

SELECT COMMITTEE ON ESTIMATES 2012-2013

APPROPRIATION BILL 2012-2013 AND
APPROPRIATION (OFFICE OF THE LEGISLATIVE
ASSEMBLY) BILL 2012-2013

AUGUST 2012

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1 ADDITIONAL COMMENTS— AMANDA BRESNAN MLA AND MEREDITH HUNTER MLA

Chapter 9 Community Services Directorate in the section dealing with Housing for people with disabilities, discusses \$500,000 allocated in the 2012-13 Budget to assist the Directorate, in partnership with Disability ACT, to investigate innovative models of social housing for people with disabilities.

The Committee has further noted that Carers ACT made a budget submission requesting \$250,000 to fund a study of innovative housing models for people with disabilities. This budget submission was not successful and the Government indicated that they believed the work requested by Carers ACT had already been done.

The Committee notes that it was their understanding that the work from the Government only looked at models of innovative housing that could be provided by the government sector and did not examine models that could be delivered by other sectors, including the community and private sector, which is the work Carers ACT proposed.

Carers ACT budget submission proposed an economic and social analysis of models of supported housing for people with disabilities, and was a major outcome from a summit in March 2012 involving carers, community groups and other stakeholders.

Noting the \$500,000 allocated in the Budget to examine innovative housing models and given the move to the National Disability Insurance Scheme (NDIS) which will provide people with disabilities with greater choice in how they spend their funding support, we believe that a large proportion of the \$500,000 should be allocated to Carers ACT to undertake the housing study proposed in their budget submission.

We recommend that:

The ACT Government allocate at least \$250,000, of the \$500,000 in the 2012-13 Budget to examine innovative models of housing for people with disabilities, to Carers ACT to fund a review of innovative supported housing models for

people with disabilities that includes the government, non-government, community and private sectors.

Given the expertise of Carers ACT, there is sufficient justification under the *Government Procurement Act 2001* to exempt this contract from tender or quotation processes and award it on a single select basis. There are numerous other examples of such processes occurring across directorates with respect to funding community organisations. For example, in 2010-11, there were 58 contracts awarded to the community sector. 31 of these contracts exceeded \$200,000 in value and were exempted from the requirement to seek public tenders. In 2011-12, there were four contracts awarded to the community sector. Three of these contracts exceeded \$200,000 in value and were exempted from the requirements to seek public tender.

2 DISSENTING REPORT— BRENDAN SMYTH MLA AND ALISTAIR COE MLA

1. Introduction

- 1.1. Brendan Smyth MLA and Alistair Coe MLA have prepared this dissenting report on the consideration of the 2012-13 ACT Budget. The basis for this dissenting report is that there are some matters which they consider are of such importance, and which were not accepted by a majority of the members of the Select Committee on Estimates, that they should be included in a separate report to the Assembly.
- 1.2. Messrs Smyth and Coe are extremely disappointed in the approach adopted in the ACT Budget for 2012-13 for three critical reasons. First, the budget delivers the highest taxes in the history of the Territory and the highest taxes in the country. Second, the budget delivers a massive fall in the quality of core services – notably in health services (which are the worst in the country) and in protecting our most vulnerable children.
- 1.3. The third concern with the budget, however, is that it delivers a massive aggregate budget deficit over 2011-12 and the next four years of more than \$600 million. Indeed, in 2011-12, not only did the ACT Labor Government budget for a deficit of \$37 million but the Government achieved a final result in which that deficit mushroomed to a deficit of more than \$180 million.
- 1.4. At the same time as the ACT is facing substantial current and projected deficits, the ACT economy apparently is one of the strongest performing of all Australian States and Territories. According to independent commentators, the performance of the ACT's economy is equal second with Victoria and both are behind the boom economy of Western Australia.
- 1.5. The ACT Labor Government also has attempted to portray the 2012-13 Budget as a great taxation reforming budget. The reality, however, is that even this claim is a distortion. What is claimed to be significant tax reform is, in fact, simply an

attempt to redistribute the tax impost from the whole community on to those who are assumed to have a greater capacity to fill the ACT's coffers.

- 1.6. The Territory has had 11 years of fiscal mis-management by the ACT Labor Government. The Territory has experienced a boom in revenue in recent years. Since 2001-02, the year in which the ACT Labor Government was first elected, the ACT has benefited from receiving almost \$1.2 billion more revenue than had been budgeted for in each annual budget.
- 1.7. Yet, despite this boom in revenue, the budget has been in deficit for seven of those years. These deficits have been the result of many instances of grossly wasteful spending by the ACT Labor Government. There have been the substantial budget overruns for the construction of such major capital works projects as the Gungahlin Drive Extension and the Glenloch Interchange, the Alexander Maconochie Centre, the new headquarters for the Emergency Services Agency and the new Cotter Dam. There have been other projects, such as the proposed great big new ACT Government office building, the Belconnen to Civic busway, the ESA's Firelink project, the Canberra Hospital multi-story car park, the mental health facility and the Tharwa Bridge which have either been abandoned or have exceeded their budgets. To these instances of waste can be added the failure to manage the budget of Territory and Municipal Services and the Rhodium scandal.
- 1.8. In addition, the ACT Labor Government has been unable to manage employee expenses – by far the largest component of the annual budget – with the growth in this spending component averaging an increase of nearly 8 per cent each year since 2003-04. This rate of increase far exceeds the target of an average growth rate of 2.5 per cent each year.
- 1.9. This necessarily brief overview of the history of the ACT's Labor Government and, more recently, the Labor-Greens Government, simply serves to highlight the 11 years of poor fiscal management experienced by ACT residents – leading to the ACT being in a far weaker position than could have been the case.
- 1.10. Unfortunately, ACT residents will have to 'pick up the tab' for this fiscal mis-management. The ramifications of this mis-management will be felt by all taxpayers for many years to come.

2. Particular matters of concern

- 2.1. Messrs Smyth and Coe have identified a number of broader matters of concern that enable a critique to be made of the entire budget for 2012-13 and of the budget strategy for this financial year and for the out years. This critique also emphasises the many failures of the ACT Labor Government over the past 10 years.
- 2.2. Messrs Smyth and Coe have set out a brief analysis of some of the more major failures of the ACT Labor Government to demonstrate their fundamental concerns with overall fiscal strategy.

Fiscal policy

- 2.3. The ACT Labor Government has attempted to implement a plan to return the ACT Budget to surplus. The failure of this plan highlights a fundamental concern with the approach of the Government to fiscal policy. Despite repeated claims to the contrary from the former Chief Minister, the ACT Labor Government budgeted for 10 deficits out of a total of 11 budgets it delivered. In terms of actual outcomes, there were seven deficits out of these 11 budgets; this record shows that three of these deficits were converted into surpluses as a result of a substantial boost to revenue in the relevant financial year.¹
- 2.4. There is every good reason to expect budget deficits during periods of slowing economic activity. In the case of the ACT, however, the majority of the past 11 years have seen very strong economic activity, leading to major boosts to revenue. The ACT Labor Government has been unable to forecast or anticipate these trends.
- 2.5. The evidence is quite clear. Despite a period of sustained economic growth and strong revenue flows, the ACT Labor Government has been unable to manage fiscal policy to ensure that the ACT was soundly placed to withstand any economic downturn.
- 2.6. Moreover, the ACT Labor Government continued to spend recklessly during this period rather than attempt to retain resources for more difficult times. While aggregate revenue grew by \$1.4 billion between 2001-02 and 2011-12, aggregate spending grew by \$1.1 billion. The difference of around \$300 million is almost

¹ There is no outcome for financial year 2012-13 at the time at which this report was prepared.

matched by the aggregate stimulus funds provided to the ACT by the Federal Government of \$261 million, establishing that the ACT Labor Government is unable to control spending, especially during times of higher than normal growth in revenues.

Recommendation 1

- 2.7. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to implement sound fiscal policy.

Cost of living

- 2.8. An important issue for every community is the effect of changes in taxes on the cost of living. The context for this matter is that the ACT Labor Government, in association with the ACT Greens, is the highest taxing government in Territory history and the highest taxing government on a per capita basis in the country.
- 2.9. The initiative by the Opposition in the Assembly to require a cost of living statement to accompany the annual budget has now started to quantify the effect of tax changes on households and families. The ACT Labor Government claims that 'taxation forms a small part of overall household costs'.² This first cost of living statement disputes that claim and has revealed that the ACT Government imposes an extra-ordinary cost on ACT residents.
- 2.10. In 2012-13, the cost of taxes imposed by the ACT Government for an average household in the ACT will be \$9,066. The reality of the claim by the ACT Labor Government is that the first cost of living analysis excludes some very significant costs, including: the utilities tax, the costs of child care and the cost of parking. Even making very conservative assumptions, the annual cost of these taxes will exceed \$12,000 a year or \$1,000 each month. Moreover, sending one or more children to non-government schools increases that amount significantly.
- 2.11. The response of the ACT Labor Government, through the Chief Minister, Katy Gallagher, to cost of living pressures is to 'turn off the Foxtel'.

² Budget 2012-13, Budget Paper No. 3, p 59.

Recommendation 2

- 2.12. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to reduce cost of living pressures on Canberra families and households.

Economic diversification

- 2.13. A major concern with the policy approach of the ACT Labor Government has been a complete inability to strengthen the ACT's economic base through encouraging diversification of our economy. On the contrary, all the Labor Government has managed to achieve has been a regression from the position which the Liberal Government left in 2001.
- 2.14. A reasonable proxy for the structure of the ACT's economy is shown by employment. At that time the Liberal Government left office in 2001-02, the private sector comprised 59 per cent of total employment in the ACT. The latest employment statistics reveal that, over the following nine financial years with the Labor Party in Government, this proportion had dropped to 49 per cent by 2010-11.
- 2.15. This reduction in employment in the private sector and the concomitant reduction in the size of the private sector is an indictment of the policies of the ACT Labor Government. It is pertinent to note that, in December 2003, the Government released the *Economic White Paper* in an attempt to underpin the growth of the private sector and of the ACT's economy overall. Unfortunately, this document sank without a trace and had no effect on the structure of the ACT's economy. More recently, in April 2012, the Government released a business development strategy for the ACT: *Growth, Diversification and Jobs*. There has been insufficient time for this strategy to have any effect at this point.
- 2.16. The release of the April 2012 economic development strategy does demonstrate how the ACT Labor Government, despite being in office for more than 10 years, has failed to strengthen and extend the ACT's economic base. The results of this failure are now seen in such key economic parameters as employment, investment and taxation revenue.

Recommendation 3

- 2.17. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to diversify the ACT economy.

Health

- 2.18. Health is by far the major area of spending by the Territory Government and this is unlikely to change. The community expects the delivery of the highest quality of health care, particularly in view of the devotion of such substantial resources to this industry.
- 2.19. Messrs Smyth and Coe commend the doctors, nurses, allied health employees and all the other front-line staff who work tirelessly to deliver extremely high quality health services to the people of the ACT and the region. As the recent issue over the manipulation of data for the emergency department at the Canberra Hospital shows, however, there is a culture of fear through this Hospital and perhaps even more widely throughout the ACT's health system. This situation is untenable and demonstrates the failure of the current Minister for Health, Ms Gallagher, to provide competent and effective leadership of this vital portfolio.
- 2.20. These serious issues with the emergency department exemplify the issues which have been revealed in the obstetrics department, where a number of doctors resigned because of the toxic work environment.
- 2.21. It is evident that the top echelons of management in the ACT Government, as well as within ACT Health, have a lot of work to do to restore faith in this organisation as a valuable and rewarding place in which to work.

Recommendation 4

- 2.22. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to exercise sound, effective and efficient management of the ACT's health system.

Protection of children

- 2.23. Messrs Smyth and Coe have absolutely no doubt that one of the most critical functions of any civilised society is to protect those people who are most vulnerable: a particular group in this category is our children and, within this group, are those children who are in the care of the Territory.
- 2.24. The evidence of a number of reports has revealed that the ACT Labor Government, despite substantial resources applied over nearly 10 years, has failed to fully protect

our vulnerable children. The latest in a long line of reports and other information was the report from the ACT's Public Advocate in May 2012, in which she documented more instances of inappropriate management of children in the care of the Territory.

- 2.25. This situation must be resolved as a matter of urgency. It does not necessarily appear to be an issue of resources, as substantial additional funding has been provided in this and previous budgets.

Recommendation 5

- 2.26. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to implement appropriate policies and procedures to protect all children in the care of the Territory.

Bullying

- 2.27. Messrs Smyth and Coe emphasise that all people deserve the protection of the organisation in which they work or where there are expectations of protection, as with children being sent to school.
- 2.28. Under the ACT Labor Government, bullying has become institutionalised. There is evidence that bullying has taken place in the Canberra Hospital, in the Canberra Institute of Technology, in the Alexander Maconochie Centre, in the ACT Planning and Land Authority, at the Bimberi Youth Justice Centre and in various of our schools. There are even reports that the ACT Labor Government bullied people and organisations who opposed the handing over of the Fitter's Workshop to Megalo.
- 2.29. All forms of bullying are totally unacceptable. It is not acceptable in the workplace; it is not acceptable in the school yard; it is not acceptable in the community at large.
- 2.30. The ACT Labor Government has not responded to instances of bullying across the ACT Government and, indeed, within the community.

Recommendation 6

- 2.31. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to take appropriate action to eliminate bullying in the ACT public service.

Capital works

- 2.32. The largest area of discretionary spending by the ACT Government is in funding capital works. Over the past 10 years, the ACT's annual capital works budget has increased from the order of \$100 million to around \$800 million. While this appears to be a substantial increase, over the same period, the quantum of the ACT Budget has more than doubled – from \$2 billion to \$4.4 billion and, as well, there has been substantial cost inflation for capital works projects in the ACT of 53 per cent. In real terms, therefore, since 2001-02 the ACT's capital works budget has grown from \$100 million to \$190 million – or approximately double over 10 years.
- 2.33. It is a responsibility of the ACT Government to ensure that the ACT's infrastructure keeps pace with the requirements of our community – in terms of new infrastructure to underpin industrial and commercial growth and new facilities for our community. As well, it is imperative that existing infrastructure is maintained at the best possible standard.
- 2.34. The record of the ACT Labor Government in delivering the Territory's capital works budget has been plagued by extravagant claims and by continual mismanagement. While the ACT Labor Government sought to highlight how big their capital works budget had become, they failed to tell the community how much of each year's capital works budget would actually be funded in that financial year, how much of the budget was rolled over to the following year and the extent of delays and budget overruns for major projects – such as the Gungahlin Drive Extension, the Alexander Maconochie Centre, the expanded Cotter Dam, the ESA headquarters, the Canberra Hospital multi-level carpark and the Tharwa Bridge.
- 2.35. Messrs Smyth and Coe emphasise that a more effective approach to managing the ACT Government's infrastructure projects is required. This approach would provide the ACT community with an accountability mechanism for ensuring that projects are properly scoped and costed, that funding is appropriate to the needs of

the annual capital works program and that projects are delivered on time and on budget.

Recommendation 7

- 2.36. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to manage the capital works program effectively and efficiently.

Tax reform illusion

- 2.37. The Treasurer announced a range of reforms to the ACT's tax regime in the Budget and claimed the vision was 'to create a tax system that is fairer, simpler and more efficient and that is sustainable'. The realisation of this vision was seen as being a long-term process with the proposals in this budget representing the first stage of the reforms.
- 2.38. The reform proposals from the Treasurer do not support the vision. The tax reform package does not contain any strategy for reaching the objective sought by the Treasurer. Instead, the reform package only set out a '5 year reform plan'. Hence, there is a gap of at least 15 years in which the Treasurer has not provided any insight into how the reforms will finally be implemented.
- 2.39. The tax reforms are intended to abolish inefficient transaction taxes and replace them with more efficient, broad-based taxes. As well, the reforms are intended to remove some nuisance taxes.
- 2.40. When the Quinlan report was released in May 2012, the Treasurer said that the Government would consult with the community about 'possible reforms moving forward [sic]'. The Treasurer has ignored this commitment, however, by introducing a number of reforms before his discussions with the community have taken place about these reforms. The Treasurer has compounded this contempt of the community by noting in the budget papers 'The 2012-13 Budget includes a package of measures to commence [tax] reform'. Effective consultations with stakeholders are important before any reforms to the tax system are proposed and introduced.
- 2.41. Moreover, the tax reforms represent a 'double whammy' on various people and groups in the community as, depending on their circumstances, some people will be

forced to pay increased general rates and higher land tax on their properties. This approach is certainly not equitable.

- 2.42. Further, there are a number of people who and organisations which have finalised transactions just before the presentation of the 2012-13 ACT Budget. These transactions would have involved the parties paying the required stamp duty and any other fees. Again, it is inequitable to subject these recently completed transactions to the increased general rates and higher land tax.
- 2.43. Further, while the apparent objective of the reforms is to favour those on lower incomes or those who are dealing with lower valued properties, the reality is that there are relatively few properties which will fall within the parameters of the reforms. As well, increases in property values will mean there are less and less properties which will fit under the various thresholds.
- 2.44. There are other issues with the first stage of the tax reform package, such as imposing a progressive element to property-based taxes and retaining relatively high levels of stamp duty on properties with higher values for a long time.
- 2.45. Some critical issues with the tax reform package were revealed within 12 hours of the budget being presented. The Treasurer had to inject 'flexibility' into his reform proposals to ensure that some significant property transactions were not abandoned because of the retention of high rates of stamp duty on transactions greater than \$1.3 million.
- 2.46. In summary, these nature of the tax reforms demonstrates that the development and implementation of effective tax reforms and economic development is beyond the capability of the ACT Labor Government.

Recommendation 8

- 2.47. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to implement sound, equitable and efficient tax reform measures.

3. Conclusion

- 3.1. The 2012-13 ACT Budget represents failure on the part of the ACT Labor Government and the Labor-Greens Alliance.
- 3.2. In particular, this budget has failed to articulate a feasible fiscal policy; it has failed to set out an acceptable rationale for the tax reform proposals it identified; it has failed to underpin a sound and diversified ACT economy.
- 3.3. This budget is a missed opportunity. It is a missed opportunity to provide the Canberra community with the high quality services it requires in a responsible way.

Recommendation 9

- 3.4. Messrs Smyth and Coe recommend that the 2012-13 ACT Budget not be passed.

4. Recommendations

- 4.1. A summary of the recommendations in this dissenting report is set out below:

Recommendation 1

- 4.2. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to implement sound fiscal policy.

Recommendation 2

- 4.3. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to reduce cost of living pressures on Canberra families and households.

Recommendation 3

- 4.4. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to diversify the ACT economy.

Recommendation 4

- 4.5. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to exercise sound, effective and efficient management of the ACT's health system.

Recommendation 5

- 4.6. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to implement appropriate policies and procedures to protect all children in the care of the Territory.

Recommendation 6

- 4.7. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to take appropriate action to eliminate bullying in the ACT public service.

Recommendation 7

- 4.8. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to manage the capital works program effectively and efficiently.

Recommendation 8

- 4.9. Messrs Smyth and Coe recommend that the ACT Labor Government be condemned for its failure to implement sound, equitable and efficient tax reform measures.

Recommendation 9

- 4.10. Messrs Smyth and Coe recommend that the 2012-13 ACT Budget not be passed.

Brendan Smyth MLA

Alistair Coe MLA