may be more favourably looked at by the commonwealth, and are these areas the ones about which people are saying that if we increase the GST it should be spent specifically on those two areas?

Mr Barr: I think it would be the view of the states and territories that any increase in the goods and services tax—or certainly a significant portion of it that was not reserved for compensation for low income earners—would need to be allocated to meeting the gap in health and education funding that has been experienced across the country. That is certainly the view of the New South Wales government, and I think it is one that is supported by other states and territories. It is not necessarily the commonwealth's view, as publicly stated at this point, although I think that if there is to be a grand bargain and some reaching across the aisle—to borrow a phrase from US politics—then any reform package, in order to be successful, will need to address efficiencies in the tax system and allocate increased revenue to those high priority areas, particularly health and education spending.

They would seem to be the pre-conditions necessary for there to be a consensus of sorts on a tax reform package. The question, in terms of the respective priorities of different levels of government, will be about what will head that list. I am not sure that fixing the health and education funding gap is at the top of the commonwealth's list. That is not to say it is not on their list but it is not at the top of it. That is very clear.

MS PORTER: If the commonwealth does not come to the party and we still have this shortfall that we are staring down, what will be your response to that?

Mr Barr: If you can attempt for a moment to remove yourself from the advocacy position for the different levels of government and assume—which is a fundamental reality—that we are all taxpayers, the proposition that has been put forward on the goods and services tax is effectively to raise about \$4,000 a year more from average households through the goods and services tax, to hand some of that back—presumably all of it or possibly even more—to low income earners, and possibly none of it to high income earners because they are not necessarily in need of compensation, and redistribute that extra money that is raised to a number of different tasks. That could be to lower income tax for middle income earners; it could be to reduce the company tax rate. There is a range of things that could be done with that. I think the modelling that has been done shows that it is about \$4,000 a year.

The alternative to that is that, if it is not levied by the commonwealth government via the goods and services tax, that extra amount of taxation each year will need to be levied by states and territories gently over the two decades before we reach the point

where we can no longer fund health and education services at their current levels. Another alternative is to seek to find a range of efficiencies in health and education service delivery. There is room for that, but I do not think that is going to entirely fill the funding gap. That is the conclusion that Premier Baird has also reached and made public in the work of the New South Wales government. Presumably, some combination of increased taxation and increased efficiency in service delivery will close that gap.

We have two decades, on the modelling of the New South Wales government, to do it. I do not think an approach that puts all the eggs on the tax revenue side or all the eggs on the “let’s just be more efficient or cut services” side is going to work. It will be a combination of the two, and it will happen gently over two decades.

Alternatively, the commonwealth approach might be to say, “Let’s have one big bang reform.” We will see how this will play out, with backbenchers today floating Parliamentary Budget Office modelling calling for the GST to be 15 per cent and extended to fresh food, health and education services. I presume that is a kite flying exercise, an outlier, and then after a few kites have been flown there will be a more moderate and reasonable position put by the agile and innovative Prime Minister. Watch this space.

THE CHAIR: We will move on to a new question from Ms Lawder.

MS LAWDER: Treasurer, page 33 of the annual report states, under “financial management”, that the directorate has “commenced and completed reviews of parking infrastructure and service delivery models, and the concessions program”. There does not appear to be anything under “future directions” on the concessions program. Can you give me an update on where that is at? What are you doing with the review? Has it been made public as yet?

Mr Barr: Yes, we are considering our approach to concessions. We will be looking at that in the context of framing next year’s budget, but at this point no changes have been made or have been announced.

MS LAWDER: It is not in the future directions for the—

Mr Barr: The review work is complete. It is now a matter for the government to consider in the context of the budget.

MS LAWDER: Have the submissions to the concessions program review been made public at this point?

Mr Nicol: The government is undertaking a consultation program with the sector and has put out some ideas, proposals or thoughts, and we are looking for reactions from the sector. Mr Bulless might want to add something.

Mr Bulless: The submissions from the first stage of consultation have not been made publicly available. The proposal would be that we would release those submissions at the time of the second stage of public consultation. The exact date for the launch of the second stage is being discussed with the government at the moment. It should be

fairly soon. The intention is that we will consult on the range of options considered by the government as stage 1. We have already had some preliminary discussions with the Council on the Ageing and ACTCOSS. We have been consulting with them in terms of some of the discussion papers that we will put into the public environment shortly, and at that stage the public submissions will be available—those that can be made public. Some people did not wish theirs to be made public.

MS LAWDER: Was it clear at the time that submissions would not be made public? I thought the general rule of the government was that submissions would—

Mr Barr: That is right, but people have the option to request that their submission not be made public.

MS LAWDER: Yes, I understand that in regard to individual submissions but, as a general rule, my understanding was that submissions were published on the directorate's website.

Mr Barr: We have just heard that they will be.

MS LAWDER: It has been a while. When was the review completed? When did submissions close?

Mr Bulless: The consultation process was in March and April this year. The government made some funding decisions in the June budget and signalled an intention to consult further with the community.

MS LAWDER: So six months have passed and we have not seen those submissions yet.

THE CHAIR: On page 32, under “future directions”, it states:

... facilitate a review of the management of ACT streetlights.

Given the announcement late last week, has that review been done? Why is there to be a future review if the government has already made a decision?

Mr Barr: We sought expressions of interest, so we will see what the market will come back with, in terms of innovation, in relation to the management of street lighting.

THE CHAIR: So the review is seeking expressions of interest?

Mr Barr: We have released an EOI document seeking expressions of interest for innovation in this area.

THE CHAIR: So an EOI document is now a review. Have you actually conducted a review?

Mr Nicol: We have undertaken some internal analysis of how we go about managing our streetlights. We have also engaged an external provider to look at the state of the

assets, of our streetlights. I think the company was Ironbark Sustainability. That was done to inform anyone who wanted to put in an expression of interest. Obviously, the more information that those companies have about the state of our assets, the more likely they are to provide a proposal to us that might interest the government. I will ask Ms Doran to comment further.

Ms Doran: As the Under Treasurer said, this is a continuing process. The purpose of the EOI is to explore, in a holistic way, the various options that may be available here, ranging from the ongoing maintenance of our streetlights, options that look at energy efficiency and options for more energy efficient ways of providing the streetlight asset, as well as innovative options around smart city and other ideas there. We have intentionally structured this as a two-stage procurement process, with this first stage being around seeking information and greater understanding from the market, from the private sector and from those with the expertise on what could be the best option for the ACT.

THE CHAIR: Is a review underway and what are the terms of reference for the review?

Mr Nicol: I would not classify it as a formal review with terms of reference. It is a review of the operations in a policy sense that we are undertaking. So it is not a classic case of a committee running a review. We are providing policy advice to the government after reviewing the complete operations of the service. Part of the EOI is to inform us as to what options are available that the market could provide us with. As Ms Doran said, it is not a classical tender process. We have tried to be innovative and to seek views from the private sector to see exactly what is out there. We have looked around the country more broadly at how different jurisdictions operate their street lighting assets. There is a real mix; I think we are on the cusp of a change in how that operates. There are players, we hope, in the private sector who are on the cusp of that. So that is the guts of the review, in a sense.

THE CHAIR: Ms Doran called it a two-stage procurement process, so it is not really a review; it is a procurement process?

Mr Nicol: We have put out an expression of interest and in that expression of interest we have left open the option of engaging with any of the tenderers to take up their ideas. But that first stage is really to inform the government as to what the next steps are. That is when we will be putting proposals to the government to take policy decisions. The EOI document also says that the government may decide not to take any further action because the proposals that come forward may not provide the innovation or the cost benefit that we think justifies further action.

THE CHAIR: So no decision has been made to actually sell or lease out?

Mr Nicol: Not at this stage.

Mr Barr: Not at this stage, no. I am looking for innovative solutions. There are 75,000 powered assets. There could be an amazing distribution network associated with service delivery and smart traffic management. We are not that far off municipalities being able to utilise those sorts of networks to manage traffic, parking

and garbage collection—you name the municipal service—from that sort of platform. We could get to the point where people's bins will be able to communicate with the garbage collection agencies, to advise when they are full and need collection and when they do not. It is that level—

THE CHAIR: This will be through the streetlights?

Mr Barr: That would be the wi-fi network that would allow that level. This is happening in other cities in the world now. This is not some crazy future stuff.

THE CHAIR: Is the wi-fi network in the procurement for the streetlights?

Mr Barr: We are certainly interested in these sorts of innovations and options. We are utilising some of the city streetlights already for some of the rollout of our existing wi-fi network, but the capability with an innovative partner to roll this out city wide is a game changer for Canberra. It is about the future.

THE CHAIR: So what we have is a toe in the water, two-stage procurement review of where the asset might go?

Mr Barr: We are opening up this opportunity for innovative solutions with a range of criteria and issues that we want solved. We want a more efficient street lighting network. We want smart technologies. We want LED lights, for example. This is 25 per cent of the city's electricity bill and 18 per cent of our greenhouse gas emissions, so it is a significant opportunity in terms of an environmental outcome. Also, in terms of a digital city context, there is an amazing platform of 75,000 well-distributed assets powered to potentially deliver an amazing backbone of connectivity that would provide data and information, and a capacity to solve a range of municipal service challenges or improve a range of municipal services.

So let us go into this process with a view of wanting to hear about innovative solutions. There are already companies in Canberra doing this sort of work, based out of our Innovation Network, 800 metres down the road from here, who are selling this sort of technology and developing this sort of technology for the rest of Australia and the rest of the world. So here is our opportunity locally.

THE CHAIR: If sold, would the process be allowed to go in to the asset recycling initiative?

Mr Barr: My understanding is that that would be the case, but we will obviously have to negotiate that with the commonwealth.

THE CHAIR: Is there a value yet on what the asset is worth?

Mr Barr: Not at this point, no.

THE CHAIR: The asset recycling initiative is mentioned on page 32. How much is the heritage listing of the assets on Northbourne Avenue going to impact on the potential \$60 million from the federal government?

Mr Barr: I answered this question in question time last week: very little. Again people have misunderstood. It does not mean that they are frozen and nothing can happen to them. They certainly can be incorporated into redevelopment. Ultimately, the market will determine the price they are prepared to pay for particular sites and particular blocks. We were conservative in our estimations of land value with the commonwealth when we went into this process. All land sales to date across other sites that the government have released in arguably less desirable locations have been going for well above reserve.

THE CHAIR: Just on that—

Mr Barr: It is a tiny proportion. We would not have agreed to it otherwise. It is a tiny proportion of the overall assets that are part of the asset recycling initiative.

THE CHAIR: Apparently there is a block being purchased at Dickson that the government is refusing to release the value of. Why would you not release the value of the block at Dickson?

Mr Barr: I understand that it is commercial-in-confidence.

THE CHAIR: When does commercial-in-confidence finish?

Mr Barr: I will take advice.

THE CHAIR: So you have used taxpayers' money to purchase a block of land in Dickson and the taxpayer can never know what that land is worth?

Mr Barr: I do not believe that is the case but I will take advice on the specifics. It is not the Treasury area of government that has undertaken that acquisition.

THE CHAIR: Which area? Is it through the LDA?

Mr Barr: I believe so but I will need to check that.

THE CHAIR: Does somebody know? Surely, the significant—

Mr Nicol: It would be economic development.

THE CHAIR: On page 35 you refer to the changes that were made to the Payroll Tax Act to remove the genuine employer exemption. Initially I think it was \$10 million in the full year. It was put back to a half year. I believe it was reduced to \$5 million as the expected income. How much was raised by removing the payroll tax exemption?

Mr Nicol: I might ask Mr Salisbury to answer. Before Mr Salisbury responds to your question, it is still early days. There has been quite a lot happening in the labour market; so it is a little difficult to ascribe particular revenues to particular—

THE CHAIR: You ascribed a target of \$10 million. How would you know?

Mr Nicol: We estimate. Whenever we make a tax change we estimate the benefit, the

amount of revenue that we raise.

Mr Salisbury: The Under Treasurer has probably covered that to the extent that we can at this point.

THE CHAIR: So we do not know how much we have raised from that change?

Mr Salisbury: It is difficult, as the Under Treasurer said, to track the direct impact of that particular measure on our payroll tax base.

THE CHAIR: So was the payroll tax target met?

Mr Salisbury: Yes, we believe it was. The estimate was \$10 million per year. We believe we have met those targets.

THE CHAIR: So you believe you met the target but you cannot confirm that you have met the target?

Mr Salisbury: I cannot confirm that. Our sense—

THE CHAIR: So how would you know?

Mr Nicol: Total payroll tax collections for last year were broadly on track, which included the \$10 million. This year I think we are slightly ahead of our budget for the first quarter of the year. We are being cautious because we think we have raised slightly more than the \$10 million on a pro rata basis but, as I said, it is very hard to ascribe changes in the labour market and employment levels and exactly work out—

THE CHAIR: So you have just gone from “do not know” to “think we are now slightly ahead”. Which is it?

Mr Nicol: We think we are slightly ahead but I just cannot put my hand on heart and confirm that is absolutely the case. We will probably need close to a year’s worth of data before we know exactly how much we have collected and can do the analysis to ascribe different parts of the payroll tax collections to different parts of the tax code.

THE CHAIR: So how are we—

Mr Barr: In aggregate, payroll tax has achieved its—but I think that—

Mr Nicol: Including the additional \$5 million last year.

Mr Barr: Including what was estimated to come in, but—

Mr Nicol: So on the surface—

Mr Barr: But it would be clear that officials are not yet in a position to be able to go to the fine detail and go, “Of the X dollars collected, exactly the amount that was estimated can be ascribed to that exact change in the legislation.” We certainly have not fallen short of achieving our payroll tax revenue target for the year.

THE CHAIR: But how will you work out whether the change to the general employer status has netted you anything? What is the process by which you will be able to determine that?

Mr Nicol: Technically what we will do is look at all of our tax collections. We will have to go through essentially employer by employer. We will try and ascribe the payroll tax that each employer pays to whether it would have happened without the change to the tax arrangements, or was it ascribed directly to that change? Some of that will involve judgement. Sometimes you will not know. We will just not know whether that tax would have been paid up or not in every case. We will do that piece of analysis.

The other piece of analysis is just looking at the aggregate numbers and whether we have achieved \$10 million more than we had previously forecast we were going to achieve. The answer is yes. You combine those two pieces of analysis and come to a judgement as to whether it has collected the revenue that we thought it would. That—

THE CHAIR: But you might have achieved that without the change anyway. Are you saying you cannot tell or—

Mr Nicol: It is difficult. We give a judgement. We do not have separations in the tax code. We do not have payroll returns from employers saying, “This part of our payroll tax bill is ascribed to the changes, and this part we would have paid otherwise.” Some will be easy, because an employer would not have been in the payroll tax net before any of this; so all of it will be. But some employers will pay under both, and they do not separate out when they send us a cheque. They send us one cheque, if that makes any sense.

THE CHAIR: That makes reasonable sense but surely we have put in place measures to be able to check the progress of reforms?

Mr Nicol: Yes, we track it very closely and we are achieving—

THE CHAIR: If you are checking it very closely why can't you tell me whether or not—

Mr Nicol: Because we are achieving the aggregates. But as I said, I cannot say with hand on heart that that is exactly because of the tax change. One of the reasons why the current payroll tax collections are a little more volatile, if you like, is the changes in commonwealth employment, and that generally is associated with the change in the mix of their labour inputs. I suspect the commonwealth is moving a little more to third-party labour inputs through contractors and the like, and the payroll tax is paid on those employees, if they are from firms above the threshold, whereas with their own employees they are not. We are looking at that data. But again, that is a moving piece of data. And that, all else being equal, should have increased our payroll tax take a bit as well.

At this stage it appears as though, with the payroll tax collections and that tax change, we have achieved those revenue targets, because in aggregate our payroll tax

collections are a little up. But until we get a little more data I would be reluctant to give a tick that that is exactly what the estimate of that measure exactly raised.

THE CHAIR: On page 34, about halfway down under “future directions”, it states:

... replace the Territory’s budget management system with a new software solution.

When you say “budget management”, is that putting the budget together? Is it managing the total finances? Is it revenue collection?

Mr Nicol: I might ask Mr Miners to come to the table.

THE CHAIR: And if it is appropriate, will the new system allow you to collect this data more easily?

Mr Nicol: It probably does not affect the revenue numbers. It is more on the outlay side. It will collect aggregate budget information. If you would like to go into where that project is up to, I might ask Mr Miners to comment.

Mr Miners: The system is obviously a budget system that we are doing. It is an aggregate budget system. So it is really replacing a system that is I think running on a stand-alone machine. I think it is running on XP software. It is a very old system we are replacing, bringing it up to date. What it will do is allow us to do our job more efficiently with the more robust system. It will not necessarily give us that granular level of detail on collections, on the revenue base, because it relies on agencies putting in information. It is really focusing on the collecting of budget information rather than the actual information.

THE CHAIR: So what is the time frame for that?

Mr Miners: At the moment it is out there being developed. We are developing the proof of concept. I want to see if I can grab some dates. We are expecting that proof of concept will be ready for us to have a look at in early November this year for testing. We will then do an evaluation of whether we think that is actually going to meet the needs and then make a decision whether to proceed to a full implementation of that into stage 2, which would commence in January next year.

THE CHAIR: So this is being written for the ACT?

Mr Miners: Yes, it is being developed for the ACT.

Mr Nicol: Our goal is to acquire as good an off-the-shelf system as we can, although from my long experience there are not too many off-the-shelf budgeting systems.

THE CHAIR: There are not too many territory budget management systems on the shelf at JB Hi-Fi or Dick Smith?

Mr Nicol: That is right. And our current system, I think, has a higher degree of risk than I would like. It relies on key persons. It was programmed some time ago, largely

in-house I think—almost—and I think all of the other directorates are looking forward to having a modern system they can interface with their own financial management systems.

THE CHAIR: If you then go to the third-last dot point on page 34, it says:

... commence and complete a detailed review of budget programs.

Is the weakness of the system affecting the way we review our budget programs?

Mr Nicol: A better system would provide a much richer database for such reviews but we have to balance the amount of data we capture in a budget management system—and the sole job is to produce the budget and the appropriation bills for the Assembly to consider—with another piece of work which is to analyse the performance of programs and activities. I think we are a bit reluctant to build a system that could do both jobs, because it would just add to the burden of the data and preparing the budget. So we are trying to focus the budget management system on producing the budget and the program review-type activity. We use part of the information provided by the budget system but we have to delve a lot deeper and communicate with directorates directly to get that richer data that underlies the information.

The principal thing that will not be captured by of course a budget management system is the performance information programs. We do not collect how many services we give, how good they are, whether people like them or not. That sort of information we have to do in other ways.

THE CHAIR: Ms Porter, a new question.

MS PORTER: Under “achievements” on page 35, it mentions debt management and it talks about the revenue ratio for 2014-15 being 2.73 per cent, which compared to a target of 2.5 per cent. It says that this reflects an additional compliance activity. Could you talk to us about that?

Mr Salisbury: Yes. As you can see, if you look further down, if you look at our compliance indicator, we have had, I guess, a fairly healthy year in the compliance space.

THE CHAIR: Three times.

Mr Salisbury: And I guess to a large extent we are the victims of our own success in terms of debt management. When you do a lot of work in the compliance space and you produce a whole lot of assessments, necessarily the people who receive those assessments, in some cases, had difficulty paying those assessments, particularly if it was unexpected and it was a large amount. So we have a challenge through our additional compliance program to manage that debt. People come to us and say, “We acknowledge that here is a debt that we have and we cannot pay.” We will discuss repayment terms and options with them. That is one way that we will manage the debt that is created through our compliance activity. So that figure does reflect, I guess, challenges for us in the debt space but as a consequence of the compliance activity that we have done.

THE CHAIR: How many inspectors are there?

Mr Salisbury: There are 22 inspectors.

THE CHAIR: So we raised \$22 million from the compliance. What is the breakdown? What were the areas that contributed to that?

Mr Salisbury: I have that information. We collected \$17½ million through our compliance assessments. Nearly \$8 million of that was in payroll tax, and nearly \$9 million of that was in land tax. The rest was in our homebuyer concession scheme and the work that we do on motor vehicle duty.

MS PORTER: What is the size of the challenge? Are there a lot of people who are having difficulty repaying the debt or will this be cleared within a relatively short period?

Mr Salisbury: I guess it all depends on the individual circumstances of the individual and the business potentially affected by payroll tax. It really comes down to the individual circumstances of that individual or the business.

MS PORTER: How come these people were not aware that they had a problem in the first place?

Mr Salisbury: If you look at the spectrum of taxpayers there are a group of taxpayers who always pay their tax and there are a group of taxpayers who go out of their way not to pay their tax. And then there are a group in the middle who perhaps are not fully aware of their tax obligations. The people that we get through assessments are generally in those latter two categories. This may be a complete surprise to them, so they have to rearrange their financial affairs, or in some other cases they may have thought that they had an obligation and made some provision for a potential tax liability that they cover. Again it is different circumstances, depending on the individual circumstances.

THE CHAIR: You said there were 22 inspectors and that the average revenue per inspector was \$945,573. Twenty times \$900,000 is \$18 million. You have said that you got \$17.5 million. In fact 22 times \$945,573 is \$20,802,606. Are there some compliance inspectors who are not collecting? Are your numbers wrong?

Mr Salisbury: Can I take that on notice and get back to you later in the day perhaps?

THE CHAIR: I would hope so. If they have done so well why have you only increased the target from \$360,000 to \$400,000?

Mr Salisbury: At the time that we went to print on this it did not look like we would get those sorts of numbers. My recollection is that we were looking at around \$500,000 per inspector when we went to print. We had a number of big assessments that came through towards the end of the financial year and that is what has pushed that number beyond what we were expecting.

THE CHAIR: So you will check that and get back to us?

Mr Salisbury: Sure.

THE CHAIR: Just before we go to Ms Fitzharris, the land tax was also an issue in the budget. I think it was also meant to raise \$10 million. How much did it end up raising, the amendments to the Land Tax Act 2004?

Mr Nicol: Can we take that one on notice—I have not put my mind to that recently—unless Mr Salisbury has more updated information?

Mr Barr: We will find it and get back to you.

Mr Nicol: Yes, that is probably the best thing.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: I wanted to ask some questions about the partnerships framework. In the future directions for 2015-16 there are a range of projects underway to implement the partnerships framework. Could you talk us through what that looks like next year?

Mr Murray: In relation to the projects under the partnerships framework in the coming calendar year, we expect to reach financial close on our first PPP this calendar year, if possible, which will be December. We will then have contractual and financial close for capital metro planned in the first quarter of 2016. We are currently in the market seeking an adviser to do further work on strategic options analysis for Australia Forum. We have an unsolicited proposals framework. We have had a number of submissions under that framework and we are currently evaluating one of those in further depth. There may be further projects that will emerge through the budget process for further study and analysis, which could be new emerging PPPs, but at the moment we have obligations to reach the contractual and financial close on our existing projects, further work on Australia Forum and the ongoing work around unsolicited proposals.

MS FITZHARRIS: So the new framework is having an effect across other directorates in terms of the procurement of infrastructure projects across government?

Mr Murray: It has really been an enabler. What it means is that, whereas previously we might have looked at projects under relatively simple delivery models, there is now greater opportunity to bundle those projects and evaluate the opportunity to get the scale necessary to do a PPP. Unsolicited proposals mean that the private sector can take the initiative and come to government, whereas previously we might have been reactive. We can now have new ideas come through, and they regularly do come through the framework from the private sector affecting various directorates in the ACT government.

Mr Nicol: Can I just add? I think the answer is yes. This is part of a process that is encouraging a more innovative approach to procurement across the ACT government. There are two examples that I can think of. The first is the new subacute hospital at

the University of Canberra which has been procured under a design, construct and maintain model, which is something we had never done before. We got some very good bids in that process. The other example is our Coombs Primary School which was, again, procured under a design, construct model. In the past we have tended to design and go out with our design and get a builder to construct under a tender. Both of those, I think, have showed that good innovative design solutions can offer a better quality asset and a cost competitive asset at the same time. I think both directorates in those two examples have recognised this and are quite keen to pursue it further.

MS FITZHARRIS: Chief Minister, you spoke before about the streetlights expression of interest, saying, for example, that opening it up for innovation was important. Does this framework enable that? What are some of the challenges and opportunities that come out of a broader framework to bring us innovation?

Mr Barr: Certainly it does, and we have seen that across a range of different projects. The challenges are about the understanding of processes within the Assembly—so if Assembly members have no idea in some instances and are just learning on some of these things, which is good. This jurisdiction has not been the first to go down this path. We are not exactly introducing new concepts, but they are new in the context of the ACT. Any change on anything evokes a million questions, which is good. It gets people across the detail of how some of these processes work and I think that has to be a good thing for the territory overall. The fact that we have had multiple committees now looking at a number of different types of procurement is a good thing. It is not exactly the sort of thing that people campaign on and seek election to this place on.

I am up for innovative procurement models. There are not a huge number of votes in it. It is not a thing that you hear people talking about a lot out there on the hustings, but its capacity to deliver better infrastructure and service outcomes for Canberrans in a more cost-effective way frees up capacity to allocate resources to those things that people do and will be spending the next 12 months campaigning on. I think it is a fantastic process for the ACT. The more innovation, the better. The more engagement we can have with key stakeholders through the process, the better it will be for public sector procurement.

I think there are some amazing opportunities for local innovators to partner with national and international companies to deliver on some of these opportunities, and not just for this market, which is so small as to be almost internationally insignificant but significant enough that if you can make it work in Australia's capital, a city of 400,000, then you can prove a concept. That would be at the heart of why a Canberra company like Reposit Power would be partnering with a company like Tesla to work on an innovative solution.

That is something that will be very practical for Canberra, but it has national and global ramifications. That is the opportunity for Canberra's economy. That is the key point of difference for us with our extensive network of public sector research organisations, our highly educated population and our university sector. All of that comes together here in a way that it does not in most other places in the world. How we can utilise our own procurement to drive opportunities here is going to be a game changer for Canberra in the future.

THE CHAIR: Ms Porter has a supplementary.

MS PORTER: How does what it says on page 33 about the directorate enabling and facilitating delivery of major complex projects through whole-of-life project transition support fit into this picture that you have just been describing?

Mr Murray: This goes to the nature of the PPP procurement model. One of the biggest differences between procuring under the PPP and procuring under what we might call traditional delivery models is the interactive tender process. Normally what happens in the traditional model is that you develop an output specification or you do in-house design and that defines the product you are going to buy. Under the PPP model you have the opportunity to run interactive tender processes where a whole range of stakeholders will sit down with both big teams and talk through the development of the design. Ultimately what you hope you get out of that process is a much more refined design that reflects government needs and has better stakeholder interaction. It is primarily the PPP model that facilitates that. We provide advice around commercial and financial concepts in that process and overall and we participate both in the evaluation teams and potentially on the governance bodies for those projects.

MS PORTER: Have you identified any risks in this approach?

Mr Murray: There are risks in all forms of capital delivery. In fact, managing risk is innate to the most critical part of successful capital works delivery. It is very much the case that PPPs take the risk management of capital works delivery to a new level. Very complex risk assessments go on, risk-weighted prices are developed and quite a lot of time is invested in understanding risk. In fact, pricing those risks is very much a critical part of the evaluation process.

MS PORTER: So in fact you have an opportunity to manage those risks better? Is that what you are saying?

Mr Murray: Yes. I would say that under a PPP definitely there is more attention paid to the risk of evaluation. There is more time taken. There are more resources put into the evaluation. Unlike a construct-only project, we will have external advisers and we will support the project during the evaluation phase.

Mr Barr: But there are, of course, costs associated with that. That is why PPP procurement tends to be used only for projects north of \$150 million.

MS PORTER: So it requires a certain size of project?

Mr Barr: Yes. Many of the principles can be applied to lower value procurements, but you would not be entering into PPPs and the model that Mr Murray has outlined for very small suburban projects. In the context of the territory it is about larger scale infrastructure projects.

Mr Nicol: If I could just add? The other big risk that we have to manage with a PPP or a contract involving maintenance is that you sign a contract for 15, 20 or 25 years

for someone to manage and deliver a service for you, whether it be the operations, the maintenance, the cleaning of a hospital or the running of a tram. You have to get that contract right because, if you do not, the consequences can be quite severe.

THE CHAIR: Who is on the tender evaluation panel for the tram? Is Mr Murray on that panel?

Mr Nicol: Mr Bulless is the Treasury representative at the moment, but due to personal circumstances we may have to substitute him for Mr Murray. We are represented on both the tender evaluation team and the project teams. The tender team that signs off on the light rail project will submit its recommendation to the capital metro project board. The recommendation of the tender evaluation team and the project board then goes to cabinet for consideration.

THE CHAIR: With a normal tender you would say that the applications were compliant with the tender specs. Can you say that with an interactive PPP process?

Mr Murray: It works a little bit differently. With the interactive process, obviously it is an ongoing development. I have got to be careful what I say because both of them are active procurements. I will try to speak at a generic level. You may start the process with an output specification or a reference design. That will develop and change through the interactive process. Ultimately both bidders have an equal opportunity to interact with the stakeholders. The interesting thing is that when you look at the process, despite the interaction, you still get quite individual bids coming in in terms of the outcome. The answer to your question is that it does change through the interactive process, but because that is the way the procurement is prescribed up-front it is a defensible program at the end.

Mr Nicol: Again, speaking generically, typically there will be a set of mandatory criteria that you must meet. Then there will be, as Mr Murray has described, a set of criteria where the proposition is that we engage in an interactive way to see if the tenderer can at the end of the day provide a solution that meets the criteria that the government is seeking. As Mr Murray said, it becomes a more complex process. It is not simply a matter of putting the criteria down on a page and ticking and crossing them. Ultimately we have to do that, but in a traditional procurement the document goes out to the market and the market comes back with a response. There is very limited interaction and the response is assessed against the criteria. That means the government designs what we want, often with less interaction and advice from the private sector as to what they can deliver.

For example, we talked about the streetlights earlier on. We are trying to design a process that actually invites the knowledge from the private sector that we may not have, and then we will go through an interactive process to try to get to an outcome that still meets probity requirements and fairness and all of the appropriate processes of government procurement and which still looks at value for money and gets the best design outcome and encourages innovation and the adoption of innovation in procurement.

THE CHAIR: Were both the proposals for the tram compliant with the mandatory bit?

Mr Nicol: That is under assessment, so I do not think we should go to—

Mr Barr: For probative reasons they cannot comment.

THE CHAIR: But when will that be known? When do the tenders close?

Mr Barr: You will need to raise all of those questions with capital metro when they are here.

THE CHAIR: It is here, under “provided support and advice for the tender evaluation and procurement”. I would have thought you would be across that. Ms Lawder, a new question.

MS LAWDER: On page 34, at the bottom of column 1 and at the top of column 2, it talks about implementing the framework for the “evaluation of unsolicited proposals”. What does that mean? Are there guidelines that people can look up before they come forward with an unsolicited proposal?

Mr Murray: The partnerships framework has two links. It has our guidelines for public-private partnerships and our guidelines for unsolicited proposals. The unsolicited proposal framework is available on the CMTEDD website. It outlines a process under which the private sector can come up with innovative ideas, put them through to government and be evaluated in a very clear process. The principle behind it is that we ask the private sector to do as little up-front work as possible if it is an idea that we are not going to be greatly interested in.

There are three phases to that process. The first phase is an evaluation within my division and then potentially a presentation to the steering committee. The second phase is an invitation to deal with a more detailed submission, which gets evaluated by a tender evaluation team, not unlike what happens with a solicited proposal, and the third phase is a recommendation through to cabinet. So that is the structure that is in place. To date, since we launched that in February last year, we have had fairly solid engagement from the private sector and a consistent stream of interest in that framework.

MS LAWDER: So if someone came forward with an idea and it was not within that framework, would you ask them to go away, relook at it and resubmit, in line with your guidelines?

Mr Murray: There are certain criteria that you need to meet to be eligible under this framework. For example, you cannot be part of a current government procurement process because that has obviously been solicited. Then there are thresholds and public interest tests that you need to meet. We would ask the private sector to show that they have some unique proposition to bring to government or that they have put a lot of work into a development of considered entrepreneurship. So you would need to meet all of those threshold tests before it will move forward in those various spaces, and I guess the hurdle goes up as you go forward.

MS LAWDER: I am not sure if that answered my question. If someone came forward

with something that did not address the things in your guidelines, you would ask them to go away and relook at it in terms of your guidelines; is that correct?

Mr Murray: We would perform a preliminary assessment of whether an unsolicited proposal meets certain threshold tests. We would then typically advise the unsolicited proposals steering committee out of session about our view. They may agree or disagree. That may lead to a phase 1 presentation, which is a 45-minute presentation by the private sector. That is probably the closest answer I can give to your question. We would do that initial evaluation to see if it complies with the guidelines, and then make a recommendation.

Mr Nicol: What they submit to us and how they submit it is quite broad. Obviously, if it lacks detail and lacks some confidence, in terms of reading the document, Peter's first assessment will say, "This isn't worth proceeding with," and he would give that advice back to the proponent. The proponent might ask why, we would engage with them and tell them why. If they want to submit a more worked-up and a more developed proposal, we would obviously put that back through the process. As Mr Murray said, if it is assessed as a serious proposal with serious thinking, it will get to a stage where the unsolicited bids committee—comprising the chair of the committee, Kathy Leigh, Head of Service, me and David Dawes—will listen to a presentation, ask questions and we will then consider whether it goes to the next stage.

The territory government also has, in a sense, two streams for unsolicited bids, if I can use that term. The stream we are talking about here is essentially infrastructure investment-type proposals. There is also a business investment stream which falls under the economic development directorate, which again comes from proposals from the private sector for business ideas that might require, rather than government investment, government regulatory action or government facilitation in some way. The process is deliberately broad—not to filter out too many first up, but, as Mr Murray said, to tighten that down. If the government is going to seriously consider taking action on a proposal, it needs to be a very solid proposal.

Mr Barr: Arguably there is a third stream as well. It is known as Chief Minister talkback, every second Friday, and there is lots of free advice offered there—generally not on the scale of these, but I am sure we all receive that sort of unsolicited advice from time to time.

MS LAWDER: Leaving aside the Chief Minister talkback examples, are you able to give any examples of proposals that have been received and evaluated? What kind of thing are we talking about?

Mr Nicol: Could we take that on notice? The only thing I am concerned about is whether the proponents wish things to be made public that have not gone through the process. I would be very happy to give out that information; I just want to check with the proponents.

MS LAWDER: Sure, thanks.

THE CHAIR: In regard to government revenue, is it possible to get a list of what all the different revenue lines are, including all the different fees and charges, and how

much was collected against each of them in the last financial year?

Mr Nicol: Yes. I would start with the budget papers—

Mr Barr: I was going to say yes, there is a quarterly—

THE CHAIR: The budget papers say “charges”. It is a big block and it covers hundreds—

Mr Nicol: We will see what we can get for you. The full list runs to many pages because—

THE CHAIR: I like reading.

Mr Nicol: The fun one that I recall was the carcass removal fee, which differs depending on the size of the animal.

THE CHAIR: And how much was collected under the carcass removal fee?

Mr Barr: Apparently it differs depending on the size of the animal; so there we go.

Mr Nicol: I think we can get you a full list and—

THE CHAIR: And the revenues collected. Is it possible then to work out—

Mr Barr: If we were collecting revenue on failed prime ministers we would have a reasonable amount in the past few years.

THE CHAIR: One party would be contributing double at this rate.

Mr Nicol: We consider them in two groups. One is a tax, which is revenue for general government services; the other is a fee, which is generally a user charge for a particular service.

THE CHAIR: All taxes, fees, fines and charges.

Mr Nicol: Yes, we will do our best.

THE CHAIR: Have we ever worked out what the cost of compliance is on each of those and what the collection of each of them is worth? What is the cost of administering, for instance, the carcass removal fee annually?

Mr Nicol: I should not have used that example.

THE CHAIR: You have put it in the public realm.

Mr Nicol: I would be very surprised if we have done it for every fee and charge.

Mr Barr: You would probably then want to inquire as to what is the cost of examining the costs of the efficiency—

THE CHAIR: Do you want to provide that as well?

Mr Barr: No, I do not. I think there are some areas where it would not warrant that exercise, in and of itself.

Mr Nicol: I suspect it happens more on an ad hoc basis. We certainly do it when we want to change or introduce a fee. We make an assessment as to whether the cost of collecting it outweighs the revenue collected. There are always debates about those costs and charges. At the margin it is a debate about whether the government should provide a service paid for from the general tax base or whether it should charge. There are other factors, such as whether they are excludable goods. Can a charge be levied on a customer? That is the first test. The second test is: is it worth imposing a nuisance fee or charge—

Mr Barr: Sending a pricing signal.

Mr Nicol: A pricing signal is important. That is right because even though it might cost a significant amount to raise a particular charge, if you do not have it you might get swamped with demand and the cost of the service goes up. So a lot of factors are taken into account. They are generally taken when charges are considered by government, rather than on an ad hoc review basis.

THE CHAIR: If you could take that on notice, that would be kind. Are you or Mr Salisbury able to provide an update on my favourite question: where are we at in regard to the court cases on degrouping and his interpretation of payroll tax?

Mr Salisbury: That case is settled, Mr Smyth.

THE CHAIR: Are we allowed to know the details of the settlement?

Mr Salisbury: No, it is a confidential settlement.

THE CHAIR: How many other cases are afoot as a result of the changes to the degrouping power?

Mr Salisbury: I will have to take that on notice, Mr Smyth. I do not have that figure with me.

THE CHAIR: Thank you. Ms Porter.

MS PORTER: On page 32 it talks about the next stage of the catastrophic injury scheme. Could you talk to us about that?

Ms Doran: The next stage of the catastrophic injury scheme, or the lifetime care and support scheme, as we call it, is to extend the scope of coverage from what is currently limited to motor vehicle accidents to the next grouping, which is workers comp accidents. This was part of the program of work that was set out through the national agenda which states have agreed to, to various degrees, against a timetable. Certainly the workers comp has been agreed to for implementation by 1 July

2016. Basically we are extending the current framework that has been set up for motor vehicle accidents to encompass catastrophic injury that happens through the workplace.

MS PORTER: What has been the experience with the first phase and is there some idea of the quantum of what we might be facing with the second phase?

Ms Doran: Through the first phase, the motor vehicle accidents, we undertook at that stage an analysis or an estimation of what sort of numbers of injuries we might be expecting. It was difficult at a number of levels because the data was not readily available. But at that stage we came up with a broad estimate across all accident heads of around 10 to 20 injuries a year.

In terms of the motor vehicle injury head, that number was refined down to an estimate of around four to six a year, but with volatility around that number that could go anywhere from two to 20. It is something that will be very random and volatile year on year. In terms of the other accident heads, it is difficult to allocate them to particular types of injury because the data just is not there across workplace, general accident or medical accidents. We are expecting that the numbers will obviously increase a little once we bring the workers comp accidents into the scheme but probably not by as much as we are expecting from motor vehicle accidents. So it is a relative sort of addition.

The other two limbs, medical injury and general accident, are still very much in the realm of consideration. So there has been no commitment yet as to a time line for expanding the scheme to those heads at the ACT level. There is still work going on at a national interjurisdictional level in terms of how those sorts of injuries could be brought into the framework.

MS PORTER: What is the issue with the data? Why don't we have the data?

Ms Doran: It is simply a matter of detail of identification. You might think it is very simple to identify when someone suffers a catastrophic injury. Obviously hospitals, emergency services and ambulance databases would have some level of information on that, but it does not always identify the cause of the injury, and even if it does in a general way it may not be enough to link it to the actual definitions that will apply under the scheme. Also the nature of these injuries is that they develop over time. Someone may present in hospital with something that appears catastrophic at the time but you do not know what the evolution of that injury was because at the moment we are not tracking them through the system as a lifetime injury. So we have been able to get some rough indications of numbers but it is not with enough certainty for us to allocate them to a particular cause or say with certainty whether it would qualify for the eligibility criteria of the scheme.

MS PORTER: Will there be any opportunity to refine the data collection to assist with this process?

Ms Doran: Obviously, as the scheme is established, we are refining the data in the areas that are currently active. We are also working with other jurisdictions—New South Wales in particular—who have had these types of schemes up and running for a

number of years. Of course, you then have to make judgements between their demographics and their exposures and our own. We are also, through the existing lifetime care scheme, building stronger relationships with the hospital networks and increasing their awareness of these types of injuries and the scheme eligibility criteria. We would hope that over time the data available will be refined.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: I have some questions on output 2.2, again looking towards 2015-16—“continue to improve the planning, scheduling and delivery of capital works project across the Territory”. What do you have in mind for that over the course of the financial year?

Mr Nicol: I will ask Mr Murray to come up. This crosses over to both Mr Murray’s area and Mr Miners’ area, so I will ask Stephen to pop up as well.

There are several limbs to this. One is that we will have a look at the partnerships framework—that has been going for about 18 months, from recollection—and have a refresh to see what is working and what is not, what we need to tighten up. Some of the government’s processes need to be tweaked.

Another important thing that we are looking at is focusing much more on lifetime costs of projects so that we have appropriate measures—not only that the capital works are fully specced, built and acquired but that the lifetime provision of that asset and care for that asset are taken into account. We are focusing much more on whole-of-life costing type information, which is very important.

Another part, as we talked about earlier, is encouraging our directorates to be more innovative in their procurement—to risk-manage but try to think of alternative ways of acquiring assets and delivering a service. Do we need to have a capital asset or is there another way of providing the services? We are looking to push that question a lot more in the future.

We are also looking at cross-directorate activities, not only in this space but more broadly. We are looking at getting directorates to work together as teams rather than as individual business units. That is very important, particularly when the lifetime costs of assets might fall to another directorate than the one building the asset. Those views need to be more fully taken into account, so those other directorates need to be involved earlier in the capital planning activities.

Beyond that, I am just encouraging directorates to engage with Treasury and have a discussion early rather than late. If Treasury gets a business case with an asset of a rather large value a week before cabinet has to make a decision, it is very hard to assess whether the business case has gone through all of the analysis necessary to make a fully informed decision. Directorates are responding well to this. We are looking to engage very early, as part of the partnerships framework, in going through that initial exploration of the need for a particular business case. Often capital works projects, especially large ones, do not just come up to cabinet and get agreed; cabinet will have questions. We need to provide very good support to answer those questions and be ready and flexible to be able to respond quickly so that cabinet can make

decisions in a fully informed manner. That means boosting our own internal skills and knowledge in this area, which is important, and part of the reason for the creation of Peter's division is to do that.

That is where I see my personal reform agenda as a bureaucrat advising government around this space, but I might ask Mr Miners and Mr Murray to comment as well.

Mr Murray: Most of the ways we contribute to those sorts of outcomes are, as Mr Nicol alluded to, in early involvement in the planning of infrastructure projects. A lot of that goes to understanding the risks around major infrastructure projects and selecting the right delivery model. It is really critical to make sure that you understand how the risk transfer is going to be achieved with the private sector. In some cases, it is quite easy to get the delivery model wrong. It does not mean that getting the delivery model right will get you the right outcome; it means it is much more likely that you will get a good outcome than a bad outcome.

If we look at the major projects on in the ACT at the moment, and we touched on this earlier, we have embarked on new delivery models which are showing better outcomes than perhaps we have seen previously. So that early up-front involvement from a Treasury perspective, looking at the right risk allocation and selecting the right delivery model, has shown value.

MS FITZHARRIS: A follow-up might be more directly for you, Chief Minister. In terms of the whole-of-life costings, how do you see the community understanding that aspect of government expenditure at the moment? I suppose the community is used to hearing, "We will spend X amount of money on a hospital," but then it is a matter of understanding what that might mean over the course of 15 or 20 years.

Mr Barr: I think the current focus is more on the headline capital cost of the project rather than its ongoing operational or maintenance cost. Also, I am not sure there is a particularly sophisticated understanding of the lifespan of an asset, although, of course, that will vary, depending on the particular project. On one level, the challenge might be to aggregate both a capital cost and a maintenance cost. You see that in the budget. There is a range of additional costs. Cabinet ministers have that understanding when they put forward infrastructure bids. They see the appreciation and the range of other recurrent impacts of a particular proposal. I have no doubt that this will be the next area of community debate and discussion in relation to the ongoing operation and maintenance of a particular asset. Through this new procurement methodology, there will be a spotlight on that in a way that there perhaps has not been before.

I do not think people have a particularly sophisticated understanding, for example, of the ongoing maintenance costs of road infrastructure, but I have no doubt that there is going to be very intense debate about the ongoing operational and maintenance costs of another form of transport infrastructure. The challenge in the next 12 months and beyond will be to engage in a community discussion about the full life cycle cost.

We have this to a certain extent in the context where, for example, in the past 10 years people have a much more sophisticated understanding around the whole-of-life costs of their own home and the advantages of certain up-front capital expenditure to reduce ongoing operating costs. People get that intuitively around the household budget. Of

course, it is much more complex. I really get frustrated with analogies, particularly when senior politicians in roles as treasurers try to equate running a government budget to it being just like a household budget. No, it is not. It can be useful at times to draw a particular illustrative point, but the idea that the holistic government budget is anything like a household budget is entirely wrong. If some people approached their household budget in the way that certain politicians argue the government should approach its budget, there would be very different life choices made by Australians. Anyway, that is a discussion for another day.

THE CHAIR: Just on the capital works, on page 137, at the second line, there is a project called “Office Accommodation”. The original project value was \$432,196,000, but it has now been revised down to \$2,500,000. Could we have some enlightenment as to what you are building for \$432 million?

Mr Barr: I think that would reflect a historical position in relation to government acquisition of a—

Mr Nicol: I would have to take it on notice, to be honest.

Mr Barr: That would probably be the Stanhope government’s office accommodation proposal, I imagine.

THE CHAIR: But we will clarify that?

Mr Nicol: Yes; we will confirm.

Mr Barr: If that is not the case, we will advise the committee of that.

THE CHAIR: Thank you. A final question from Ms Lawder.

MS LAWDER: I want to ask about something at the top of page 33, the second column: “worked with directorates on development of major policy initiatives”. I am also looking at page 83 of the financial statements, where it has got the operating statement for this output class. Can you explain the kind of support and the type of personnel who are involved in that policy development, and the numbers of personnel and—

Mr Nicol: Yes, and I might ask Mr Miners to comment as well. It varies by particular area. For example, with the public housing renewal program, there is an interdirectorate committee that I am a member of; we meet on a regular basis. Generally, on a topic like that, I have one of Mr Miners’ staff provide support to me, briefing me and discussing the issues both before and after meetings. We go through the papers. It takes up hours. Rather than personnel, it is hours of people’s time. Mr Miners’ group is structured on a directorate basis, so a team will look after a directorate, and that team will look after all the policy issues that come along. We have to ration our time, because we just do not have the resources to cover every policy issue in the depth that you might like. In terms of the investment we make, we assess policies on the priority they are for the government, the risks that they involve, the significance of the cost, and whether there is work to be done in terms of a decision-making space for cabinet so we can support cabinet.

In terms of the loose-fill asbestos insulation eradication scheme, I think Mr Miners meets regularly with Mr Kefford to discuss budget and related issues. I will occasionally meet with Mr Kefford. And Mr Miners' team will work through policy issues as they arise.

A step up for our kids was a policy position that was taken to cabinet that involved a reform to our child protection scheme. That involved a lot of financial modelling. KPMG was involved. We helped CSD develop those models, develop that costing. They are responsible for the policy development, but we provide comments on where we think there are weaknesses, strengths et cetera. As policy issues arise and come along, as the government wants to initiate a policy review or a policy investigation, or as an issue comes along where we think something is not working and we want to improve it, we will allocate staff and resources, generally to provide assistance to directorates to help them build a very good policy case for the government. Then we will provide advice to the government on the merits of that policy case and also, to the extent the government listens to us, its relative priority amongst the budget issues. With the budget, obviously a case might have very significant policy merit in and of itself, but there are affordability issues in the overall fiscal position of the budget.

I might invite Mr Miners to talk about the size of his team; your question went to the size of his team and resources.

Mr Miners: We do not track the resources we spend on any particular issue at any one time. As Mr Nicol said, we have teams that work on a directorate basis and do that. The total financial team that I have is about 36 people. My exact limit goes up and down a bit, depending on whether we are in budget or out of budget. And they get divided up between dealing with financial issues and dealing with policy issues.

We do not like surprises coming into cabinet and we do not like cabinet to end up with a fight between directorates, which is not helpful for decision-making. So a lot of what we do is trying to get our heads around these issues well before they come to cabinet. Some of these we may be working on with the directorate for a year or more, to get a policy position up. We are providing them with advice, first from a financial perspective on how that will impact the budget and looking at the way they are modelling it. And secondly, because we see every policy issue that comes through, we can provide a bit of cross-directorate check on issues. So we may be providing advice that has been tried in a different directorate and did not work, or did work, or saying, "Here are some lessons we gained from something else that we can link across."

It really does vary. It goes up and down, as Mr Nicol said. On something like the loose-fill asbestos insulation eradication scheme, we have regular meetings and regular contact. That is very much ongoing, and I am involved in that almost on a weekly basis. With something like a step up for our kids, we spent well over a year actually working with CSD in developing that policy to make sure it was going to work and that the modelling, the numbers and the policy solution itself were robust and a good position to take forward.

MS LAWDER: In the operating statement, the actual amount spent is less than the budgeted amount. How do you come up with these budgeted figures?

Mr Miners: Sorry, what page are you going to, Ms Lawder?

MS LAWDER: I am on page 83 of the financial statements, which is volume 2.

Mr Miners: These expenses in terms of employer expenses pick up basically three divisions. They pick up the Finance and Budget Division. They also pick up Peter's Infrastructure, Finance and Advisory Division as well as the Expenditure Review Division. That is all picked up in the one place. The numbers will move around, depending on the workload we have at the time and various bits and pieces. If you are looking at the employer expenses line, it would depend very much on—

MS LAWDER: The total expenses, yes. Total expenses are less than budgeted, and the income is also less than budgeted.

Mr Miners: A large part of these are coming from supplies and services. I would have to have a look to figure out exactly what it is; someone may have some more advice on that. But they do vary year by year. We may have an expectation and bring in a consultant to do some work in house, and they will flick around. Or we will have some expectations about a particular piece of work that may or may not be taken in that year or picked up in the previous year. So they will vary.

My staffing profile itself has been relatively stable over the last little bit, but, as always, there is turnover, and we have gaps in the number of staff we have, which reduces our expenses.

MS LAWDER: It was not as much the staffing profile as the bottom line.

Mr Nicol: Ms Lawder, perhaps we can take that on notice and give you an answer. There are a couple of things in that space. For example, the government's restructure fund is allocated under this head; we budget for the spending but we do not necessarily incur it. That is one example. We also had the AA changes on 7 July which altered the budgets and the spends. Unless Mr Ogden wants to provide a detailed answer, we might be better to list it out. Is that satisfactory?

Mr Barr: Yes; we will take it on notice.

THE CHAIR: We might take a break there. Given that members have confined their questions to economic, financial, revenue and government business management, we might not come back to those after the tea break. Between, say, 20 past and 12 we will cover superannuation, territory banking, Shared Services and ceased agencies. At 12 we will go to the CMTED stuff if that is acceptable. So economic and financial management will not be required and revenue and government business will not be required. We will come back on the SPA.

Sitting suspended from 11.13 am to 11.24 am.

THE CHAIR: We will now go back on to superannuation provision, territory banking, Shared Services and the ceased agencies, and I would like to finish those by about midday. I appreciate there is not a lot of time, but that is all we have,

unfortunately.

Mr Nicol: We can do that, but there are a couple of questions on notice that we can do first up, through Mr Salisbury.

THE CHAIR: Sure.

Mr Salisbury: We took three questions on notice that I can answer. One was in relation to land tax and the changes going into the 2014-15 year. There were some changes to the fixed charge and the marginal rates on land tax and it was estimated that that would raise around \$10 million per year. I can report from the annual reports that land tax for 2013-14 was \$79 million. The estimate for 2014-15 was \$89 million, to reflect that uplift of \$10 million, and the outcome for 2014-15 was \$96 million. That is \$7 million over and above the change, the uplift, and that reflects the compliance work that we did in the land tax phase.

THE CHAIR: So the estimate of the change is raising \$10 million. Did they raise 10 or did they raise more?

Mr Salisbury: Yes, they raised 10.

THE CHAIR: Exactly 10?

Mr Salisbury: It was pretty close to 10. With rates and land tax you can be pretty close that the estimate will be achieved. Another question that was asked was about the number of payroll tax cases in dispute in the courts relating to payroll tax grouping. We have currently got six matters on foot in the ACAT. One of those matters relates to grouping provisions. A third question that was asked was that compliance revenue per inspector is not worked out on the 22 full-time equivalent people that we have in the office. That is correct. The number it was worked out on was 18.32 people and that reflects that over the course of the year people are off on various forms of leave.

THE CHAIR: Members, we will start with the far end of the table. Ms Lawder, you have the first question.

MS LAWDER: Thank you. On the superannuation provision account, Treasurer, we spoke a little, I think, during estimates on this topic: a recent push from some community groups for institutions to divest their portfolios of what some might consider unethical investments. The ANU was a case in point earlier this year. Could you take us through the government's position and whether the government has been approached by any groups about its divestment strategy?

Mr Barr: The government has been in the process over a number of years of restructuring our shareholdings and Mr McAuliffe will be in a position to outline the progress on that at this point.

Mr McAuliffe: We spoke at the last hearings. It is a work in progress as the policy continues to be developed. The initial part of the response on investment framework is about looking at things on a risk basis, so, broadly, companies and sectors that have got different risks. Our framework will basically mean that we are not investing in

some of those sectors. It is not a focus on individual companies; it is more around the risks associated with companies and sectors. Just recently we have reviewed the framework further and it has been more of a focus around carbon type and fossil fuel exposures. So we have had a look through our service provider at various levels of carbon reserves, carbon emissions, carbon intensity—those types of issues. We have enhanced the framework to basically look to not include in the portfolio those companies with the highest reserves, highest emissions—those sorts of factors.

Recently we have implemented that next stage of the framework and, perhaps as an example, I will talk about our international equities portfolio. That portfolio generally has about 1,200 or 1,300 stocks in it, so it is a very diverse portfolio across all sectors. The framework does not particularly focus just on the energy sector, material sector; it looks at companies right across the board and the assessment around what their business is involved in. The result of this next stage of implementation was a significant reduction in our exposure.

What we do is compare our actual portfolio with the standard market type index. In the international space the standard market, the benchmark, is the MSCI world index. So we compare that benchmark with our actual holdings. We have just done what we call an audit of our portfolio since the changes and a couple of things have come out of that. We have had a carbon footprint calculated. Basically, what that shows is the amount of tonnes of CO₂ per dollar invested and the number that comes out of that is 79.4 tonnes of CO₂ per \$1 million invested. Compare that to the benchmark: it sits at 160.8. We are about half. So it is a pretty good outcome.

MSCI produce a number of indexes for investors. They have got one which they call the MSCI world low carbon index. It is specifically focused on structuring a low carbon portfolio. Our holdings are actually marginally better than that actual portfolio, the way the framework is enhanced. Our carbon emissions are 51 per cent lower than the market. Our carbon intensity is 47 per cent lower. I guess one of the key things that have come out of the discussion that has been going on around fossil fuels is that around stream of assets; basically saying that, down the track if coal is not in demand any more, companies that have got large carbon reserves and things like that are going to get stuck with those assets and they will not be worth anything.

With our reserve holdings, our assessment is that only about two per cent of the portfolio has some sort of exposure to that long-term stream of assets, compared to the general market, which is looking at about seven per cent. So we think there have been some material enhancements to the portfolio.

MS LAWDER: How does that framework differ from the government's responsible investment policy?

Mr McAuliffe: This framework is based on the government's responsible investment policy. We have two things we are trying to do. The SPA is set up to fund this long-term liability for the budget, so we need financial return for that. But the other side of it is that the government has obviously got some publicly stated responsible investment, as well as just broader environmental type objectives, in place. What we are trying to do through our responsible investment policy is balance those two objectives. We want to get a good return but at the same time we want to do that in an

efficient manner and, in this particular area, a carbon efficient sort of way so that we are not overly exposed.

MS LAWDER: So for this financial year that we are looking at here how does the investment in these carbon or fossil fuel areas differ from the previous financial year? What change has there been?

Mr McAuliffe: That has been the change. So if we—

MS LAWDER: What percentage? What sort of—

Mr McAuliffe: If we take a snapshot of our holdings at 30 June and we take a snapshot of our holdings now, at 30 September, those did change, as I mentioned, our emissions being effectively half of the market and those things. That is the change that has occurred over the past three months.

MS LAWDER: So there was no change in the previous financial year to the one before that?

Mr McAuliffe: In the previous financial year, 30 June 2015 to 30 June 2014, there were changes. That was our first stage of implementation.

MS LAWDER: Perhaps I am not explaining my question properly. In the 2014-15 year, the holdings, compared to the 2013-14 year: what percentage change might there have been in the holdings in those sorts of areas?

Mr McAuliffe: The 2014-15 year is where we implemented the first sort of change of the policy and that is where we did not quite have these carbon reduction changes that we are seeing now in this first quarter of this year.

MS LAWDER: So the 2015-16 year will demonstrate—

Mr McAuliffe: That is right.

MS LAWDER: Thank you.

Mr Barr: But it started in 2014-15.

Mr Nicol: We did not have those measures in place.

Mr McAuliffe: We had a first set of measures, which were more looking at environmental social government risk type criteria and at things like global norm type factors, so there were investments excluded—even things like the tobacco exclusions. Those sorts of exclusions occurred last financial year but we have now just made this second material change.

MS FITZHARRIS: Could I leap to Shared Services, if that is all right?

THE CHAIR: Yes.

MS FITZHARRIS: In particular, iConnect. I would like to get an update on progress over this year and what is in train for next year.

Mr Nicol: It is probably better for iConnect, because that is being led by the Chief Digital Officer. It might be better to direct questions to him. Shared Services is involved in, obviously, assisting, but he has the policy lead—

MS FITZHARRIS: I had better wait until next week.

MS PORTER: Back on the superannuation provision account on page 75. I am sorry about that; I knew this was going to happen. It states in the highlights that a major triennial actuarial review was completed. Can you expand on that, please?

Ms Doran: The major actuarial review is a review undertaken every three years to comprehensively reassess the liabilities, the superannuation benefits to ACT employees who are members of the CSS and PSS schemes. As part of this review, the actuary looks at the database initially, at the latest membership profile of each of those schemes and comprehensively looks at the changes in membership over the three years since the last triennial review and the causes of those changes in membership—either exits through retirement or death, whether people take pensions or not—all of those demographic type factors.

It also then considers the economic assumptions for the scheme and revisits, relative to that experience, the appropriate settings for assumptions about future experience in terms of both demographic movements—withdrawals, retirements, choices of benefit type between pension or lump sum—as well as the pure economic factors, so wage indexation changes, wage level assumptions and investment earnings assumptions or the discount rate that is applied in valuing the liabilities. So it revisits all of those things and comes up with a reassessed liability as at that 30 June 2014 date.

MS PORTER: So were there any major shocks in that?

Ms Doran: There are always changes. I think it is fair to say that in this triennial review the extent of those changes was probably less significant than we have maybe seen in previous years. Certainly in financial terms the impact of the changes was less significant and we can look at some of the numbers there in a moment.

The main drivers of the changes were the things that we are used to seeing. There have been wage increases slightly higher than expected amongst that membership pool and I think that is a function of it being quite a selective group of ACT employees who were in these schemes and hence are more mature employees and at that stage of their career. There have been shifts in terms of benefit choices of members, so we are seeing a continuing trend towards people taking pension benefits, as opposed to lump sums, and that has impacts on the costs of the scheme, and, of course, the continuing improvements in mortality generally, in people living longer—those sorts of improvements.

MS PORTER: Perhaps we can go to some of the figures?

Mr McAuliffe: The results of the review were all built into the most recent budget.

On the financial statement perspective, the impact on our superannuation expense number, which feeds through to the net operating balance, was about \$3 million a year in total, based on all those various assumptions. Some move upwards; some move down.

On the balance sheet there was about a \$100-million increase in the liability across the years. Again, what we have to be careful with is that, because it is only looking at the current budget and forward years, you think \$100 million is a lot, but a lot of it is shifting of the timing around when the liability is due to be paid, because of some of these factors like the lump sum versus pension type take-up.

The important thing that came out of the numbers, if we look at our funding plan strategy, is that that really focused on the cash flows, and it is the cash flows over the life of the scheme that have not really changed—material from this latest review. Based on using our budgeted six per cent discount rate and the 30 June 2015 investment return outcomes, the portfolio is sitting at about 57 per cent funded at the moment. The full funding objective date is June 2030; based on these latest numbers we are still in line to meet that target.

THE CHAIR: Do not go anywhere because we will do TBA next but just on the discontinued agencies at page 355 of volume 3 it says that ACN 071257504, formerly known as ACTTAB, should have been deregistered on 19 July. Did that occur?

Mr Nicol: I might call Mr Bulless up. He knows the exact date I think. We have successfully closed the company. I do not recall the date.

Mr Bulless: Yes it was deregistered. It was deregistered in early July, I think. It actually lapsed into this financial year because we had to clean up some issues that were discussed at the budget hearings, but that has all been done. In terms of the residual part of the business at the moment where effectively it has been wound down, there is a small amount of money left, about \$40,000 of costs, which the territory will bear in the final wrap-up, which is related to the residual ICT systems and the statutory liability obligations around insurance for the ex-board.

THE CHAIR: When do you think that will be done?

Mr Bulless: This month—I think it is later this month. I think it is about two weeks away. As part of the process of wrapping up a former ACTTAB the territory received some money to deal with file storage and records management. The only other issue we have previously discussed is around the claims from Tabcorp for undistributed winnings. That process with them is also finishing in the next couple of weeks. That will mean that the territory is completely out of its relationship with Tabcorp and there will just be some minor residual file maintenance type issues that will go on into the future, which Treasury will look after.

THE CHAIR: I am not sure if it is in TBA but when we moved the government contract banking across to Westpac there was a commitment to having some low interest loans. Who handles that for the government? It is not done through TBA?

Mr Nicol: No.

THE CHAIR: Perhaps somebody could take on—

Mr Nicol: Can I take that on notice? I have a vague recollection of a discussion with someone but I have just got to chase that down.

Mr Barr: I will double-check that.

THE CHAIR: If you could and if such a facility has been set up, how many loans have been delivered, what the value is et cetera? Under “Future Directions” for the territory banking account there are three dot points, and the middle one is:

implement the investment plan.

Where are we at with that investment plan? Is it finalised and when do you expect it to be implemented?

Mr McAuliffe: There are two parts to, I guess, our government structure that sit around both the SPA and the TBA investments. We have a responsible investment policy which sits over both portfolios and we have an investment plan. They are both available through the CMTEDD website. Effectively, what that plan does is set out the high level government structures, our risk management policies. In the case of the SPA it is the explicit strategic asset allocation that we are targeting for the investments. For the TBA it is a little more general than that. It talks about the types of investment classes that we are going to be exposed to. That is in place but we always have an ongoing review of that plan.

THE CHAIR: It does say in “Future Directions” though that you will implement the investment plan. Is that ongoing or is that a new investment plan?

Mr McAuliffe: Yes, and that is ongoing. As part of what we are doing this year—we spoke earlier about the lifetime care fund, for example—now that it is going to start to build up the provision of assets that need to earn a return in order to be able to work the ongoing claims liability, those moneys will come and be invested through the territory banking account. As part of implementing the investment plan it will be looking at changing the investment arrangements to suit that particular entity. So it is a—

THE CHAIR: So this is ongoing rather than a new implementation of a new plan?

Mr McAuliffe: It is, yes.

THE CHAIR: Ms Lawder.

MS LAWDER: On the territory bank account, at the top of column 2 on page 76, it says:

completed the transition ... to a new service provider ...

I note that back in 2011 the then Chief Minister—and I know that it was not you,

Mr Barr, but you were the Treasurer at that time—in a radio interview said:

We know our banking contract is quite a lucrative contract. We know that there is a lot of interest in it. Next year, that banking contract will go out to tender. And what we want to do with that is put it in the tender requirements that the successful bank who wins that contract needs to offer socially responsible banking products like low-interest loans.

Can you talk me through how that was assessed, perhaps in the—

Mr Barr: That is exactly the same question as Mr Smyth asked.

THE CHAIR: I have just asked that.

MS LAWDER: How many points were allocated in the tender process for it?

Mr Nicol: I am happy to take it on notice.

Mr Barr: We will go back and look at that.

Mr Nicol: I was not Under Treasurer when the banking contract was let.

Mr McAuliffe: I can find it. I was actually on the evaluation team for that.

Mr Barr: There you go.

Mr McAuliffe: Just to that point and the reference you made to the annual report, that is actually talking about our master custody service provider, which is a different provider to our transactional banking provider.

MS LAWDER: In regard to that particular provider you did not look at socially responsible banking?

Mr McAuliffe: No, they are not a bank for us. They take hold of custody of our financial investment assets. It is a different thing altogether.

MS LAWDER: The current banking holder is Westpac, is it?

Mr McAuliffe: Yes.

MS LAWDER: Is that an ongoing thing? Do you get reports from them about their socially responsible banking? How do you—

Mr Barr: Yes, we have taken all of that on notice with Mr Smyth. It is not in this area of government that has direct responsibility around those elements of the social side of that tender but we will get all of that information.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: I go back to Shared Services and ask this question: how have staff settled into the new premises?

Mr Nicol: I might introduce Graham Tanton who has recently been appointed to head up Shared Services.

Mr Tanton: As a whole, in answering the question, the staff appreciate the building, the new accommodation. They like the environment that it provides, the open work plans and the like. Yes, as a general, it has been positive.

MS FITZHARRIS: Have you seen any of the operational benefits from being located in a new facility come to fruition?

Mr Tanton: Yes absolutely, especially with the open plan environment that there currently is. It basically facilitates a wider dialogue between teams and staff members just going through the open areas where the canteens and the kitchenettes and the like are. There are operational benefits of having people co-located in the one place, yes very much so.

MS FITZHARRIS: I know that we are going to return to the iConnect initiative when the chief digital officer comes in but from your point of view how is that relationship working out with the chief digital officer?

Mr Tanton: It is—

Mr Nicol: I might get the head of Shared Services ICT to come up because he is the primary interface.

Mr Davis: The relationship with the CDO is obviously quite new. I have been on board only five months. The CDO has been on board somewhere between two and three. Whilst I do not directly report to John, whom I think you will meet later this week, it is actually progressing very well. The relationship between him and me, although we have similar minds, is such that whilst he is very much part of the strategic aspect—and you are asking me about iConnect—I am on the delivery component of things. It will be disadvantageous to have him think too pie in the sky, and to the point where I cannot—

Mr Barr: A technical term, that one.

Mr Davis: I try not to be too technical, a shortcoming of ICT people—but of course he is very conscious of where we want to move the smart city but at the same time there are limitations, of course, around delivering corporate IT functions across government. There is a paradigm there.

THE CHAIR: Ms Porter.

MS PORTER: On page 37, it mentions:

... delivery of the ICT Transformation through Hybrid Cloud program ...

I do not understand that at all. It is not my area of expertise.

Mr Nicol: It sounds like we need some more technical terms.

MS PORTER: It sounds very scary to me.

Mr Barr: I do not think that can be described as pie in the sky.

MS PORTER: The objective of this program is to achieve transformational improvements, I believe. Could you explain to me what it entails and what improvements and benefits it might bring along with its transformation?

Mr Davis: Absolutely. Cloud computing in general is a very well-used term in a very undeserved way. People often think of it as some sort of panacea for ICT delivery where everyone's problems all sort of dissipate. It is not quite the case. It is actually a sourcing model for ICT, where we seek to use private partnerships particularly around sourcing of commodity-based services for IT. We do that on an as-needs basis using all sorts of tech rubrics around capability of delivery, because we still have to maintain the territory's integrity around ICT.

You can think of it this way: we use cloud. It means "out there". At the moment we have internal ICT capability hosted and maintained by ICT individuals within government who are public sector. We have some commodity-based services, not just IT hardware, where we say, "Is that really the right role for government? Should government be in that business?" And we apply that same lens to our own ICT delivery. So we would use private partnerships to deliver some of those arrangements.

MS PORTER: The ICT always, to me, sounds a bit risky, sending something out there. Are there some risks involved in that, in integrity of data?

Mr Davis: With the CDO coming on board—he comes from New Zealand, and they have a very mature approach to delivering ICT in this sort of cloud-based way—he brings with him a good framework for making those assessments. There are about 160 questions that we apply when we are looking at these risks. It is very much risk based but we use our own judgements and we use this mechanism—of course, not unilaterally—for IT. It is a business-based decision, where we apply those risks and identify what the outcome actually would be. In no way do we seek to compromise the integrity of the ICT environment for government.

Mr Barr: In some instances we would want the data to be publicly available. We want to share it to allow for innovation. In other areas, clearly there are privacy and confidentiality security requirements around it, and that leads to a very different response. But there is no particular harm, for example, in having data around where government barbecues are located or where buses might be in our network in terms of making real-time information available. So there are some very practical examples of where we would want to share data. In other instances, with people's health records, it would not be so much.

Mr Nicol: Could I also add that it is not just a one-sided assessment here. We are getting more data. The way it is stored and transmitted is becoming more complex. The ways that people want to get access to data through illegal, illicit means, are getting more sophisticated. We have to try to keep up internally. With some of our

external providers, that is what their job is. And they are a lot bigger than we are; a lot more sophisticated than we are. So it is not only risks going out but there are also potential benefits, because these companies handle this data all the time for very big clients. We have to make in those instances, as Mr Davis said, judgements about where that risk balance lies between data that can be reasonably put out and what data we will not put out.

THE CHAIR: Shared Services procurement is now in Economic Development?

Mr Nicol: That is correct.

THE CHAIR: Is anybody here to answer questions on what happened last financial year, as in the period covered by this, or would you prefer to do that on Wednesday?

Mr Nicol: I think that should be done with Economic Development.

THE CHAIR: Just for clarity, when did it go across?

Mr Nicol: It went across on, I think, 8 July last year. It was not a headline part of the AAs, but we probably took two or three weeks to decide where various matters sat.

THE CHAIR: If it was only in for a couple of weeks, why is it listed here in Shared Services?

Mr Nicol: I think partly because it is an organisational based thing and we have a matrix management. David Dawes is the director-general responsible.

THE CHAIR: On page 44 under “Shared Services Human Resources” the third last dot point under “Future Directions” says, “review the ACTPS investigations model”. What is the ACTPS investigations model? What is involved with the review and what has prompted the need for the review?

Mr Nicol: The ACTPS investigation model is the team in Shared Services that looks at matters of discipline that directorates feel need to be considered outside the directorate—so matters of compliance with our code of conduct and breaches of that nature. That is it in a nutshell.

Mr Tanton: The review is just looking to see the appropriateness of that current structure and the like going forward.

THE CHAIR: Is this the group that would, for instance, have done the investigation into the child in a cage at a primary school?

Mr Tanton: Yes.

THE CHAIR: Are there terms of reference for the review?

Mr Nicol: The review is headed by the public service commissioner. She is undertaking it, and we are assisting with that role. That question would best be directed to her. I am just searching my memory as to whether I saw formal terms of

reference. I have met with her several times and we have engaged in dialogue about how we do investigations, how the process works, how we can make them more timely and deal with certain aspects of investigations to make them more effective et cetera. I cannot recall a specific terms of reference, but I will check with the commissioner.

THE CHAIR: If there is, could that be—

Mr Nicol: I will ask her.

THE CHAIR: On that same page, in the first column—again, three from the end—it says, “implemented a new rostering system for Disability ACT”. Why did Shared Services do that?

Mr Tanton: Because under our mandate we look after the centralised management of Kronos, which is a system of rostering and the like. We manage that as part of that process.

Mr Nicol: It is essentially part of the HR payroll suite of systems that we manage centrally.

THE CHAIR: This is perhaps a question for the Chief Minister. Given procurement has now been moved out of Shared Services, is that an indication that the Shared Services model has not worked? Are there moves afoot to look at where the other three sections of Shared Services would end up?

Mr Nicol: Perhaps I can give the principal reason why capital works were not brought under Shared Services to me. I have a very strong role in capital works, as we talked about earlier this morning, with the capital framework and the budget oversight. I felt uneasy about having the procurement and all of the budget side of capital works reporting to me. I felt that the government would get better advice across the service if that function was split so that there were two sources of advice on procurement and the acquisition of procurement. That was the main reason we moved the capital works procurement to the Economic Development Directorate and Mr Dawes.

THE CHAIR: What is the split then?

Mr Nicol: Essentially the procurement function—because it was one function, including capital works and non-capital works procurement—reports to Mr Dawes. I have responsibility for all of the budgeting aspects, advising government on the budgeting aspects of procurement, procurement proposals and capital works proposals. I felt that separating those two roles was advantageous from a governance perspective. That was the only reason that was split off. There are still very close links between Shared Services and the capital works procurement area. I see it as a matrix management type of model but, as I said, I felt it important that another director-general had direct responsibility for that procurement function.

THE CHAIR: Members, we might finish with the superannuation provision account, the territory banking account, Shared Services and ceased agencies. From now till 1.30 we will deal with Chief Minister’s, Insurance Authority, independent

competition and Icon. We will start with territory records. Ms Lawder, have you a question on any of those areas?

MS LAWDER: On page 214 it talks about digitisation of territory records. Can you tell me how much this will cost compared to the existing non-digital record-keeping initiatives, and how long do you think the digitisation will take?

Ms Wickman: Part of the work we are doing is to understand that. We do not really know what the comparative costs will be. We are currently undertaking some pilot projects which will help us to demonstrate efficiencies in particular business areas by moving from a paper-based arrangement to a digital one. It seems common sense that there will be some significant savings and anecdotally people believe that that is the case, but it is very hard to come up with concrete comparable figures to demonstrate that.

MS LAWDER: So it is an ongoing project for this coming financial year?

Ms Wickman: We have just begun in the last week or so. The project manager is on board to begin rolling out a pilot project which will establish some of those benchmarks.

MS LAWDER: Is that a full-time position for the project manager?

Ms Wickman: For 12 months, yes.

MS LAWDER: Just the one person?

Ms Wickman: The primary carriage is by one person but they will draw in resources as they are needed.

MS LAWDER: And at the next financial year annual reports you expect you would say you have completed that review and then talk about a way forward?

Ms Wickman: We will carry over a little bit into the following financial year, but it will be substantially complete.

MS LAWDER: Thanks.

MS FITZHARRIS: I wanted to ask about the records that you hold. Do you do much analysis of the data that is in the records or is it simply your role to make the records available, to make them assessable and searchable, with no involvement in the actual analysis?

Ms Wickman: We do not actually hold records for the ACT. The way the act is constructed, the responsibility for archival records remains with the heads of agencies. There is not a collection in a single place that the Territory Records Office manages, but we do provide a reference service on behalf of agencies. Members of the public who are seeking access to archives come to our reading room, which is in the Woden Library, and they let us know what they are looking for. We provide something of a brokerage to help them locate the records and then have access to them.

MS FITZHARRIS: You mention in the annual report that “find of the month” is very popular. How long have you been doing that for?

Ms Wickman: I would have to check the exact date. It has been a longstanding item, certainly before my time. I have been in this role for the past three years.

MS FITZHARRIS: How does each find of the month get selected?

Ms Wickman: It is genuinely a find, usually. The staff, in the process of hunting down different research questions for members of the public or in pursuing work that we are doing ourselves, will identify a group of records that are interesting or quirky or important and construct a bit of a story around those.

MS FITZHARRIS: I am going to check them out from now on. Thank you.

Ms Wickman: We can put you on our mailing list if you like.

MS FITZHARRIS: Thank you.

MS PORTER: Along those lines, I was particularly fascinated by the reference on page 216 to “Repat and Rabbits”. Obviously there is quite a lot of information in the archives that we can access. There was a reason to look into that and to actually celebrate the fact that this record was there. Do you want to talk to us a little bit about that?

Ms Wickman: I would very much like to. This was our significant contribution to the centenary of World War I commemorations over last year and coming years. We wanted to participate with our state and commonwealth colleagues in some work in highlighting archives that would bring the richness of the World War I story to the attention of the public. Of course the ACT does not have a defence responsibility so we do not have records in that area. In relation to the soldier settlement scheme itself, the records of that program following World War I and World War II remain with the commonwealth.

The ACT’s real strength is in land records. We have records about the settlement and development of the land of the ACT and the people who lived on it. We found that was a really nice way of demonstrating the ACT’s link with the World War I commemorations. By looking at the records of the plots that were allocated to returning soldiers we were able to tell stories about those individual men and their families, using archives, to bring some benefit to the public for the investment they have in preserving these important records and to share a lesser known story about the ACT’s development.

MS PORTER: I was totally unaware of that condition. Thank you.

THE CHAIR: As there are no further questions for territory records, we might say thank you and move on to compulsory third party. Chief Minister, how many CTP insurers have we now got and are there any new entrants on the horizon?

Ms Doran: We currently have four CTP insurers operating in the ACT—NRMA and three brands under the Suncorp banner: GIO, Apia and AAMI. In terms of new entrants, there are currently no insurers seeking a licence, or with a licence application in with the regulator. We of course maintain ongoing discussions with any insurers who are looking to explore that area.

THE CHAIR: Have you had any other inquiries as to entry?

Ms Doran: Recently, no, but there are some, I suppose you would say, inquiries that are maybe in a holding pattern at the moment.

THE CHAIR: On page 191, the first dot point at the top of the second column says, “maintain an accurate register of motor accident claims to help the administration of the scheme”. Did we not have an accurate register before this?

Ms Doran: We have had a register since 2008 when the new legislation was introduced for the scheme. I think this is just an ongoing objective to maintain that register. We have recently had some changes in that space, though. The register facility that we have been using has been one that has been outsourced to the Queensland CTP authority. They have been basically housing a register within the system and the capacities of their public injury register. They have recently advised that that is a function they will not be able to continue. So we have just started a process ourselves that is looking at transferring our database from them and establishing our own register in house.

THE CHAIR: Finally from me: a number of times you use the words “motor accident” but in other places you use the words “motor crashes” or “road accidents”. There was some advice and I thought we had moved away from using the word “accident”. Is there a policy or a view that we should use one form of words rather than another?

Ms Doran: I do recall that issue. It is something I may have to take on notice. I think there are links to legislation, the terminology that is used in pieces of legislation and the definitions that source from that legislation. We have our own CTP act, but we leverage off the motor transport act.

THE CHAIR: Ms Lawder.

MS LAWDER: I am trying to get my head around the graph at the bottom of page 192. Underneath the pie chart it says that “AAI Limited’s share increased to 23.5 per cent”. Just above that, it says:

AAI Limited (GIO, APIA and AAMI) ...

So it is the blue, the green and the little slice of red shown in the pie chart?

Ms Doran: That is right.

MS LAWDER: So what is written underneath that chart actually applies to the chart on the following page?

Ms Doran: Yes.

MS LAWDER: Okay; it did not make sense to me. I was getting a bit stuck on that. My question, while I was fixated on the picture, was about the changes to the CTP website, in response to feedback from the public. Can you give us a bit of a flavour of the changes you made, and in response to what type of comments? It is the dot point at the bottom of column 1 on page 192, which reads:

... maintained the CTP website and responded to feedback from the public ...

Ms Doran: There are two separate issues. The changes to the CTP website are not necessarily in response to comments from the public. We constantly review our website and try to keep it up to date and informative, and in line with changes to the scheme, new entrants to the market, premium changes et cetera, so that it is an up-to-date source of information. As a separate function we also—

MS LAWDER: You answer phone calls?

Ms Doran: That is right; we answer phone calls and direct inquiries. One may link to the other but it is not necessarily a direct link.

MS LAWDER: What are the phone calls and other comments about? Are they particular queries about the operation of CTP, about costs? What sorts of things do people contact you about?

Ms Doran: It is generally about costs. Particular motorists in a particular situation may query the costs in the ACT. Often people who live close to the border or even over the border make comparisons to New South Wales CTP premiums that are charged in Queanbeyan, for example, and make that query. We sometimes have queries about the coverage of the scheme—accidents with kangaroos, for instance, and why that is not covered. It goes to the general provisions of the scheme. It is generally in either the benefits or premium category.

MS LAWDER: Are some of them questions that could perhaps go directly to the insurer? Are people confusing the purpose of the—

Ms Doran: The insurers themselves do take inquiries and have that direct contact with customers as well, and we of course screen—

MS LAWDER: Do you refer appropriate ones to the insurer and vice versa?

Ms Doran: That is right. If it is specific to an insurer or a feature of a policy, we would refer it. If it is generic to the scheme features then we would try to answer it ourselves.

MS FITZHARRIS: I want to ask about changes to CTP as a result of the ride sharing entries last week. Has there been a change to the regulator's role through that?

Ms Doran: The CTP arrangements obviously extend to vehicles that are being used

for that purpose. We have been closely involved in the various policy discussions and consultations around how that would work. At the moment it is fair to say that there has not been a change to the scheme, but we have put in place some processes that will look to refine the scheme to better cater for this new form of operations.

In the interim we have looked to capture ride share vehicles within an existing vehicle category on the scheme's rating scale. There are different classifications of vehicle at the moment in the rating structure. Passenger vehicle is the main category there, but there are other categories around, for instance, taxis and hire vehicles. There are buses, emergency vehicles, goods and service type vans and motorcycles. So there is a range of classifications there. None of those fits exactly the scenario of ride share, but for the interim we have captured them within the passenger vehicle categorisation. We have some work going on at the moment, in close consultation with our insurers, to look at setting up a specific category for ride share vehicles, and looking at the rating that would most appropriately apply for that.

MS FITZHARRIS: To the extent that the ACT is the first jurisdiction to regulate ride sharing, what have other jurisdictions done on the CTP front? Are they not even looking at something like this?

Ms Doran: We have been in discussion with other jurisdictions as well. We are very aware that we are the first jurisdiction to be taking an explicit step in this area. Other jurisdictions are at different stages of their own policy considerations. New South Wales, for instance, has a review underway at the moment as well. But some areas in the CTP world specifically have taken decisions as to how they would classify those vehicles for CTP purposes, and they have similarly, again probably on an interim basis, made use of categorisations they have in their current rating scales. In some jurisdictions—for instance, South Australia and Western Australia—they are using their hire vehicle category, but it has been a slightly broader hire vehicle category than how ours has been defined. That is working for them at the moment. In our consideration it did not work within our current rating structure.

Mr Barr: It is important to note that no other jurisdiction has a regulatory framework. Ride sharing has been operating in other cities for a number of years outside a regulatory framework. Far from this being a rushed exercise, as I note some commentators have suggested, in fact the services have been somewhat later arriving in Canberra but have arrived into a framework, as opposed to operating entirely outside one, as they have elsewhere in the world and elsewhere in Australia.

It has actually been a useful process for us to examine our regulatory framework in demand response and transport. That is why we commissioned the innovation review and why we went through the processes that we did, noting, as some in the taxi industry have, that there have been 13 reviews in three decades of the ACT taxi industry. So it is not as if this area has not been comprehensively examined on 13 occasions in the last three decades.

What is different now obviously is that emerging technologies are fundamentally disrupting the nature of the marketplace. It is to the great credit of officials within ACT government that inside a year of commissioning the innovation review they have been able to put in place a framework that other jurisdictions that have had this

challenge, and have had it physically operating in their jurisdictions for a number of years, have been very slow to move on, in terms of the regulatory environment, while the services have been operating, it has been clear, for a number of years.

The ACT's first here is in regulating ride sharing before it started. And that is a big difference, in terms of consumer protections and industry transition, from what has happened in other jurisdictions where the service has started, in some instances years ago.

MS FITZHARRIS: Are they considered illegal in other jurisdictions?

Mr Barr: Technically, yes. New South Wales started compliance. We have had some jurisdictions seek to take drivers licences or demerit points off people who were participating. But it became very clear that this was not something that governments could fine, punish or ultimately arrest their way out of. Are jails in Australia going to be full of people who share their cars? We have seen crazy responses from some places—although I do note, now that the ACT has proved it is possible, that there is now a rush. Tasmania is claiming that they will be the first state to implement a regulatory environment. I am sure someone soon will claim to be the first mainland state to do that. We will have those absurdities.

I think credit here should go to the ACT bureaucracy, which has been able to respond and put in place a framework regarding a contemporary challenge that is worldwide. It is inescapable. You could not go anywhere in the world where these issues are not being grappled with by municipal or state-level governments. And we have a good response here.

MS FITZHARRIS: So ACT officials will be in demand regarding lessons learned and how you did it.

Mr Barr: Certainly, yes, and on the regulatory framework and the like.

THE CHAIR: A final question on CTP from Ms Porter and then we will go to the nominal defendant.

MS PORTER: One of the principal objectives was to keep the cost of insurance at an affordable level. Has this been achieved?

Mr Barr: It is more affordable than it was before competition; we can say that much. This is still an area of policy reform. I indicated after the ride-sharing announcements and the work on other areas of transport reform that CTP reform still remains on the government's agenda. We will have some further consultations and put forward some options for reform. I have stated on the public record before that I am particularly keen to examine no-fault schemes, to ensure that the emphasis is immediately on treatment and rehabilitation and not on lawyers arguing it out in court. Obviously that will be the subject of more intense discussion amongst Assembly members and the broader community in the next year.

Mr Nicol: I would add that the underlying costs of the scheme are still rising and that is going to put on pressure in the future if that continues.

MS PORTER: When you look at the pie charts that were referred to before, you can see that, with respect to the market share, NRMA still has the lion's share of the market, from looking at these charts. Is it because there is an inability on the part of the other players to attract customers? What is happening there?

Mr Barr: Obviously it would appear, given the fairly regular refiling we are seeing from the different insurers, that the opportunity to have the lowest premium on the form that goes out does tend to drive take-up. So it is reasonably price sensitive, although for many the issue will also be about where they hold their private motor vehicle insurance. They would probably see multi-policy benefits; there are discounts and benefits that are available. I think that is undoubtedly a factor.

The question of competition has helped but there are, as the Under Treasurer said, some underlying challenges with our system. If the ultimate goal is not to reduce benefits to those who would need them but to improve the cost structures and efficiencies of the system, undoubtedly moving away from an adversarial legal approach and straight into a no-fault, treatment-based approach, as a number of jurisdictions have done, would seem to be the best, most likely reform direction to achieve support.

Mr Nicol: I think a 23 or 24 per cent market share after two years is pretty strong growth for the competitors, given that most people choose only once a year. The potential competition has really shown up in the premiums. It has really put a competitive cap on those premiums.

MS LAWDER: Supplementary?

THE CHAIR: Supplementary, and then we will move to the nominal defendant.

MS LAWDER: Just to follow on from Ms Porter's question, it says on page 193 that affordability declined over the period 2009-10 to 2013-14 but has improved in trend terms due to recent premium reductions. But, overall since 2009-10, we have gone from 31 per cent of average weekly earnings to 34-ish per cent of average weekly earnings. We have not actually seen an improvement in affordability for ACT residents as a result of the introduction of competition. Is that fair to say?

Mr Barr: No.

Ms Doran: I think this is the issue that the Under Treasurer and the Treasurer, the Chief Minister, made reference to. Affordability can be measured only in terms of the benefit design that we have in our scheme. In that sense, we are still seeing underlying pressures in the costs of that scheme in terms of not so much the frequency of accidents, the number of accidents, but the average claim size. The average benefit or the average amount that people are getting for those claims is certainly continuing to go up. That underlying trend is still forcing the basic risk costs of the scheme up.

Within that trend, we have seen competition testing the level of premium that insurers are willing to provide in the structure, and we have seen downward pressure in that from competition. We have also seen downward pressure from the introduction of the

lifetime care and support scheme, which has taken an element of the highest risk claims out of that part of the market. That is what we see in the last year, with the affordability coming back down again. In essence, the data and the trend experience seem to suggest that within this benefit structure we are not going to see that affordability coming into line with other jurisdictions where they have fundamentally different scheme designs.

MS LAWDER: Sure. I am not arguing about the benefit but about affordability as a precaution—

Mr Barr: It is a problem, Ms Lawder. You were not here in the last parliament when I tried to reform it and your party blocked it.

THE CHAIR: The great reformer.

Mr Barr: We had a go, and we will work on another way through. This is an area that needs reform. It does. You have identified one of the challenges. We had committee inquiries; we had an extensive process last time. The bill I put forward was gutted, effectively, by a combination of opposition and Green amendments. We will have another go. I said that four years ago. We have been looking at different reform options, and we will have another go.

In the meantime, we have sought to reform areas where we could get political agreement to get competition into the marketplace and to get the lifetime care scheme in place. I thank Assembly members for supporting those changes. But we will have another go, because we cannot leave it as it is. As I said in my earlier comments, the available scope for reform here, given the past experience, is to move away from a highly legalistic adversarial system. That is where there are benefits that can be shared with all motorists.

The other element of all of this, obviously, is road safety. With fewer accidents—if we could slow down on our roads, if we could be better drivers—we put downward pressure on our premiums. You may have heard me say that about 1,000 times, and I will keep on saying it. We have got to get some reform here, and we will have another go.

THE CHAIR: We will not be following that up today, because we are about to move to the Office of the Nominal Defendant. My question is about the third dot point in the first column on page 248. It says: “collect recoveries from uninsured drivers at fault to the sum paid out by the Fund”. How successful are we with these recoveries, Mr Fletcher? I note there is a paragraph about it in the second column.

Mr Fletcher: We do our best. Those recoveries are challenging. Often, the people who are involved in incidents that involve uninsured vehicles do not have many assets. I suppose one of the reasons why they are driving an uninsured, unregistered vehicle is that they are not very financially well off or in a position to meet that cost; that is reflected in the profile of people who are involved in these incidents that we may need to try and pursue. We make an effort to do that. We sometimes put payment plans in place with them; sometimes the court will put some sort of a payment plan in place; and sometimes we settle them on a one-off lump sum basis, given the inability of the

person to access the resources to meet that cost.

THE CHAIR: For the reporting year, how much was recovered?

Mr Fletcher: I might have to take that on notice. I have got details of the other revenue, but not of those recoveries.

THE CHAIR: I could not see it. That is okay. And I compliment you on having a chart that details what is covered in the others, given that your revenue in the others is always quite significant. Can you tell me what the uninsured owners and drivers are that brought you \$31,000?

Mr Fletcher: Sorry, I did not quite catch that.

THE CHAIR: In the table for other revenue, one of the sources for other revenue is uninsured owners and drivers, and there is an amount of \$31,000. Is that fines? What is it?

Mr Fletcher: I think that those are the recoveries.

THE CHAIR: That is the recoveries?

Mr Fletcher: Yes; I think that is the recoveries.

THE CHAIR: Thanks for that. Ms Lawder, a question in this area?

MS LAWDER: Yes. I was again a bit fixated by the gratuitous apostrophes in the sources there but—

Mr Barr: Extra apostrophes.

MS LAWDER: The gratuitous overuse of apostrophes, but nevertheless. Presumably you do not have a lot of penalty interest—not enough to show up in that table?

Mr Fletcher: In terms of the recoveries?

MS LAWDER: Yes.

Mr Fletcher: No. We seek to pursue the cost of the claim from the responsible party, but do not necessarily apply the interest to that. In most cases, the drivers involved are unidentified. There is about a 50:50 split between identified and unidentified vehicles within the scheme. If we can identify them, we start some action to try to pursue them immediately. It is difficult also, because the claims can take some time to settle, to arrive at a final cost in a claim, because of the process that we need to go through to manage the claim to a conclusion.

MS LAWDER: Do you have any feel off the top of your head for the number of people in accidents who are uninsured as a percentage of the total number of accidents that occur in the territory?

Mr Fletcher: The only real statistic in this report is a percentage in terms of the number of claims per thousand, and that is very low—something like 0.16. On page 250, there is a figure headed “Claim frequency and vehicle registrations”. The data on that page is about 280,000 registrations, and there are about 0.168 claims per thousand within our fund. Karen may have some—

Ms Doran: I could add the other piece of that puzzle. The average claims in the whole scheme are in the range of some 30 to 35 per 10,000; that is three to 3.5 per thousand. So if you take that 0.16 per thousand as a proportion of three to 3½, that is a fairly small figure.

MS LAWDER: Thanks.

THE CHAIR: A final question on this area? No? Lifetime care and support?

MS FITZHARRIS: Going to lifetime care and support, there are obviously very few people in the scheme but I wondered if you had a sense of why there is that younger age profile. There is nothing to read into that in any way?

Mr Barr: Riskier behaviour by younger people probably would be—

MS FITZHARRIS: Two were under 10 years old so—

Ms Doran: It is, of course, very unfortunate, very sad, but it is good that we have the scheme in place to be able to support these minors. Essentially, the two accidents involved a young baby who was not well restrained in the car and a young boy who was hit on the road while not in a vehicle—two very unfortunate accidents. In the rest of our claim profile, we have had a motor vehicle accident with a teenager and again a very unfortunate accident of an overseas person who was here in the ACT and who was hit as a pedestrian while outside their vehicle—hit by another vehicle. It has been a good example of the catastrophic types of injuries that the scheme can cater for.

MS FITZHARRIS: I have had a couple of people make representations to me about seeing this levy on their bill. I try to explain to them what it is for. But it might help for me to be able to say, for the people in the scheme for the moment, what would have been the scenario for them before the scheme came in and what it is like now—in terms of the care they are receiving and the certainty they may have about that care continuing.

Ms Doran: The nature of the scheme is very different from the CTP arrangements. This goes back to the benefit nature of the CTP scheme that we were discussing before. The lifetime care scheme has set up an arrangement that provides financial support in the areas of treatment and rehabilitation for people for the whole of their life; it provides certainty to them that the sort of support they will need will be there and is not subject to any adversarial processes. It is paid on an as-needs basis; it is not paid in a lump sum form that leaves them with the responsibility for managing those funds over what could be, for some of our young participants, a very long and uncertain time frame. That level of certainty is a huge benefit to people.

We also have the fact that the lifetime care scheme is provided regardless of fault in

an accident. It has essentially extended the scope of the CTP scheme; to the extent that these sorts of injuries were catered for in the CTP arrangements, it was only ever on an at-fault basis so—

Mr Barr: It is illustrated in the annual report in figure 5 on page 196 in the first column. Go and have a look at how much is going into treatment and care. Look at that now compared with the legal costs and tell me there is not something wrong with that story. To the extent that the lifetime care rebalances that into treatment and care, it has made a difference. Going back to the previous point, it cannot be more starkly illustrated than in figure 5 that we are now spending more on legal costs than we are on treatment and care.

THE CHAIR: The individual who was an overseas person was from what country?

Ms Doran: The United States.

THE CHAIR: What happens there? Have they returned home or have they remained in care in the ACT?

Ms Doran: They have returned home at this stage, and the scheme extends coverage to that person overseas.

THE CHAIR: Are the costs of providing the services in the US greater than here?

Ms Doran: The scheme extends coverage on the basis of the costs that would be expected within Australia. At the moment this is an issue that we are monitoring closely. We do not have a lot of data at the moment to make an assessment as to whether the costs would be more or less. We suspect that the services themselves are probably at a lower cost, but the exchange rate comes into play and affects us in that space as well. At the moment we are meeting the costs as they are being incurred in the US, and consider those reasonable within the framework of the scheme. As I said, at the end of the day the scheme's responsibility is defined in terms of costs within Australia, so that is something we will monitor.

THE CHAIR: On page 467 of the financials it says about halfway down the page that as at 30 June 2015, assets of \$9 million sufficiently exceeded current liabilities of \$0.7 million. How long do you think it will take before we know whether we have got the premium balance right? I note the next sentence:

However, its total liabilities (\$17.538 million) exceed its total assets (\$9.269 million).

Ms Doran: While the levy is set on a year-by-year basis and is set to cover the whole-of-life costs of claims incurred in a year, there will always necessarily be a longer time frame for the financial considerations of the scheme. We had claims experience in the first year that were at, you might say, the higher end of what might have been expected. So far this year, we have had no claims reported, thankfully. That will be the nature of the scheme; it will be volatile from year to year.

In terms of setting the levy and looking at the financial soundness of the scheme, that

will always be done over a longer time period of three years or five years, in some ways similar to the superannuation provision account, where you have that sort of cycle of evaluations. Of course, we are in the first year, so we do not have the benefit of that longer time frame, but the decision was certainly taken this year that in re-setting the levy for the second year of operation, there was not enough evidence in the experience that we had to suggest that the average experience expected would be any different in the second year. On that basis, we have sustained the levy at the current level and at the end of the second year we will look again at whether the claims experienced through that year have brought that asset liability mix back into more of a balanced situation.

THE CHAIR: Members, are there any other questions before lunch on the care and support front? No. Thank you, Ms Doran.

We now move on to the ACT Insurance Authority. We will go to Ms Porter and then to Ms Lawder and work our way down.

MS PORTER: On page 7 it says that the outlook for the authority will continue to be volatile. Could you explain what is happening there?

Mr Fletcher: In terms of the claims profile?

MS PORTER: Yes.

Mr Fletcher: The Insurance Authority has only existed since 2000. In the early years it was difficult to get a firm fix on what our liability profile looked like. Progressively over time, as we have consolidated the territory's liability profile in terms of the claims that we insured, managed and settled, we have gathered some experience about what that profile looks like. So we are narrowing in on that.

The nature of the types of claims that we look after is long-tailed, which means they take a long time to settle. They are usually personal injury-type claims. That profile has matured over time. The difficulty with it sometimes is that—and that is where the volatility comes into it—every now and then you may get a number of high value-type claims, and they are usually related to the personal injury claims in the medical negligence space. If you get a particular spike in a year, that may add some significant costs to a particular insurance year. Birth claims in particular can be very expensive, and if you have a couple of those in a particular year it causes a spike in that profile.

When those claims are settled, depending on the extent of injury, it is anywhere from \$4½ million to \$12 million or \$15 million, depending on the type of injury. That is why the comment exists in there about the volatility. And we continually revise that profile each year with our actuaries.

THE CHAIR: Ms Lawder.

MS LAWDER: I was interested in your annual customer satisfaction survey, which you talk about on page 10. It said:

The Authority received 23 responses from a cross section of agency clients ...

How many possible responses could there have been?

Mr Fletcher: That is a good question. I do not have the exact number with me but we invoice almost 80 separate agencies and entities and we attempt to send a survey request to as many people in that profile as we think can make a response. Some of the smaller agencies we have very little involvement in. In fact, that number is 58, which is now in our performance summary on page 80. Out of that profile, that possible list of 80, we arrive at 58 and end up with 23 responses.

MS LAWDER: And you got a reasonable level of satisfaction. Eighty-seven per cent indicated they were satisfied. What were the categories they could choose? Was it just “satisfied” or “not satisfied”, or was it “very”, “slightly”? What scale did you use?

Mr Fletcher: The survey asked them to indicate their level of agreement with a particular statement that we might make. We might say, “Overall are you satisfied with the service provided by ACTIA?” It is generally the last question in the survey, and they can agree, strongly agree or disagree to that statement. This year we asked those in the different categories of services that we provide. We asked a question about our finance team, a question about our insurance management services, a question about our annual re-insurance process and the renewal process, which measures most of the contact that we have with insurance representatives in agencies.

MS LAWDER: And how does the response rate and the level of satisfaction compare to previous years?

Mr Fletcher: In previous years we rated fairly high. The survey has been something that has evolved and we are trying to now squirrel down into a bit more detail about the types of things that we do. But we have had responses up around the 90s, 95, for the past three years at least.

MS LAWDER: And was there some qualitative information that would enable you to progress?

Mr Fletcher: Yes. We asked them to add a comment to their view. We do, of course, on top of this exercise, have regular contact with agency representatives that are involved in insurance and risk management. We are always trying to anticipate and hear where we might be able to assist them better on the insurance side of things or on the risk management side of what the authority does.

MS LAWDER: Does your “Outlook” in B.1.5 encapsulate any of the issues from the feedback that you can work on?

Mr Fletcher: In terms of us continuing to assist the agencies?

MS LAWDER: Or from the survey, the feedback that people—

Mr Fletcher: One of the things I suppose that have come out of our contact with those agencies is: several years ago we were probably more involved in

individual-type training activities in risk management, whereas most of the feedback we are starting to get now is that the place that we can add value is at the strategic level with the executive level within agencies. So we run workshops and risk management exercises with executive groups and with project teams or project managers.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: You mentioned earlier that you had 80 entities or agencies that you use. Are some of those non-government entities as well?

Mr Fletcher: No.

MS FITZHARRIS: Have you ever had approaches or people suggest, “Could we as a community sector organisation or a non-government organisation be part of the scheme to harness the scale of a smaller organisation?” Is that something that has come up before?

Mr Fletcher: The answer to that question is: we could but there are a whole bunch of hurdles to go through, one of which, probably the most important one, is that we are not a licensed insurer. So we do not hold a relevant licence to insure a private entity. We are a captive insurer set up under a specific act to insure territory agencies and risks. In saying that, we do get agencies that come to us and have dealings with members of the public and we do our best to try to assist them with whatever problem they have got.

There is a volunteers policy that is a broad policy. It is used by all of the agencies. TAMS in particular has a lot of volunteers. Health has a lot of volunteers. We put that personal accident policy in place but that is the limit of what we can do because, in effect, they are volunteers with us and they become one of us and we can do something about that to a certain extent.

But yes, it is difficult. It is very difficult for us to try to deal with members of the public because of that licensing issue. And I do not know really whether it is a business that we would be in anyway, given that there is a market out there. It may be difficult, I know, for some organisations. People whom we sometimes have contact with seem to be able to find some resolve.

THE CHAIR: On page 30 of your report, in the operating statement on reinsurance recoveries, the budget was to recover \$291,000 but it has run at a loss of \$3.4 million. What has happened there?

Mr Fletcher: The reinsurance recoveries?

THE CHAIR: Yes.

Mr Fletcher: The biggest impact on financial statements this year is a further reduction in our liabilities. I think on the balance sheet there is about \$42 million. When that sort of liability adjustment happens it has an impact on our claims expense but what it has also done at the same time is, our claims reserving practice that we

also revived, which is part of this report, has changed the profile of what our reinsurance recoveries look like, particularly in medical negligence. We have self-insured retention on our medical negligence program that is up to \$20 million.

Our financial forecast and our statements anticipated that at some point in time we would make some recoveries against that policy, in other words, breach the self-insured retention. Now that that profile has changed we are moving further away from that self-insured retention and we have to write those reinsurance recoveries back in the financial statements.

THE CHAIR: In the line above that, “Claims Credit (Expense)”, you actually expected a \$48 million expense but you have \$11 million credit. Is it the same story?

Mr Fletcher: The same story, yes. It is the release of liabilities from prior years to deal with that expense in the operating statement.

THE CHAIR: On the balance sheet under the outstanding claims, the budget was for \$297 million but the actual has come in at \$233 million. What caused that?

Mr Fletcher: Those are the experience, some discount rates and our revised reserving approach. If you go to note 19 there is a table that details basically the ons and offs to arrive at that claims expense. That is on page 60. On the next page, page 61, there are a series of dot points about how we arrived at that revised gross outstanding claims provision. Basically it works from the top to the bottom with all of those various elements including each of the core policies that we provide and whether or not that added to or subtracted from that liability.

THE CHAIR: And the gross outstanding claims are \$298 million. The budget was \$297 million. Where do we find the \$297 million on the balance sheet?

Ms Pritchard: Which figure were you reading?

THE CHAIR: If, in the balance sheet, we looked at the outstanding claims as \$297 million as the budgeted figure.

Ms Pritchard: That is the budgeted figure, the \$297 million?

THE CHAIR: Yes, and you have got \$233 million.

Ms Pritchard: In the \$233 million you have got some current liabilities and noncurrent liabilities on the balance sheet. You have got \$22 million and the \$233 million. That reconciliation is actually on page 58. That gives you the current and noncurrent, which adds up to the \$255 million.

THE CHAIR: And the \$233 million comes from where then?

Ms Pritchard: That is the noncurrent liability.

THE CHAIR: The \$255,607,000?

Ms Pritchard: Yes. That is made up of two figures on the balance sheet, the noncurrent and current.

THE CHAIR: Members, are there any further questions for the Insurance Authority? Thank you very much, Ms Pritchard and Mr Fletcher.

We move to the ICRC. The committee welcomes the ICRC to the annual reports hearing. I do not believe the gentlemen were here for the opening address. We simply bring to your attention the housekeeping. Before you on the table is the privilege statement. If you could inform the Assembly that you have read and understand the implications of privilege?

Mr Gray: Yes we have.

THE CHAIR: It is so noted. Would you like to make an opening statement before we move to questions?

Mr Gray: No we would not.

THE CHAIR: Ms Lawder, you have the first question.

MS LAWDER: The last time we spoke was, I think, when you appeared maybe at estimates. I just wanted to follow up where we are at post the water and sewerage price determination. How is the present determination working?

Mr Gray: When would we have spoken—before the Industry Panel came down?

MS LAWDER: Maybe it was a committee hearing of some type.

Mr Gray: Okay. Very briefly, the Industry Panel brought down its final decision, which provided a price direction, which the commissioner, under the act, is compelled to give effect to, so we did that. That involved some consultations with Icon Water about whether they wished to claim any pass-throughs. They did not, and so the price determination amounted to simply picking up the latest CPI figures from the ABS, which had been recently released, and applying the formula, which gave rise to the actually determined price outcome, which saw a small reduction in water charges, a small increase in sewerage charges and a net result which translated to an annual increase of about \$8 in people's water bills on an annual basis. So the two price changes more or less offset each other.

MS LAWDER: Have there been any issues that you are aware of?

Mr Gray: In terms of the application, no.

MS FITZHARRIS: Under the feed-in tariff reports that you are responsible for producing, I note that there was a final one due in September 2015. Has that been published?

Mr Gray: That has been issued, yes.

MS FITZHARRIS: In summary, what did it say?

Mr Gray: It says that the trends that were evident in the June report, which are that, with the scheme now being fully subscribed under the caps that were put into the act, the levels of generation and installations and so on are levelling out. New installations have fallen to practically zero, the feed-in tariff system is now stabilising, and the fluctuations that you are seeing are largely either seasonal or are particular weather patterns in a particular quarter, above and beyond that.

MS FITZHARRIS: And so is that the last one the commission is required to do?

Mr Gray: That is the last report the commission is required to do, and we have withdrawn the requirement that was previously in the electricity code for the utilities to provide us with the information on which that report is now based. That information will now be collected by the Environment and Planning Directorate on an annual basis and they will publish a feed-in tariff report on an annual basis, rather than the quarterly basis on which we provided it.

MS FITZHARRIS: So can you say whether you expect that stability to remain?

Mr Gray: There may be a very slow and gentle roll off in installations for various reasons. People demolish houses or whatever; contracts are given up in effect. But, because the contract term is so long, yes, we would expect it to be stable for the foreseeable future, subject to only the minor fluctuations I have mentioned.

THE CHAIR: Ms Porter.

MS PORTER: Page 34 of your report talks about community engagement and support and the important role that you have in informing the debate on these issues to the broader community. Obviously the website is extremely important. Can you give me feedback about the way you inform the public? Do you believe that you are able to successfully engage the public on these matters? Do you get any kind of indication from the feedback you get from the public?

Mr Gray: Engaging the public, particularly on the more technical reviews we do, is a continuing challenge for the commission and we are constantly revisiting the issue of “Can we do better?” We are presently just beginning an inquiry into water tariffs—not the level of prices, but the way the prices are structured between fixed costs and volumetric charges and so on.

We are proposing, once a draft report on that is out, to engage the public in a series of forums and workshops to try to pick up as much as we can of the concerns that people will have. We anticipate that, because of its nature and because of the public statements that have been made by various interest groups in the past three or four years really, there will be substantial public interest in that review. So we are going to more than the ordinary lengths to try to ensure that the public are engaged.

The issues paper will come out later this month and then there will be three technical papers spread through the first half of next year, beginning in February, that will look at particular issues and try and provide some factual background so that people can

make submissions to us on an informed basis. We are for the first time having a very open and long submission period so that people can make a number of submissions and make submissions as issues arise in the material that we are putting out. Hopefully, by that combination of methods, we will get good engagement on this review, which will be an important review because the recommendations are likely to set the pattern for the structure of tariffs in water and sewerage for the next decade or so.

MS PORTER: By “particularly long” what do you mean?

Mr Gray: The issues paper will be out later this month—around the middle of the month we anticipate. I think submissions close or are scheduled for June, so something over six or seven months. During that period they will have the issues paper then, in February, they will get a technical paper in regard to elasticity of demand for water and what the implications of a varying price would be on the demand for water. Then they will get an issues paper on marginal cost pricing, which is a topic that is often raised in this context, to try to explain to people what that involves. Then there is planned to be a technical paper on the possible introduction of trade waste pricing, which is something our colleagues at Icon Water are going to help us out a great deal with.

All those papers will be available well before the final deadline. Then there will be a draft report, then we will engage in this public forum workshop process, there will be a final deadline for submissions and then the commission will produce a final report in November of next year.

MS PORTER: Right, so it is a 12-month process from now, really?

Mr Gray: A 12-month process, yes.

MS PORTER: And will these forums be held across Canberra?

Mr Gray: Yes. We will try to target the groups that we expect to be interested, but obviously we will try to reach out as far as we can.

MS PORTER: And the timing—day, night, weekends; will you be able to accommodate some variety of times?

Mr Gray: Yes. We have usually done it in the early evening when we have done something like this and that has worked reasonably well.

MS PORTER: It also talks about your support of local not-for-profit charities. What does that entail?

Mr Gray: That is done not as a commission but, as it were, as a private endeavour by the staff of the commission acting together. We happen to share a building with Anglicare and we are always very responsive to their appeals for food and so on through the year.

We have also formed an association with one of the women’s refuges and when we

have had material that it has not been economic to dispose of through market mechanisms—things like chairs and tables—rather than it go for next to nothing we have gifted it to the women’s refuge. I think we also gave some spare furniture, which had no commercial value but was very welcomed by one of the local preschools, and so on—that kind of interaction.

MS PORTER: Thank you.

THE CHAIR: Mr Gray, on page 12 of your report there are two short paragraphs, before the name blocks for you and Mr Buckley, which says:

Assuming that the current regulatory framework is to be maintained it will be essential that the Commission is both better prepared and better equipped to conduct its next pricing review.

From what you said before, in this context we can only endorse the observation that I have just read. So what better preparation and better equipment are required to allow that to happen?

Mr Gray: Relative to the last pricing review, which I will use as a benchmark, if I may, first of all is proper accommodation. That has been taken care of. Second is an appropriate level CEO; that has been taken care of. Then there are proper funding and staffing and a proper process for conducting a review. As we mentioned, I think in last year’s annual report, we are going through this cyclical downturn and we are basically currently at the trough. We are currently recruiting to cover both the water tariff review that I was talking to Ms Porter about and the upcoming electricity price review, which will start next year, and then at the beginning of 2017 the new water price review will start.

So we are rebuilding our staffing with people with capabilities designed to tackle those tasks. We have the funding to do that under the systems that operate. The government, the Chief Minister in his capacity as Treasurer, brought down the government’s response to the grant review last week and that contained an acceptance of many of the recommendations. The implementation of the actions that this response describes will improve the positioning of the commission to deal with that review, in terms of the quality of the process, the clarity of the process, the powers of the commission to require information and so on, and removing some of the uncertainties that certainly seemed to cloud ACTEW’s, as it was then, capacity to participate fully in the last review.

THE CHAIR: All right. On page 2, the first paragraph of your preface says that you will be finishing in February 2016. Chief Minister, who will replace the two gentlemen, and what is the process involved?

Mr Barr: We will go through a process of appointing new commissioners. I do not have names at this point, but that process will be conducted in accordance with the appropriate legislative frameworks.

THE CHAIR: And is there no consideration of reappointing the two existing commissioners?

Mr Barr: Without wanting to speak on behalf of the commissioners, I think they have both indicated an intention not to seek reappointment.

THE CHAIR: So when will the process begin?

Mr Barr: We are certainly aware of having had that advice of the need to fill the vacancies, so the process has begun.

THE CHAIR: And these positions will be publicly advertised?

Mr Barr: That has certainly been the government's approach with recent appointments, yes.

THE CHAIR: So it will continue with this?

Mr Barr: I would imagine so, yes.

THE CHAIR: Gentlemen, thank you for your service over the past five years and best of luck in the future. With that we might move on to Icon Water for the last 15 minutes. I think you were all in the room when I read the standard introduction, so we will just get into it. Mr Knox is not with us today?

Mr Barr: No. I understand he has a personal—

THE CHAIR: That is okay. We have had discussions previously about the repatriation of capital from ActewAGL, and there was a process that was being followed. Could you, whoever is answering, run us through what is happening with that and where are we at with Icon's debt strategy?

Mr Sachse: As we said last time, there is a joint working group looking at a debt strategy for Icon Water. Part of that strategy is to look at an ActewAGL debt program. My understanding is that the ActewAGL CFO is now in discussions with the Treasury around that ActewAGL debt program, and that is continuing. My understanding is that there has not been any decision regarding that debt program at the moment, so it is still in progress.

THE CHAIR: This has been going on for some time now. When is that likely to occur and why is ActewAGL talking to Treasury and not talking to you guys?

Mr Sachse: While Icon Water has an interest, it really is an ActewAGL debt program, and they need to take ownership of that debt program going forward. Being in discussion with the banks et cetera, they understand the risks and they are probably better to inform Treasury regarding that debt program in more detail than Icon Water is.

THE CHAIR: But Icon owns a 50 per cent share of ActewAGL.

Mr Sachse: Correct.

THE CHAIR: So why are you excluded then?

Mr Sachse: Sorry, say that again?

THE CHAIR: If you own the share why are you excluded and why do they deal with Treasury?

Mr Sachse: We are definitely not excluded; it is just a preference for Icon Water that ActewAGL deal directly with Treasury on that issue. They are representing both Jemena, the other 50 per cent owner, and Icon Water. They know the detail. They have been in discussion with the banks and they understand the terms and conditions around the debt framework.

THE CHAIR: I am just intrigued as to why you would not be involved in the process.

Mr Sachse: We are involved, so we are being kept informed. We know where it is at. We are just not sure as to when the finish line will be.

THE CHAIR: So what is the reasoning for dealing directly with Treasury?

Mr Sachse: As I said before, they understand the detailed Ts and Cs regarding the debt agreement with the banks.

THE CHAIR: Is Icon not aware of that detail?

Mr Sachse: There are fairly detailed discussions going on.

THE CHAIR: But Icon would surely be aware of that detail? You are a 50 per cent shareholder.

Mr Sachse: Yes; correct.

THE CHAIR: I am at a loss here as to why Treasury would be doing this on your behalf.

Mr Sachse: Treasury is doing it on our behalf? You mean ActewAGL treasury?

THE CHAIR: Why is ActewAGL dealing with Treasury and not with you directly?

Mr Sachse: We have had multiple meetings between three parties. ActewAGL is just continuing those discussions with Treasury.

THE CHAIR: When you say “Treasury”, you mean ACT Treasury?

Mr Sachse: ACT Treasury, yes.

THE CHAIR: What is ACT Treasury’s interest in this, as such, if you are the half-owner? I do understand ACT Treasury’s interest, but surely it is for you to discuss this strategy.

Mr Sachse: Sure. As ACT Treasury are representing the shareholders on this issue, they need to be comfortable with the risk profile of that debt program. Until they are comfortable with that debt program I guess they will not be comfortable when advising Icon Water to approve that.

THE CHAIR: Did the shareholders ask Treasury to be part of this?

Mr Barr: Yes, we have an interest. We want to be involved. We want to be informed during the process.

THE CHAIR: Is that because you did not trust Icon to do it or you thought Treasury had better—

Mr Barr: Have skills that can be brought to the task, yes.

THE CHAIR: Ms Porter, a new question?

MS PORTER: Good afternoon to all of you. On page 13 of the report it talks about the branding. Obviously there was a lot of confusion about the names ACTEW, ActewAGL and ACTEW Water, and now we have the branding, Icon. How has that been received? Do people really understand what Icon is, given that the word “water”—?

Ms Breden: We have had a couple of indicators to date that we are certainly heading in the right direction as far as reducing brand confusion. Certainly general feedback we have received from key stakeholders, including customers and importantly our staff, has been positive in relation to the brand. There have been two surveys that have given us some good indicators.

In August 2015 the Water Services Association of Australia conducted a survey of water users across Australia. That included 402 respondents who were ACT residents. When they were asked the question, “Who is your water supplier?” 39 per cent could name Icon Water. So from the time that we announced the new brand publicly in May to September, 39 per cent of our customers surveyed could name us.

In September 2015 we conducted our own annual customer satisfaction survey. We included a question which was slightly different. The customers who were responding to that survey knew that they were being asked about Icon Water, so the question in that case was, “Prior to today, were you aware that Icon Water had changed its name from ACTEW?” Eight-one per cent of respondents in that case said yes, they were.

So we have these two indicators, neither of which tells us that we can sit back and the job is done. We have still got some work to do between now and May 2016, which is when we intend to conduct our evaluation of the effectiveness of the brand change, both in terms of reducing the confusion between ACTEW and ActewAGL and in terms of increasing awareness of the new Icon Water brand.

MS PORTER: The report outlines the various aspects of other kinds of community engagement and support programs. Are you able to give the committee an idea, in financial terms, of the engagement that has taken place over the period and the

response by both the school communities and the local community groups?

Ms Breden: The community support program had a budget during 2014-15, and has again in 2015-16, of \$500,000. That provides Icon Water with opportunities to support members of the community but also educate and engage with members of the community in relation to important messages around use of water and sewerage systems, protection of our assets and protection of the environment.

We have supported during 2014-15 a range of organisations, including in the areas of culture and the arts and community health and wellbeing. We also have a program where we have an education officer who will go around and talk to schools about water issues and topics that will help to educate school children as well. Those are generally well received.

MS PORTER: Given the stated aim of actually doing that, do you think that the budget may be increased?

Ms Breden: The budget has not been increased for a number of years now. During 2015-16 the Icon Water board has asked management to review the state of the community support program to have a look at reducing our expenditure in the area of culture and the arts and increasing expenditure in the areas of community wellbeing and health. We are looking at starting that review shortly.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: The number of Icon water bottles at my kids' school and at their soccer club when soccer season was on was huge, and there was much confusion because there were so many Icon Water bottles. So well done on that one. On page 3 of the annual report you note lessons learnt elsewhere, particularly in the UK which has transitioned to a more customer-driven, performance-based regulatory approach. What does that mean? What does that look like compared to what Icon Water currently does?

Mr Sachse: The UK has a unique structure for regulation. While a lot of those water utilities are regulated in a similar style to Icon Water, Ofwat has an enhanced status. You can actually bypass the regulatory model if you prove in your business case that you have properly engaged with customers and understand what their needs are. Basically, they get the customers to sign off on their business plan. So if Ofwat has some higher degree of confidence in that business plan then they can just get on with business and bypass the regulatory process and set their own prices. That is something that Icon Water probably could learn from. It is something that we would probably raise with the ICRC in time to move to a more light-handed regulatory approach and minimise the cost of regulation.

MS FITZHARRIS: Thank you. I am just conscious of the time.

THE CHAIR: Ms Lawder.

MS LAWDER: I refer to page 23, the HR area and the culture part, I guess, specifically. You did a survey in November 2014. Are you planning another one in

November 2015?

Ms Breden: That was an employee engagement and culture survey. We are looking at doing another one. It probably will not be in November 2015. It will probably be likely in early 2016.

MS LAWDER: Regarding your staffing profile on page 24 and the headline figures, how does your workforce as at 30 June 2015 compare to 30 June 2014?

Mr Sachse: It is pretty similar. It is in the 390 range, from memory.

MS LAWDER: You are currently going through some restructuring. Would that be the right word? What would you call it?

Mr Sachse: Yes. John raised at a previous public accounts committee that the asset management group would be moving from a product structure to more of a strategic asset management framework. To make that happen there would be some reviews at the asset management level.

MS LAWDER: What sort of staffing numbers do you think will be cut?

Ms Lewry: As part of the asset management restructure, which is currently under consideration by our staff at this point in time, we are looking at actually merging, as the acting CEO said, the water and sewerage product lines into a best asset management structure. As part of that we are looking at the moment at a retraction of 13 jobs. But, as I said, that proposed structure is still under consultation and is subject to review during that consultation period.

MS LAWDER: Your employee culture survey that I referred to earlier mentioned a need for continued improvement in relation to change management, performance management and internal communications, for example. Do you feel that the way you are going about this current restructuring or refocusing—whatever you want to call it—is consistent with the need to do those things? How do you inform staff of these changes?

Ms Lewry: We have been working with staff for some time in the asset management space and identifying what best practice asset management culture looks like. As an organisation we are looking to align ourselves to the latest international standard, which is ISO 55000 on asset management. We have worked over a period of nine months with the staff in mapping what we call our business activity model. This is all of the activities that would be best practice for the asset management group to perform in our target state.

We have also looked at the competencies. We have looked at an international framework on competencies on asset management. We are using a global forum on maintenance and asset management. There are 39 landscape subjects on asset management. We have mapped every competence to every activity, with the help of our staff, and that has absolutely formed the basis to inform the restructure and aligning to both the competency structure that we have done and also our business activity target state model, which has been developed by our staff and verified

independently.

MS LAWDER: Is the overall goal to reduce costs?

Ms Lewry: No, the overall goal is to ensure that we have got a competent and capable workforce to realise excellence in asset management going into the future.

MS LAWDER: I will stop there.

THE CHAIR: It is 1.30 and we are going to have to finish. Before you go, on page 8, I see you have got 166,000 connections to water, but you have only got 165,000 connections to sewerage. Who gets water and not sewerage services?

Mr Sachse: That is a good question. I might need to take it on notice.

THE CHAIR: I am just intrigued as to who is getting input but no output. With that, we will thank you and leave it there. Minister, I thank you and your officials for your attendance today. We have now run out of time.

Could any answers to questions taken on notice be replied to by COB on 16 November 2015? Members' written supplementary questions relating to annual reports will need to be provided within three days of the proof transcript becoming available. If the committee has any supplementary questions they will be forwarded. When we have the proof transcript that will be forwarded to witnesses to provide the opportunity to check the transcript and suggest any corrections. I now formally declare the public hearing closed.

The committee adjourned at 1.31 pm.