

DISSENTING REPORT

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and

Brendan Smyth MLA

SELECT COMMITTEE ON ESTIMATES 2006-07

APPROPRIATION BILL 2006-07

DISSENTING REPORT

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1 Introduction

- 1.1 This dissenting report has been prepared by Mr Steve Pratt MLA and Mr Brendan Smyth MLA to record those matters on which they dissented from the majority of members of the Select Committee on Estimates 2006-2007 (the Committee). While it is not exceptional for members of an Assembly Committee to disagree, Messrs Pratt and Smyth believe that as many of the issues on which there is disagreement are of such moment – as they relate directly to the Stanhope Government’s Budget for 2006-07 – these issues warrant careful analysis in a separate report to the Legislative Assembly.
- 1.2 The formal details about the establishment and operations of the Committee are set out in the report of the Committee.
- 1.3 The annual Budget for any jurisdiction is a key document in that it establishes the broad policy intentions of the Government. In the case of the ACT, the Stanhope Government’s Budget for 2006-07¹ is particularly significant because it:
- makes a number of substantial changes to the structure of the ACT Government;
 - proposes the establishment of a shared services capability for all departments and agencies within the ACT Government;
 - proposes the closure of 39 schools;
 - makes significant cuts to tourism and the loss of the Australian Capital Tourism Corporation
 - makes significant cuts to business programs;
 - abolishes many of the currently autonomous statutory authorities; and
 - because it moves to base the ACT Budget on a Government Financial Statistics (GFS) basis.
- 1.4 The basis of the reforms in this year’s ACT Budget was the Costello Report on the Functional Review of the ACT Budget (Functional Review).
- 1.5 The consequences of many of these changes are profound: many people employed in the ACT public service will lose their jobs; other people will have their functions moved and this will cause those people to consider either relocating or finding alternative employment; the Stanhope Government is seeking substantial savings in expenditure as a result of the structural changes and the evidence of these savings is at this point problematic.

¹ All references to papers in the 2006-07 Budget will use the format BP3 for Budget Paper 3; papers from earlier budgets will be identified by the relevant year as well as the relevant budget paper: for example, 2005 BP3.

- 1.6 The impact of the 2006-07 Budget is such that Messrs Pratt and Smyth are not convinced that some on the Committee have conducted a sufficiently detailed examination of the approach that is being adopted by the Stanhope Government. Messrs Pratt and Smyth note that the terms of reference for the Committee require it, *inter alia*, “to examine the expenditure proposals contained in the Appropriation Bill 2006-2007”. This means that the Committee must examine all areas of expenditure proposed by the ACT Government. If there are any areas of expenditure for which the Committee has not received a satisfactory explanation, for whatever reason, the Committee is entitled to recommend that the Assembly not approve relevant expenditure proposals until the Government has provided a satisfactory explanation to the Committee of the nature of the expenditure proposed.
- 1.7 Many suggestions made by Messrs Pratt and Smyth were watered down or not agreed to at all; hence the need for this dissenting report.
- 1.8 Messrs Pratt and Smyth also are concerned about the lack of time to prepare their own report, given the absence from key meetings of Ms Karin MacDonald MLA. This necessitated an additional, last minute meeting of the Committee on Monday, 14 August 2006 at 4.00 pm.
- 1.9 This dissenting report sets out those areas of concern to Messrs Pratt and Smyth, provides an analysis of their concerns and makes a number of recommendations derived from that analysis.

2 Summary of recommendations

Recommendation 1: that the report of the Functional Review be tabled immediately by the Government to ensure that a fully informed debate about the 2006 ACT Budget can take place. (Para 4.9)

Recommendation 2: that the ACT Government, in implementing the GFS standard, not include revenue from land sales in the calculation of the operating result for the General Government Sector. (Para 5.14)

Recommendation 3: that the ACT Government, in implementing the GFS standard, not include any gains made by assets invested in SPA in the calculation of the operating result for the General Government Sector. (Para 5.15)

Recommendation 4: that the Stanhope Government release modelling of the impact of the Additional General Rates Impost, the Fire and Emergency Services Levy, the Ambulance Levy, the Utility Land Use Permit and the Water Fee to enable the full impact of these measures on the ACT economy to be evaluated. (Para 5.16)

Recommendation 5: that the Government not proceed with the proposed increase in the ambulance levy. (Para 5.17)

Recommendation 6: that the Government not proceed with its utility land use permits. (Para 5.18)

Recommendation 7: that the Government not proceed with the proposed fire and emergency services levy. (Para 5.19)

Recommendation 8: that, due to significant doubts over the constitutionality of increases to the Water Abstraction Charge, all legal advice sought to date by the ACT Government on its legality should be tabled in the Assembly before the Budget debate. (Para 5.21)

Recommendation 9: that the proposed increase in the water abstraction charge not proceed. (Para 5.22)

Recommendation 10: that the Chief Minister apologise to the ACT community for his incompetence in failing to manage the ACT public service effectively. (Para 6.5)

Recommendation 11: that the Stanhope Government amend the 2006-07 ACT Budget to take account of the reduction in estimated savings of \$18 million on account of the reduction in the loss of public servants from 500 to 318. (Para 6.7)

Recommendation 12: that the Stanhope Government provide to the Legislative Assembly before the Budget is debated a full reconciliation of both the changes in staff numbers across all departments and agencies in the ACT Government and the estimated final numbers of staff in each department and agency. (Para 6.18)

Recommendation 13: that the Stanhope Government present to the Legislative Assembly, before the Budget debate resumes, a comprehensive capital works strategy, including a five year road plan, for the ACT for the next five years and an associated asset management strategy. (Para 7.7)

Recommendation 14: that the Minister apologises to Assembly for the way in which he released information concerning the EpiCentre site at Fyshwick that had been requested by the Committee. (Para 8.5)

Recommendation 15: that the communication processes within and between agencies be examined to determine whether officers were derelict in providing information to senior staff, including the CEO, or whether the CEO had certain information about this auction process and misled the Committee about it. (para 8.6)

Recommendation 16: that the Minister for Planning and the Land Development Authority be asked to present to the Legislative Assembly all documents that relate to the auction of section 48, block 8 in Fyshwick. (Para 8.7)

Recommendation 17: that, should the Minister not fulfil the above three recommendations concerning the Minister's actions in relation to the auction of the Epicentre site, his actions be referred to a Privileges Committee for inquiry and report. (Para 8.8)

Recommendation 18: that the Attorney General corrects the record and apologises to Dr Harrison for his false and misleading statements to the Committee and, through it, for misleading the Assembly about the nature of a consultancy report prepared by Dr Mark Harrison. (Para 8.13)

Recommendation 19: that the Minister for Education and Training provide to the Legislative Assembly a report setting out the nature of the response of the ACT Department of Education and Training to the claims of sexual harassment in an ACT school. (Para 8.17)

Recommendation 20: that the Minister for Police and Emergency Services provide to the Legislative Assembly a report setting out the nature of the response of the ACT Police to the claims of sexual harassment in an ACT school. (Para 8.18)

Recommendation 21: that the Minister for Education and Training be asked to present to the Legislative Assembly a comprehensive strategy for dealing with instances of sexual harassment in ACT schools to avoid any repeat of this type of issue. (Para 8.19)

Recommendation 22: that the ACT Government immediately proceed with planning for the construction of a new international standard convention facility in Canberra based on the *Convention Central* proposal. (Para 9.3)

Recommendation 23: that Output 1.4: Communications be reduced by \$142,000. (Para 9.5)

Recommendation 24: that the Stanhope Government provide answers to all of the questions asked by the Committee on the status of recommendations made in the Economic White Paper. (Para 9.9)

Recommendation 25: that the Stanhope Government short sighted cuts to business programs not proceed. (Para 9.10)

Recommendation 26: that the Government not use WPI but instead reinstate the CPI as the measure by which rates will be adjusted each year. (Para 10.6)

Recommendation 27: if the Stanhope Government ignores the recommendation in 10.6, that the Stanhope Government provide full details of the WPI that will be used to index rates each year, including a trend analysis comparing the application of the CPI with the application of the WPI. (Para 10.7)

Recommendation 28: that the Shared Services Centre not proceed. (Para 11.8)

Recommendation 29: that the Treasurer correct the inaccurate statement he made about health spending in the Budget Speech. (Para 12.3)

Recommendation 30: that the Minister apologise for the misleading comments that she made to the Committee about the number of hospital beds in ACT public hospitals. (Para 12.13)

Recommendation 31: that the Government open 100 extra acute care beds to relieve pressure on the emergency departments and to facilitate a reduction in elective surgery waiting lists. (Para 12.16)

Recommendation 32: that the Minister for Health explain why only \$13 million can be identified as have been applied to elective surgery since 2003-04 and explain why even these funds have failed to reduce waiting lists. (Para 12.19)

Recommendation 33: that Ms Gallagher apologise to the Committee for her disrespect of the Estimates process by releasing information requested by the Committee to the media before forwarding the information to the Committee. (Para 12.22)

Recommendation 34: that the Stanhope Government increase the allocation of funding for mental health services from within the health portfolio to reach 11 per cent of the health budget by the 2009-10 Budget. (Para 12.25)

Recommendation 35: that pay parking not proceed at Canberra's two public hospitals. (Para 12.31)

Recommendation 36: that, should the Government proceed with pay parking at the Canberra Hospital, it not commence until the new car park is open. (Para 12.32)

Recommendation 37: that people seeking assistance for housing matters be dealt with by specially trained staff from Housing ACT and that, as a consequence, the Minister provide details of any changes that are being proposed to the operations of all shopfronts in the ACT. (Para 13.4)

Recommendation 38: that the Stanhope Government expedite planning approvals for sites identified for facilities for older people. (Para 13.6)

Recommendation 39: that an evaluation be undertaken of the full cost of managing children in the care of the ACT Government to identify any opportunities for savings to be made. (Para 13.8)

Recommendation 40: that the Director of Public Prosecutions and the ACT Police provide more resources from within their current resources for the conduct of forensic services in the ACT. (Para 14.2)

Recommendation 41: that the Government move urgently to build dedicated ACT policing forensic services and ensure an adequate number of forensically trained police for domestic investigations. (Para 14.3)

Recommendation 42: that the Government defer the ACT prison project until such time as the ACT Budget has returned to a financially sustainable position and that, in the meantime, there should be an inquiry as to whether the ACT prison represents value for money for ACT taxpayers. (Para 14.6)

Recommendation 43: that the Treasury release their advice to the ACT Executive on the business case that was prepared for the ACT prison. (Para 14.7)

Recommendation 44: that a new remand centre be planned and built as a matter of urgency. (Para 14.8)

Recommendation 45: that the Emergency Services Authority remain an independent statutory authority, as recommended and accepted by and implemented by the Stanhope Government in response to the McLeod Report on the 2003 bushfires. (Para 14.12)

Recommendation 46: in the event that the former recommendation is not implemented, the Stanhope Government put in place a protocol that establishes clearly and unambiguously where the lines of responsibility fall with respect to the management of emergencies in the ACT. (Para 14.13)

Recommendation 47: that the Assembly note the failure of the Stanhope Government to ensure the continued rollout of the Community Fire Units program. (Para 14.26)

Recommendation 48: That the Government ensure that all of its departments with land management responsibility and the ESA are sufficiently resourced to ensure that all BOP's required for all vulnerable suburbs and other critical and vulnerable locations in the ACT are completed and then implemented in time for each bushfire season. (Para 14.28)

Recommendation 49: that the Government ensure that its land managers and agencies are properly resourced to prepare bushfire breaks of an acceptable width along all of the vulnerable facades of the urban edge and settlements and where appropriately in Canberra nature parks, forests and bushland areas across the ACT. (Para 14.31)

Recommendation 50: that the number of uniform and non-uniform staff in ACT Police be determined on both a head count and an FTE basis as at the last pay period of each month and this information be included in the quarterly Justice statistics. (Para 14.36)

Recommendation 51: that the Government introduce a random drug driver testing trial as a matter of priority. (Para 14.40)

Recommendation 52: that the number of sworn police, on both a head count and FTE basis, be counted and compared to other jurisdictions. (Para 14.46)

Recommendation 53: that the Government redesign the Police Purchase Agreement and the 5 Year Police Arrangement to incorporate firm performance measures and task oriented directives. (Para 14.47)

Recommendation 54: that, following the tabling of the Joint Police Study, the Government now build on the findings of that study and undertake a strategic level Territorial needs analysis into policing and community safety requirements. (Para 14.48)

Recommendation 55: that the Minister report to the Assembly by the last sitting day of 2006 on productivity improvements that have been achieved to offset the loss of staff at ACTPLA. (Para 15.2)

Recommendation 56: that the Stanhope Government not proceed with increases in development application fees. (Para 15.6)

Recommendation 57: that the Minister for Territory and Municipal Services provide a detailed and accurate breakdown of job losses within his portfolio before the Budget debate resumes. (Para 16.3)

Recommendation 58: that the Minister provide to the Committee prior to the consideration of the 2006-07 Budget more comprehensive details of how DTMS is to be structured, what the impact will be on services, on the public, on employees of DTMS, and the financial consequences of these changes. (Para 16.9)

Recommendation 59: that the Government inform the Assembly, before the last Sitting day this year, as to how it will solve the problem of Tharwa Bridge. (Para 16.15)

Recommendation 60: that the ACT scrap all indulgent capital works projects, such as the arboretum, to ensure that all funding is focussed on the delivery of essential services and the maintenance of essential infrastructure including footpaths, bridges and street lighting. (Para 16.16)

Recommendation 61: that the Government detail the total government-wide budget for bushfire hazard reduction along the urban edge. (Para 16.17)

Recommendation 62: that the Government re-establish an FMU in DTMS which is capable of planning and carrying out preventative bushfire fuel hazard reductions in DTMS land management areas. (Para 16.18)

Recommendation 63: that the number of public libraries currently operating in the ACT not be reduced. (Para 16.20)

Recommendation 64: that the activities of Domestic Animal Services be evaluated, in association with the RSPCA, to determine what opportunities exist to enhance the delivery of animal protection and related services and to achieve cost savings to the ACT Government. (Para 16.22)

Recommendation 65: that, before the Budget debate resumes, the Government detail in the Assembly how it will progress e-government issues over the next 12 months. (Para 16.24)

Recommendation 66: that a comprehensive evaluation be undertaken before any existing Government shopfronts are closed. (Para 16.27)

Recommendation 67: that, before the Budget is passed, the Government detail in the Assembly the effects of the Budget cuts on the 'Kids at Play' program. (Para 16.29)

Recommendation 68: that an independent tourism corporation be re-established. (Para 16.32)

Recommendation 69: that the Stanhope Government restore the funding for the promotion and marketing of Canberra and the ACT as a tourist destination to national and international markets. (Para 16.33)

Recommendation 70: that the Stanhope Government provide the details of the analysis it made of the administrative expenditure of Australian Capital Tourism Corporation. (Para 16.36)

Recommendation 71: the Stanhope Government ensure that any proposals for transport access to the Molonglo region not detract either from the location of or the operations of the Zoo. (Para 16.39)

Recommendation 72: that the Minister for Housing provide details of any staff reductions and of action that is being taken to ensure that service delivery is maintained. (Para 17.2)

Recommendation 73: that the Minister to release details of plans to reduce the number of staff in Housing ACT in Gateway Services Section or provide a guarantee that staff levels will remain the same and stable in order for the department to continue to maintain the highest level of service to its clients. (Para 17.4)

Recommendation 74: that the Stanhope Government initiate an inquiry, under the Inquiries Act, about the future of the education system in the ACT. (Para 18.5)

Recommendation 75: that no schools be closed until this inquiry has been concluded and the report considered by the Assembly. (Para 18.6)

Recommendation 76: that the Minister for Education and Training provide to the ACT community all the data that has been used as a basis for the decisions on identifying those schools that are to be closed. (Para 18.7)

Recommendation 77: that the Chief Minister and the Minister for Education detail to the Assembly what will happen with surplus school land. (Para 18.16)

Recommendation 78: that a review be conducted to ensure that all costs relating to the government education system are allocated fairly, such that this accurately represents the true costs of each school. (Para 18.18)

Recommendation 79: that the *Towards 2020* study be scrapped and that all of the planned school closures be postponed pending a comprehensive enquiry into the needs of the ACT community regarding the schooling infrastructure. (Para 18.19)

Recommendation 80: that the Chief Minister withdraws his comments and apologises to the Minister for Education and to the Assembly for contradicting him or that the Minister for Education apologise to the Committee for misleading it over the disposal of excess school sites. (Para 18.20)

Recommendation 81: that the operating procedures of the Land Development Agency be subject to appropriate scrutiny to ensure that competitive prices are paid by the Agency to purchase land and are charged by the Agency for land it is proposing to sell. (Para 19.3)

Recommendation 82: that the Minister for Planning explain to the Assembly how such a flawed process occurred prior to the auction of section 48, block 8 in Fyshwick. (Para 19.6)

Recommendation 83: that the Minister for Planning explain to the Assembly why certain information was not provided not to all bidders. (Para 19.7)

Recommendation 84: that, should the Minister choose not to make these explanations, then the Assembly take action to discipline the Minister. (Para 19.8)

Recommendation 85: that the Planning Minister table in the Legislative Assembly the relevant parts of the Costello Report on the Functional Review, and any Budget Cabinet Recommendations relevant to the discussion of this matter, in the Legislative Assembly, before the passing of the 2006-07 Budget. (Para 19.11)

Recommendation 86: that the Chief Minister provide a breakdown to the Assembly of the funding that has been allocated in the 2006-07 budget of \$393,000 for the new Indigenous Representative Elected Body. (Para 20.5)

Recommendation 87: that the Stanhope Government review the structure and content of the ACT Budget to increase the clarity of information that is presented. (Para 21.6)

Recommendation 88: that, in future ACT Budgets, a consistent structure of output classes is used throughout all Budget Papers to facilitate comparisons. (Para 21.7)

Recommendation 89: that the Government take note of the unparliamentary behaviour exhibited by some Ministers showing contempt for the parliamentary process during the 2006-07 estimates hearings and that appropriate disciplinary action be taken by the Assembly. (Para 22.9)

Recommendation 90: that the Stanhope Government's 2006-07 ACT Budget not be passed. (Para 24.4)

3 Context

- 3.1 The Chief Minister and Treasurer said, in his Budget speech on 6 June 2006, that “there is no crisis [in the ACT].”² Of course there is a crisis, but not the crisis that the Treasurer would acknowledge. The crisis is of his – and his Ministers’ – own making. It is a crisis of fiscal policy management that began when the Stanhope Government came to power in 2001 and it continues to this day.
- 3.2 Unfortunately for the ACT community, we all now have to bear the consequences of the years of fiscal ineptitude and mismanagement. Of course the ACT economy is performing well; that is the case in spite of not because of the activities of the Stanhope Government. There is not room in this report to catalogue the decisions that have had an adverse impact on the ACT. Sufficient to say that they are many and the legacy of them will remain with the ACT for many years.
- 3.3 It also is not that there has been any lack of warnings about the ineptitude in fiscal policy terms of the Stanhope Government. International ratings agency Standard & Poors,³ Access Economics, other respected economic commentators and even the Liberal Opposition in the Assembly have been making very cautionary comments about the state of the ACT Budget over the past four years. What notice has the Stanhope Government taken of these warnings? Up until June 2006, absolutely no notice whatsoever. It would seem that it was not until the very real threat of a ratings downgrade from Standard & Poors that the Stanhope Government was persuaded that its profligate spending could not continue. Even then, the comments from Standard & Poor’s are tempered with caution: “It is mildly disappointing that more severe cuts were not made to return the budget to surplus more quickly...”.⁴
- 3.4 There also is a sharp contrast to be made between the rhetoric of the Stanhope-led ALP in the Assembly before it came to power in October 2001 and the reality of its performance since then – particularly the arrogance of its approach having gained a majority in the Legislative Assembly. In March 2001, the then Leader of the Opposition, Jon Stanhope, set out what he described as Labor’s core values: fairness; integrity; openness; honesty; compassion; responsibility; accountability; leadership. The ALP at that time also emphasised that “Good government has the courage to allow itself to be closely scrutinised”.⁵
- 3.5 Mr Stanhope also said in an address to the Press Club in mid-2001 that his Government would be a low taxing Government. The people of the ACT are entitled to be disappointed that the financial

² BP1, p 2.

³ Standard & Poor’s, *Budget Moving Towards Operating Surplus Consistent With ACT’s ‘AAA’ Rating*, Melbourne, 6 June 2006

⁴ op cit

⁵ Australian Labor Party, *A Code of Good Government*, Canberra, 2001.

ineptitude of the Stanhope Government has resulted in substantial tax increases in the 2006 Budget – thus, repudiating the “low taxing” promise.

- 3.6 Apart from questions relating to the competence of the Stanhope Government with respect to fiscal policy, a particular and ever-present concern with the Stanhope Government is the way in which it seeks to avoid scrutiny. The shenanigans concerning the arrangements for the Estimates Committee for 2006 are the latest instance of this approach.
- 3.7 The consequences of the litany of poor fiscal policy and associated decisions and profligacy that has characterised the life of the Stanhope Government since October 2001 have now resulted in an ACT Budget that has been forced to tackle some of these self-made problems. Unfortunately, the reality of the 2006 Budget is that, despite the decisions that have been made, the ACT Government is still facing a deficit in 2006-07 of \$80 million on a GFS basis (and \$16 million on an AAS basis).
- 3.8 Thus, if there is any slippage in savings targets, the deficit for this year will blow out; as a result of the Committee hearings, it is already apparent that the savings from the loss of staff are in jeopardy. Rather than losing 500 people, the Stanhope Government now estimates that there will only be a net loss of 318 and this implies a loss of around \$18 million in annual savings. Moreover, this adds another \$18 million to the deficit, pushing it close to \$100 million.
- 3.9 Following the criticism from Standard & Poor’s about the lack of expenditure savings, even that bastion of bipartisan support, the *Canberra Times*, commented after the ACT Budget that:
- [F]or all Mr Stanhope’s fine words about fiscal responsibility and the need for belt tightening, many Canberrans will be asking why...the Government could not have done more to identify savings greater than \$187 million over four years.⁶
- 3.10 Indeed, the analysis by the *Canberra Times* – amongst other commentators – asks why the Stanhope Government chose to retain a number of questionable spending decisions, such as the proposed ACT gaol and retaining the quantum of public housing stock while, at the same time, imposing on ACT ratepayers for increased revenue.
- 3.11 Messrs Pratt and Smyth question the fiscal policy priorities of the Stanhope Government. A more realistic and sustainable approach to fiscal policy would have involved decisions such as not proceeding with the ACT gaol, abandoning the Belconnen to Civic busway, abandoning the proposed arboretum, achieving genuine and substantial reductions in senior staff (which has increased substantially over the life of the Stanhope Government) and abolishing ideological indulgences such as the Community Inclusion Fund and the Human Rights Commission.

⁶ Editorial, *The Canberra Times*, Canberra, 7 June 2006

3.12 The imperative for the ACT Government is to focus on those activities that are the legitimate role of a Territorial Government. In this way, the private sector should be able to strengthen its role in the ACT while the expectations of many people and organisations will not be raised unnecessarily by silly spending decisions, as has been the case with the Stanhope Government.

4 Government Strategy

- 4.1 The key characteristic of the years of the Stanhope Government has been a lack of coherent strategy, particularly about fiscal policy. Superimposed on this problem has been the failure of the Stanhope Government to develop and implement effectively any major strategic decisions.
- 4.2 The Canberra Plan is a major case in point: this was launched with much fanfare in 2004 essentially as a combination of the Economic White Paper, the Canberra Spatial Plan and the Canberra Social Plan. Now, in 2006, the intentions of the Economic White Paper have been demolished and the Social Plan abandoned, as the Stanhope Government has sought to repair the damage that it has caused to the ACT Budget.
- 4.3 No Budget introduced by the Stanhope Government prior to that brought down in June 2006 has made any attempt to implement effective public policy decisions. Those Budgets have had a simple imperative: spend! spend! spend! The direct result of this has been the need to bring down a Budget that has had – and will continue to have – a deleterious impact on the ACT economy and community.
- 4.4 There has been much rhetoric from the Stanhope Government about its aspirations for the ACT and its community. Of course, much of this rhetoric was promulgated prior to the October 2001 election; since being elected, however, the Stanhope Government's priorities have been questioned as it has pursued a number of policies that have not been directed at furthering the good of the overall community. Rather, the focus has been on single issue and small groups where, in the name of resolving perceived discrimination or similar issues, the Stanhope Government has provided resources. All the time this has been going on, the Stanhope Government has demonstrably not been in control of the ACT Government itself – as is evidenced by the inability of the Chief Minister to exercise his proper responsibilities in overseeing the management of the ACT public service.
- 4.5 More recently, the Chief Minister told the ACT community that the structural changes announced on 18 April 2006 “would reduce complexity and duplication” within the ACT Government. Nothing could be further from the truth. If there is one defining characteristic of the 2006 Budget, it is the confusion that has now been created as a result of the structural changes.
- 4.6 The Chief Minister also told the ACT community that these changes “[would] create clearer areas of authority and accountability for individual Ministers”. Again, following the hearings of the Committee, this statement does not stand up to scrutiny.
- 4.7 Messrs Pratt and Smyth are particularly concerned, however, at the Government's refusal to make public the report of the Functional Review. They are not convinced by the claims of the

Government that this document is Cabinet in Confidence (and we all recall the release by Jon Stanhope of confidential material provided to him by the Commonwealth Government).

- 4.8 The lack of access to the report of the review has meant that the Committee and the ACT community have been severely hindered in their ability to understand the rationale of the Government's decisions in the 2006 Budget and to analyse the implications of many of these decisions.
- 4.9 **Recommendation 1:** that the report of the Functional Review be tabled immediately by the Government to ensure that a fully informed debate about the 2006 ACT Budget can take place.
- 4.10 A related aspect concerns the way in which the ACT community understands and reacts to a Budget. It is evident from the community's reaction following the 2006 ACT Budget that there is a mixture of confusion, distress, sadness, anger and bemusement over the decisions that have been announced. The Stanhope Government did not help itself, however, as it is becoming clear from evidence presented to the Committee that the basis on which the Stanhope Government has proposed closing government schools comprises sloppy or even inaccurate information and analysis. This outcome reflects very badly on the Government of the day and causes even wider scepticism about the activities of governments.
- 4.11 Messrs Pratt and Smyth characterise the Stanhope Government's 2006 Budget as representing a complete retreat from the claims of being an open, transparent and accountable government.

5 Fiscal Policy

- 5.1 A defining mark of the years of the Stanhope Government has been an almost complete lack of a coherent fiscal policy. The first four years of this Government saw a flood of revenue into the ACT coffers, largely on the back of a vibrant property market, the innovation of the goods and services tax (GST) and gains from assets invested in the Superannuation Provision Account (SPA). The following table shows the outcomes for revenue since 2002-03:

Year	Budgeted revenue	Actual revenue	Change
		\$ million	
2002-03	2,203	2,420	217
2003-04	2,360	2,733	373
2004-05	2,592	2,707	115
2005-06	2,716	2,919	203

Sources: Annual Financial Statements; Budget papers (various years)

The ACT Government received more than \$903 million above the revenue estimates that had been set out in the relevant Budgets.

- 5.2 While this windfall, when combined with the strong performance of the ACT economy in recent years, should have provided the ACT with a strong fiscal position, the contrary has been the case. Rather than husband the unexpected revenue, the Stanhope Government has made a number of poor strategic decisions that have caused the Auditor General, ratings agencies and external commentators to criticise the approach of the Stanhope Government to fiscal policy.
- 5.3 In particular, there was vigorous criticism of the ACT Government when it was the only jurisdiction in Australia to budget for a deficit in 2005-06; this decision appeared extra-ordinary at a time when the economies of all jurisdictions were performing so well. The Stanhope Government, apart from being unable to make sensible decisions about the funding of major infrastructure projects for example, has been unable to control its spending decisions.
- 5.4 Over the five year period during which the Stanhope Government has brought down the annual budget, spending has increased by 45 per cent or \$857 million: from \$2.030 billion in 2001-02 to \$2.887 billion in 2006-07.
- 5.5 The latest consequence of this profligacy has been the various revenue-raising measures announced in the 2006 Budget. These proposals are estimated to raise an additional \$63 million in 2006-07.⁷ Unfortunately for the ACT community, even with the substantial impost from these

⁷ It also should be noted that the impact of the Ambulance Tax will involve some "double-dipping", as some people who will pay this tax will also pay the Road Rescue Fee (refer QoN No. E06-109).

new or extended taxing measures and the proposed cuts to spending, the ACT Budget will still be in deficit in 2006-07 by \$80 million.

- 5.6 As well, it was evident that the Stanhope Government had not undertaken any realistic modelling of the likely impact of at least some of the proposed taxing measures. Based on analysis made by business organisations, it appeared that the combination of the fire and emergency services tax, the utility land use tax and the increased water abstraction tax would increase costs to business by up to 60 per cent.⁸ This sloppy approach is reminiscent of that of [former Federal Treasurer] Paul Keating when he was proposing the fringe benefits tax and the capital gains tax in September 1985.⁹
- 5.7 This sloppiness in conceiving and researching the nature, scope, impact and implementation of proposals for new or changed taxing measures is a long-standing characteristic of the Stanhope Government, as the following analysis shows:

Taxing proposal	Outcome
Rating policy 2003	The Stanhope Government proposed a complete change to the way in which general rates were to be determined in the ACT. This proposal, for which little analysis had been done, was defeated in the Assembly.
Bushfire tax 2003	The Stanhope Government proposed to impose a fixed levy on all rateable properties for two years – raising \$10 million over two years. Fortunately, this proposal was abandoned as unnecessary.
Loan security duty 2003	This proposal would have imposed a duty on secured loans that had a value of more than \$1 million. This proposal was abandoned after the Stanhope Government realised that the States were abolishing this duty.
Parking space tax 2003	This tax was proposed in the 2003-04 Budget to apply in four city centres in Canberra. Again, this policy was very poorly developed and the Stanhope Government failed to undertake proper consultations: the Government finally abandoned this proposal.
City heart tax 2005	In the 2005-06 budget, the Stanhope Government proposed to replace the proposed parking space tax with the city heart tax. Once again, this proposal has been delayed, largely because of a lack of proper planning and development.
Motor vehicle tax 2006	The Stanhope Government sought to impose stamp duty on motor vehicles based on the list price of a vehicle. In the face of fierce opposition from the Opposition and the motor vehicle industry, the Stanhope Government became aware of the stupidity of this proposal and withdrew it.
Home buyer concession scheme 2004	The Stanhope Government changed some parameters of this policy following changes in the residential property market. Unfortunately, the Government announced the policy change some weeks before the implementation date, resulting in an hiatus in parts of the property market.

- 5.8 This analysis of the Stanhope Government's history of proposing new taxing measures demonstrates how carefully any concepts have to be developed, particularly in terms of undertaking consultations and defining the ways in which any measures might impact on either

⁸ All revenue measures are described in this report as taxes for, in reality, that is precisely what they are.

parts of or the whole community. Moreover, in the post-GST environment, all jurisdictions should exercise considerable care in proposing what might be new 'nuisance' taxes that may inhibit the competitiveness of Australian industry.¹⁰

5.9 This also is despite the Stanhope Government having received a significant quantum of funds over and above the initial estimates of revenue from the GST. Excluding the first two years of the GST (when estimates of revenue were changed because of changed policy parameters), the ACT gained \$108 million more in GST than was estimated for the years from 2002-03 to 2005-06.

5.10 The irony of the impact of these new and extended taxes on the property sector in the ACT is that the ACT Government is already particularly dependent on revenue from a range of property taxes to generate revenue. Rather than reducing the reliance of the ACT Budget on taxes on property, as is stated in the Budget papers, the Stanhope Government has moved in precisely the opposite direction.

5.11 Indeed, the Property Council of Australia insisted that the 2006-07 ACT Budget doesn't stand in the face of any reasonable analysis. The increases in rates and taxes proposed are well beyond the rate of inflation and are therefore unjustified. Indeed, the representatives of the Property Council commented:

We [the ACT] need to wean ourselves off property taxes. Essentially, the Government appears to be gouging from a sector that is the lifeblood of the city.¹¹

5.12 While the introduction of the GST was intended to remove virtually all nuisance taxes, the Stanhope Government seems determined to keep proposing new nuisance taxes. As with virtually all of the revenue proposals from the Stanhope Government, there is an almost complete inability to devise taxing measures that do not have the characteristics of being 'nuisance' taxes. Moreover, there are elements of a discriminatory application of some taxing measures, such as the Ambulance Tax.

5.13 As with the Committee, we support the Stanhope Government's move to implement GFS. However, Messrs Pratt and Smyth are concerned at the form of GFS used.

5.14 **Recommendation 2:** that the ACT Government, in implementing the GFS standard, not include revenue from land sales in the calculation of the operating result for the General Government Sector.

⁹ Keating estimated, in 1987-88, the new fringe benefits tax would raise \$515 million; it raised \$3.7 billion in 2005-06. He also estimated the new capital gains tax would raise \$25 million a year after about five years; it raised more than \$26 billion in 2005-06.

¹⁰ It is generally considered that some taxing measures are 'nuisance' taxes because of their adverse impact on business and the community through being inefficient, through imposing high administration and transaction costs and through raising small quantum of revenue.

¹¹ Hansard, 26 June 2006, p 668

- 5.15 **Recommendation 3:** that the ACT Government, in implementing the GFS standard, not include any gains made by assets invested in SPA in the calculation of the operating result for the General Government Sector.
- 5.16 **Recommendation 4:** that the Stanhope Government release modelling of the impact of the Additional General Rates Impost, the Fire and Emergency Services Levy, the Ambulance Levy, the Utility Land Use Permit and the Water Fee to enable the full impact of these measures on the ACT economy to be evaluated.
- 5.17 **Recommendation 5:** that the Government not proceed with the proposed increase in the ambulance levy.
- 5.18 **Recommendation 6:** that the Government not proceed with its utility land use permits.
- 5.19 **Recommendation 7:** that the Government not proceed with the proposed fire and emergency services levy.
- 5.20 Messrs Pratt and Smyth are concerned over many aspects of the water abstraction charge and of the proposal to increase the quantum of this charge.
- 5.21 **Recommendation 8:** that, due to significant doubts over the constitutionality of increases to the Water Abstraction Charge, all legal advice sought to date by the ACT Government on its legality should be tabled in the Assembly before the Budget debate.
- 5.22 **Recommendation 9:** that the proposed increase in the water abstraction charge not proceed.
- 5.23 With respect to the 2006-07 ACT Budget, Messrs Pratt and Smyth note that the Stanhope Government proposed a reduction of 500 in staffing in the ACT public service. As is explained in Section 6, this estimate of the reduction has been reduced to 318. Clearly this change has a significant impact on the budget outcome not only for this year but also for subsequent years.
- 5.24 Messrs Pratt and Smyth can only conclude that the sloppiness and lack of accuracy in relation to this crucial component of the ACT Budget implies that there is considerable doubt cast on all estimates of revenue, expenditure and savings contained in the 2006-07 ACT Budget.

6 Staffing

- 6.1 A direct consequence of the Stanhope Government's lackadaisical approach to fiscal policy has been the awful impacts that are now being seen for individual public servants within the ACT Government. In what can only be described as a cavalier approach to these people, the Stanhope Government has used public servants as the balancing item for their budgetary woes.
- 6.2 At the level of the ACT Government, the behaviour of the Chief Minister towards public servants is nothing short of disgraceful. In his Budget speech, the Chief Minister said that "[there will be] a reduction in the size of the ACT public service in 2006-07 of about 500."¹² In evidence to the Committee, however, the Government finally admitted that the net reduction of public servants would be 318.¹³ This reduction alone, from 500 to 318 public servants, implies a reduction in any estimated savings of around \$18 million in 2006-07. Apart from the most significant fiscal implications of this change in estimates, the impact on public servants is devastating. Further confusion and uncertainty is being created while the Stanhope Government works out how it will achieve the proposed staff reductions.
- 6.3 There is a far more serious issue for the Chief Minister, however, and that concerns his inability to exercise his Ministerial responsibilities properly. According to Budget papers for each year since 2002-03, this Chief Minister has had responsibility, *inter alia*, for "public sector management".¹⁴ There can be no doubt that he failed completely in exercising this responsibility.
- 6.4 The day after announcing the restructure of the ACT Government, the Chief Minister – in response to a question asking how the ACT public service had grown by around 2,500 people under his Government – replied: "When **I was first made aware** [emphasis added] or first realised the rate of growth of the ACT public service...I was somewhat alarmed."¹⁵ Here was the ACT's Chief Minister admitting that he had failed to manage the ACT public service. It was not until the Chief Minister was told about the growth in the public service that he took action. There can be no question that he 'took his eyes off the ball' despite having overall responsibility for the ACT bureaucracy. This issue represents a signal failure on the part of the Chief Minister to exercise his Ministerial responsibilities in the interests of the ACT community.
- 6.5 **Recommendation 10:** that the Chief Minister apologise to the ACT community for his incompetence in failing to manage the ACT public service effectively.

¹² BP1, p 12.

¹³ Estimates Hansard, 22 June 2006, p 397

¹⁴ BP3, p iii.

¹⁵ Interview with the Chief Minister, ABC Radio 2CN, 19 April 2006.

- 6.6 The following table shows the impact of adding back the expenditure that will now not be saved by the Stanhope Government on the current and estimated budget outcomes:

	2006-07	2007-08	2008-09	2009-10
	\$ million			
Net operating balance	-80.3	-40.7	18.3	67.7
Adjustment for reduced staff losses	-18.0	-18.0	-18.0	-18.0
Revised balance	-98.3	-58.7	0.3	49.7

Source: BP3, p 9; Opposition calculations

- 6.7 **Recommendation 11:** that the Stanhope Government amend the 2006-07 ACT Budget to take account of the reduction in estimated savings of \$18 million on account of the reduction in the loss of public servants from 500 to 318.
- 6.8 This analysis shows the folly of the figures used by the Stanhope Government in the ACT Budget. It would appear that the numbers used in the Budget papers have been made to fit the deficit or whatever outcome has been required.
- 6.9 At a Ministerial level, the appalling approach of the Stanhope Government towards ACT public servants continued. It took sustained questioning to get the Chief Minister to admit to the order of reductions in staff in his Department. It should not have been necessary for the Committee to have to go to these lengths to get important information from the Government. Moreover, Messrs Pratt and Smyth observe that all Ministers should have been fully briefed on the consequences of the Stanhope Government's restructuring proposals because of the certainty that the Committee would want to ask questions about the impact of the proposals.
- 6.10 The Minister for Territory and Municipal Services was no better. The disgraceful behaviour of this Minister exemplifies the cavalier and off-hand approach to public servants by the Stanhope Government. This Minister consistently refused to provide any constructive information to the Committee on changes in staff numbers across his Department. Instead, he hid behind the obfuscation that the structure of the Department would be changed as from 1 July and, after that time, the outcome could be determined.
- 6.11 While not knowing exactly how many staff would be lost by his department, the Minister was quite willing to ask for funds for a staffing budget.
- 6.12 The Minister for Education and Training was little better. In response to questioning about departments and agencies under his control, he did not appear to appreciate that it was possible to have reasonable numbers reflecting the changes in the structure of the ACT Government and the need for staff reductions. In relation to the issue of staff within the sport and recreation function, for example, he said that "the budget had not been finalised". This contrasted with other details

provided to the Committee; indeed, the Canberra Institute of Technology (an entity that reports to this Minister) was able to provide good details of the changes in its staff.

- 6.13 Perhaps the biggest joke of all with respect to staffing was seen in the response of the Minister for Health. When she was asked in the Legislative Assembly about the estimated reduction of 82 positions in her Department, she replied: There will not be a reduction [of staff] in Health because of other initiatives which will require employment in Health.¹⁶ In answer to questions from the Committee, the Minister said, *inter alia*:

With that component of 82, there are 136 staff transferring to the shared Services Centre; a number of staff with health complaints are going to Justice; there is the transfer in of Healthpact; in new [sic] initiatives, we are expecting an additional 91 staff. That is, therefore, a saving or staff reduction of around 30 staff.¹⁷

- 6.14 In fact, it was difficult to interpret exactly what the Minister for Health was trying to say, as her rather confused comments intermingled statements about increasing staff, reducing staff and moving staff to the Shared Services Centre. It is difficult to determine whether ACT Health will have a reduction in 82 staff, a reduction of only 30 staff or some other outcome (whether an increase or a decrease is not immediately clear). Messrs Pratt and Smyth are bemused about how the change in staff numbers in the budget papers (refer BP4, p 146) indicating a reduction could have been approved by the Stanhope Government given the more recent comments by the relevant Minister.
- 6.15 The Minister for Disability and Community Services compounded the mockery of the analysis of changes in staff. It is almost impossible to reconcile what is happening to staff numbers in this Department. As far as the evidence of the Minister to the Committee can be interpreted, the loss of staff varies between 41 and 1.7; it does not appear possible at this point to be more precise than that.¹⁸
- 6.16 The Minister for Planning appears to have had a somewhat easier task, as the departments and agencies under his control will experience less changes in functions and staffing. This Minister was able to provide useful details of changes in staff, in the context of the proposed Shared Services Centre and other matters.
- 6.17 It appears to Messrs Pratt and Smyth that the approach of the Stanhope Government to the management of staff under the control of the various Ministers has been less than efficient or effective. The whole restructuring exercise has all the appearances of being very rushed, with the

¹⁶ Hansard, 7 June 2006, p P7-P8. (Note: Some Hansard page numbers refer to the Proof edition of Hansard: these are designated with a 'P'.)

¹⁷ Hansard, 30 June 2006, p 967

consequence that there is poor knowledge of what staff will move where, how many staff will be lost from the ACT public service, what the extent of redundancies is likely to be. Again, the sloppy approach of the Stanhope Government to managing the most valuable asset of any bureaucracy is nothing short of disgraceful.

- 6.18 **Recommendation 12:** that the Stanhope Government provide to the Legislative Assembly before the Budget is debated a full reconciliation of both the changes in staff numbers across all departments and agencies in the ACT Government and the estimated final numbers of staff in each department and agency.

¹⁸ Hansard, 29 June 2006, p P7.

7 Capital Works

- 7.1 The ACT community is entitled to be disappointed with the approach of the Stanhope Government towards capital works projects. The Stanhope Government has shown that it has no Territory-wide strategy to support its capital works program. Moreover, its inability to decide to borrow funds to build the new prison has meant that this major project has had an adverse impact on the capacity of the Government to fund other important capital works projects.
- 7.2 Further, it is revealing that, in the 2006 Budget papers, the Stanhope Government repeats for the fifth time the roads programs initially set out by the then Minister for Urban Services, Brendan Smyth. This is a silly approach, however, as all the projects in that program (except the Gungahlin Drive Extension) are now complete and there are virtually no new projects in the pipeline.
- 7.3 The Stanhope Government has failed to develop any coherent road development policy for the ACT. This is reflected most starkly in the analysis of capital projects for new roads and associated works in the 2006-07 Budget (refer BP3, pp120-121). As the Budget Paper notes, all projects from the previous five year program, except the Gungahlin Drive Extension, have been completed. There is virtually nothing to replace that program of projects and yet the community has identified many needs for roads projects – comprising new roads and upgrades to existing roads – across the ACT.
- 7.4 The escalation in the cost of the new prison and the lack of effective management of the Gungahlin Drive Extension by the Stanhope Government has been such that the delays in that project, coupled with the increase in construction costs, have sucked in almost all the funds that have been available for capital works. Strong rumours abound that the Gungahlin Drive Extension cost is set to escalate again due to a significant miscalculation of the volume of material needed to removed from excavations on the site.
- 7.5 One of the most basic responsibilities of any government is to maintain the community's infrastructure. While some relatively minor efforts appear to have been made in this regard in the 2006 Budget, substantial questions remain about the competence of the Stanhope Government to continue with any capital maintenance program, let alone develop a new program to take account of the many current and emerging infrastructure needs of the ACT. This raises the prospect of the infrastructure across a range of asset classes deteriorating more quickly than should be the case.
- 7.6 Messrs Pratt and Smyth can suggest a number of projects that should be at least in the planning stage of the Government's capital works program. These projects could include the Monaro

Highway duplication (in Fyshwick), roads around Canberra International Airport, Majura Parkway, Tharwa Bridge, Tharwa Drive, a new convention centre and a dam.

- 7.7 **Recommendation 13:** that the Stanhope Government present to the Legislative Assembly, before the Budget debate resumes, a comprehensive capital works strategy, including a five year road plan, for the ACT for the next five years and an associated asset management strategy.

8 Matters of Grave Concern

- 8.1 Messrs Pratt and Smyth are concerned with the approach of the Minister for Planning in choosing to avoid requests from the Committee for documents or information. In the estimates process for the 2004-05 year, Mr Corbell was asked to give the Committee information concerning the state of the elective surgery waiting list; he did not. Mr Corbell then released the information in the days following the hearing. He was disciplined by the Assembly for this contempt.
- 8.2 It is regrettable that the Minister has again adopted this approach during the hearings of the Committee in 2006-2007. The Minister was asked to make available copies of the valuations for the EpiCentre sited at Fyshwick. The Minister chose to release these documents publicly before giving them to the Committee.
- 8.3 One of the most significant concerns to come out of the Committee's examination of the planning portfolio is the failure of the Government in relation to the processes leading up to the auction of the EpiCentre, which led to the first *in camera* hearing by an ACT Estimates Committee.
- 8.4 The Minister refused to answer all questions about the process for auctioning the EpiCentre site and stopped officials from doing so as well. Questions that were not answered concerned the process used, the process for informing all potential bidders equally, Government internal processes as well as basic questions about the interpretation of the Territory Plan. Concerns also were raised as to whether the Minister may have misled the Committee when answering questions over the EpiCentre auction process.
- 8.5 **Recommendation 14:** that the Minister apologises to Assembly for the way in which he released information concerning the EpiCentre site at Fyshwick that had been requested by the Committee.
- 8.6 **Recommendation 15:** that the communication processes within and between agencies be examined to determine whether officers were derelict in providing information to senior staff, including the CEO, or whether the CEO had certain information about this auction process and misled the Committee about it.
- 8.7 **Recommendation 16:** that the Minister for Planning and the Land Development Authority be asked to present to the Legislative Assembly all documents that relate to the auction of section 48, block 8 in Fyshwick.
- 8.8 **Recommendation 17:** that, should the Minister not fulfil the above three recommendations concerning the Minister's actions in relation to the auction of the EpiCentre site, his actions be referred to a Privileges Committee for inquiry and report.
- 8.9 Messrs Pratt and Smyth were very concerned about comments that were made by the Attorney General about a report that had been commissioned from Dr Mark Harrison for the proposed ACT

prison. Messrs Pratt and Smyth note that the Committee has included a right of reply to these comments from Dr Harrison in the Hansard.¹⁹

- 8.10 Messrs Pratt and Smyth are particularly concerned at the way in which the Attorney emphasised that the criticism that he made of Dr Harrison's report was correct. The Attorney, in the course of a detailed discussion on the report, said; "I assure members that the advice I have given this committee is accurate."²⁰ Messrs Pratt and Smyth do not accept that the Attorney was reasonable in the comments he made about Dr Harrison's report and they believe that the responses of the Attorney to Dr Harrison's report warrant the most severe reprimand from the Assembly. This is clearly an abuse of the Minister's position and the Estimates process.
- 8.11 Messrs Pratt and Smyth, while noting that the Committee has included some references to this matter in their report, believe it essential that the Attorney General correct the record and apologise to Dr Mark Harrison.
- 8.12 They also are extremely concerned that successive Attorneys General may have given false or misleading information to both the Standing Committee on Justice and Community Safety and to the Estimates Committee 2006-07 on this matter.
- 8.13 **Recommendation 18:** that the Attorney General corrects the record and apologises to Dr Harrison for his false and misleading statements to the Committee and, through it, for misleading the Assembly about the nature of a consultancy report prepared by Dr Mark Harrison.
- 8.14 Messrs Pratt and Smyth sought to have the Committee hold a second *in camera* hearing to take evidence on matters concerning alleged bullying and sexual assault in schools in the ACT and in relation to one school in particular about which there are grave concerns. The decision of the Committee not to take evidence on this matter was extremely disappointing for Messrs Pratt and Smyth, as they believe this matter warranted sensitive but urgent consideration.²¹ The Committee received extensive confidential information from a member of the community close to the school in question that the Committee did not bother to examine. Issues relating to sexual harassment and associated matters in ACT schools are among the most serious that can be examined by any community. Messrs Pratt and Smyth submit that consideration of this matter must be undertaken as expeditiously and as thoroughly as possible.
- 8.15 Currently the Government notifies parents in a number of different circumstances about events in their child's school, so that parents can take appropriate action: for example, an outbreak of

¹⁹ Select Committee on Estimates report, paragraph 1.35 refers.

²⁰ Hansard, 20 June 2006, p 185

²¹ Select Committee on Estimates report, paragraph 1.41 refers.

headlice. Messrs Pratt and Smyth are extremely concerned that no communications were made to the parents in this matter despite the seriousness of the allegations and question why this was so.

- 8.16 The Chair of the Committee suggested that, as members of the Committee, Messrs Pratt and Smyth approach the Minister's office for a briefing. They did so; the briefing was denied to them on the basis that one member of the Liberal Party had already been briefed on this matter. Messrs Pratt and Smyth are grateful to the Chair of the Committee, Ms Porter, who attempted on several occasions to honour her commitment and attempt to arrange such a briefing.
- 8.17 **Recommendation 19:** that the Minister for Education and Training provide to the Legislative Assembly a report setting out the nature of the response of the ACT Department of Education and Training to the claims of sexual harassment in an ACT school.
- 8.18 **Recommendation 20:** that the Minister for Police and Emergency Services provide to the Legislative Assembly a report setting out the nature of the response of the ACT Police to the claims of sexual harassment in an ACT school.
- 8.19 **Recommendation 21:** that the Minister for Education and Training be asked to present to the Legislative Assembly a comprehensive strategy for dealing with instances of sexual harassment in ACT schools to avoid any repeat of this type of issue.

9 Chief Minister's Department

- 9.1 Messrs Pratt and Smyth note that the Chief Minister told the Committee that he hoped a high level intergovernmental Committee would be formed to progress the construction of a new convention centre that would be worthy of the Canberra as Australia's capital city. They are disappointed, however, with the apparent lack of progress by the Stanhope Government with this key component of the business and tourism segments of the ACT's economy, after five years in office. They suggest in the strongest possible terms that urgent action be taken to proceed with planning for an internationally competitive convention centre.
- 9.2 Messrs Pratt and Smyth are aware of a number of proposals for a new convention centre for Canberra. They would emphasise, however, that the characteristics of the proposal outlined in *Convention Central* would appear to satisfy all of the critical issues relating to the development of a new convention centre.
- 9.3 **Recommendation 22:** that the ACT Government immediately proceed with planning for the construction of a new international standard convention facility in Canberra based on the *Convention Central* proposal.
- 9.4 Messrs Pratt and Smyth note that additional funding of \$142,000 was provided to the Communication function within this Department. They are concerned that, at a time when significant cuts are being applied to other more essential areas of the ACT Public Service, the Chief Minister's personal communications unit is having its resources increased.
- 9.5 **Recommendation 23:** that Output 1.4: Communications be reduced by \$142,000.
- 9.6 Messrs Pratt and Smyth are disappointed with the response of the Stanhope Government to the decision to make such severe cuts to the business assistance and development programs. This decision has caused many of the recommendations that were contained in the Stanhope Government's Economic White Paper – the blueprint for the development of the ACT as the most business friendly location in Australia – to be repudiated or weakened. In aggregate terms, it is evident that much of the focus of the White Paper has now been either downgraded or removed and that the integrity of the White Paper itself has been compromised.
- 9.7 Unfortunately for the ACT community, the Stanhope Government has refused to provide answers to a range of questions asked about the status of the implementation of the nearly 50 recommendations in the White Paper. The Stanhope Government claims that these questions are outside the terms of reference of the Committee.

- 9.8 Messrs Pratt and Smyth disagree completely with this view. It is self-evident that an examination of the annual budget of a jurisdiction – as is the brief for this Committee – implicitly encompasses consideration of all areas of expenditure by a government. In the simplest terms, a government proposes an appropriation bill to seek funds for programs for the relevant year: those funds will be used across all functions of a government and, as a consequence, are subject to investigation and questioning by the Committee. It is a nonsense to suggest, as the Stanhope Government has done, that some matters, because they may not have been explicitly mentioned in a Budget, are not included in the Committee’s brief.
- 9.9 **Recommendation 24:** that the Stanhope Government provide answers to all of the questions asked by the Committee on the status of recommendations made in the Economic White Paper.
- 9.10 **Recommendation 25:** that the Stanhope Government’s short sighted cuts to business programs not proceed.

10 Department of Treasury

- 10.1 The Stanhope Government has decided to apply “the wage price index”²² (WPI) to the annual general rates so that revenue generated from rates maintains parity with increases in expenses. In the way of this Government and its proposals involving taxing measures, however, the usual sloppy approach has been adopted.
- 10.2 There is a complete lack of detail about this proposal in the Budget papers. The ACT community is entitled to have an explanation of both the characteristics of the WPI that will be applied to the general rates and the implications of such a substantial change in the method of indexing general rates.
- 10.3 For example, the Stanhope Government has not said which of four published WPI will be used in this process, let alone which of the options within these four published WPI will be used.²³ In particular, will a WPI based on ordinary time hourly rates of pay or total hourly rates of pay be used? Then there are further options that are available within these four WPI: will an all-Australian index be used? Will an index for the ACT be used? Will an index for the private or the public sectors – either for Australia or for the ACT – be used? There are at least ten sub-options, at least, that could be used. Each of these options has a different outcome for ACT ratepayers and, yet, there is no analysis from the Stanhope Government about the implications of any of these options. There is no table of a trend in and estimates of a specific WPI. Why not? The ACT community should be cynical about the actual WPI that the Stanhope Government chooses for this manipulation of general rates each year. This is yet another instance of sloppy research and analysis undertaken by the Stanhope Government.
- 10.4 Of course, conceptually, the application of a WPI will ensure that the greatest rate increase is imposed on the ACT community. In particular, there is a major concern for those people who are on pensions and fixed incomes, as their income is most unlikely to keep pace with movements in a WPI.²⁴ These fixed incomes typically are indexed by changes in the CPI – and movements in the CPI have been less than movements in any of the WPI.
- 10.5 Messrs Pratt and Smyth are aware of independent modelling that has been undertaken of the potential impact of using (one of the) WPI instead of the CPI to adjust the various charges that are imposed by the ACT Government. This modelling shows that, using a conservative WPI – which

²² BP3, p 40.

²³ Australian Bureau of Statistics, Labour Price Index (Bulletin 6345.0), March 2006.

²⁴ As those who are in receipt of a pension from the CSS, for example, will be aware: CSS pensions are increased twice each year in line with movements in the consumer price index.

is still one percentage point above the CPI – the outcome for a reasonably average ratepayer in the ACT paying \$1,000 in 2006 would be:

- an additional impost in 2008 of \$23
- an additional impost in 2010 of \$47
- an additional impost in 2016 of \$147

Making the reasonable assumption that property values and, hence, rating values will increase over this period means that the impost from using WPI will be even greater than this analysis shows.

10.6 **Recommendation 26:** that the Government not use WPI but instead reinstate the CPI as the measure by which rates will be adjusted each year.

10.7 **Recommendation 27:** if the Stanhope Government ignores Recommendation 26, that the Stanhope Government provide full details of the WPI that will be used to index rates each year, including a trend analysis comparing the application of the CPI with the application of the WPI.

11 Shared Services Centre

- 11.1 Messrs Pratt and Smyth are not convinced by the arguments made by the ACT Government to establish a Shared Services Centre. In fact, the arguments – to the extent that they can be tested, given the refusal of the Stanhope Government to release the report of the Costello Review – are decidedly weak. The Western Australian experience would indicate that such a Centre costs far more to set up than anticipated and that many years will pass before anticipated savings are received. Moreover, the Western Australian Government has found that a far more complex structure was required than was initially planned and that there has been an unexpected increase in employment on developing and implementing the shared services arrangements.
- 11.2 In reality, the decision by the Stanhope Government to establish a Shared Services Centre is simply a step “back to the future” for the ACT Government.
- 11.3 There are many features of the model proposed by the Stanhope Government that are a cause for concern about the operations of the Shared Services Centre. One feature in particular that would appear to be rather stupid is to have a management committee that comprises all departmental chief executive officers to administer the Centre. This is simply an absurd proposition and one that will fail the test of time – it is clearly unworkable and unmanageable.
- 11.4 Messrs Pratt and Smyth seriously question whether the aggregate savings that have been indicated will be achieved.
- 11.5 The critical issue for the Stanhope Government will be to ensure that the Shared Services Centre generates the savings that have been estimated in the Budget papers. If the experience of the Western Australian Government is any guide, therefore, the implementation of a shared services model is quite frustrating.
- 11.6 Messrs Pratt and Smyth note that the ACT Government has already adopted a corporate approach to the provision of many common services across the ACT Public Service. These include financial and human resources services and the provision of information technology and communications services by InTACT.
- 11.7 In addition, Messrs Pratt and Smyth emphasise that the Follett Government has already tried the Shared Services concept in the ACT in the early 1990s. The outcome of this experiment was an abject and costly failure.
- 11.8 **Recommendation 28:** that the Shared Services Centre not proceed.

12 ACT Health

- 12.1 The largest component of expenditure in the ACT Budget is on health. The appropriate direction for health spending continues to be debated. In this context, it is pertinent to read in the recent report from the ACT's Chief Health Officer: Disease prevention and health promotion activities are a mainstay for future health gain. A major way in which rapidly increasing health costs will be constrained will be through a greater focus on prevention and community education.²⁵ This type of comment makes the Stanhope Government's decision to integrate HealthPACT into the Department of Health even more questionable.
- 12.2 Messrs Pratt and Smyth are concerned to see the inaccurate information included in the Budget Speech about the increase in funding for health. The Treasurer claimed that the increase in funding was \$41.7 million in 2006-07, when the correct figure is an increase of \$61 million.²⁶ Of even greater concern to Messrs Pratt and Smyth, however, is the actual impact of this increase in funding. A careful analysis of the Budget proposals shows that, of this increase, almost two thirds or \$36 million does not deliver any additional health care.
- 12.3 **Recommendation 29:** that the Treasurer correct the inaccurate statement he made about health spending in the Budget Speech.
- 12.4 For spending of \$751 million in 2006-07, the ACT community demands the greatest possible efficiencies in the delivery of the range of health services. It is a matter of considerable concern, therefore, to see that recent research has shown that the performance of the public hospitals in the ACT continues to be relatively poor.
- 12.5 In terms of a number of key operating parameters, according to a recent report from the Australian Institute of Health and Welfare, the ACT's public hospitals recorded:
- the highest total cost per casemix-adjusted separation (excluding depreciation), at \$4,237, in Australia – compared to the Australian average of \$3,410;
 - more than 40 per cent of people having to wait longer than the recommended time to be seen in the emergency department;
 - the longest median waiting time, at 40 minutes, for people before they were seen in the emergency department; and
 - the longest waiting times, at 45 days, for people to be admitted for elective surgery and around 10 per cent of all people waited for more than a year.²⁷

²⁵ ACT Health, *ACT Chief Health Officer's Report 2006*, ACT, Canberra, June 2006.

²⁶ BP1, p 14; BP4, p 174.

²⁷ Australian Institute of Health and Welfare (2006), *Australian hospital statistics 2004-05*, Canberra: AIHW Health Services Series No. 26, May 2006.

- 12.6 Despite the substantially increased quantum of funds that has been provided to the ACT's public hospitals over recent years, it is evident that the performance of these hospitals has not improved relative to hospitals elsewhere in Australia.
- 12.7 Messrs Pratt and Smyth note that, whilst the additional hour a day of hospital theatre time is welcomed, the additional throughput of surgical cases, be they elective or emergency surgeries, will put additional pressure on the need for more beds. If more surgeries are to be performed then more hospital beds will be required.
- 12.8 Given the steady 10 per cent increase in presentations to the Emergency Department at the Canberra Hospital and the steady pressure on elective surgery waiting lists, additional hours of operation of the operating theatres also will put more pressure on the need for hospital beds.
- 12.9 Messrs Pratt and Smyth are particularly concerned about the failure of the Minister for Health to acknowledge some serious issues that are facing ACT Health in the ACT. In relation to the provision of acute care beds, for example, the latest report on the state of Australia's public hospitals shows that the ACT lags behind the national average.
- 12.10 In 2004-05, there were 2.6 hospital beds per thousand residents across Australia, whereas the ACT had only 2.2 per thousand residents or 15 per cent below the national average. The latest analysis of hospital beds is shown in the following table:

State	1998-99	2004-05
Northern Territory	4.2	3.7
South Australia	3.2	2.9
New South Wales	2.9	2.9
Queensland	3.2	2.5
Western Australia	3.1	2.5
Tasmania	2.4	2.5
Victoria	2.5	2.3
Australian Capital Territory	2.7	2.2
Australia	2.9	2.6

Source: Department of Health and Ageing, The state of our public hospitals, June 2006

- 12.11 Based on the national average, the ACT should have 863 beds but the Committee was told that there were only 679 beds in the ACT. This represents a shortfall of 184 – and yet the Minister told the Committee:

...but I do not think there is a great difference between us and other jurisdictions.²⁸

- 12.12 The Minister cannot obfuscate on this important issue. It is clear from this analysis that there is an urgent requirement for additional beds in the ACT's public hospitals. Messrs Pratt and Smyth believe that in the order of 100 additional beds are required.

²⁸ Hansard, 30 June 2006, p 978

12.13 **Recommendation 30:** that the Minister apologise for the innacurate comments that she made to the Committee about the number of hospital beds in ACT public hospitals.

12.14 Messrs Pratt and Smyth also are concerned about the increasing occasions during which the ACT's public hospitals are placed on by-pass. The following table shows the incidents of by-pass and the aggregate time for which by-pass was in place over the past four months:

Month	Incidents	Hours of closure
April	7	17
May	17	36
June	14	36
July	11	41

12.15 By-pass was virtually unheard of in the ACT before the Stanhope Government came to office.

Despite having three Health Ministers, numerous reform plans and other actions, there has been a steady increase in the occasions of by-pass. A key factor in this outcome is the lack of available hospital beds so that people can be admitted expeditiously from the emergency departments.

12.16 **Recommendation 31:** that the Government open 100 extra acute care beds to relieve pressure on the emergency departments and to facilitate a reduction in elective surgery waiting lists.

12.17 Messrs Pratt and Smyth are very concerned about claims by the Minister for Health of the amount of additional financial resources that have been devoted to elective surgery over the past four years. Contrary to the claim by the Minister for Health that an additional \$13 million has been allocated for this purpose, Messrs Pratt and Smyth are aware that an additional \$48 million has been applied over four years in an attempt to reduce waiting lists, as the following table shows:

Policy	03-04	04-05	05-06	06-07	07-08	08-09	09-10	Totals
\$ million								
Elective surgery, 2003-04 BP3, 151	2.0	2.1	2.1	2.2				8.4
General surgery, 2004-05 BP3, 193		3.2	4.5	4.6	4.7			17.0
Elective surgery, 2004-05 BP3, 193		1.0	1.0	1.1	1.1			4.2
Elective surgery, 2005-06 BP3, 189			2.0	2.1	2.1	2.2		8.4
Elective surgery, 2006-07 BP3, 74				2.5	2.6	2.6	2.7	10.4
Total								48.4

- 12.18 Messrs Pratt and Smyth are concerned, therefore, about the apparently inaccurate information that the Minister has promulgated.
- 12.19 **Recommendation 32:** that the Minister for Health explain why only \$13 million can be identified as having been applied to elective surgery since 2003-04 and explain why even these funds have failed to reduce waiting lists.
- 12.20 Messrs Pratt and Smyth were concerned that the Minister was asked a question concerning the relative increase in presentations to the emergency department that she took on notice, shortly before lunch on 30 June 2006. Subsequently, the Minister put out a press release later that day titled *TCH Faces Increased Demand for Emergency Services*.
- 12.21 It is quite clear that the Minister had immediate access to this information. The Minister chose to put this information into the public realm through a press release, however, rather than making the information available to the Committee. This is a totally unacceptable practise on the part of Ministers and indicates the disdain in which they hold the process of estimates hearings.
- 12.22 **Recommendation 33:** that Ms Gallagher apologise to the Committee for her disrespect of the Estimates process by releasing information requested by the Committee to the media before forwarding the information to the Committee.
- 12.23 The Stanhope Government has generated much rhetoric about what it has achieved in delivering mental health services. Spending on mental health as a proportion of the total health budget, however, has remained steady at approximately 7 per cent, even though the actual spend has increased from \$38 million to \$51 million over this period.
- 12.24 One project that must have a high priority in the capital works budget is the building of a secure psychiatric facility in the ACT. In particular, this will provide the courts with an appropriate destination for people who have mental health issues.
- 12.25 **Recommendation 34:** that the Stanhope Government increase the allocation of funding for mental health services from within the health portfolio to reach 11 per cent of the health budget by the 2009-10 Budget.
- 12.26 Messrs Pratt and Smyth note the decision of the Committee to recommend that Healthpact not be absorbed into the Department. In addition to issues relating to the completely different ethos of the Department (curing people) compared to that for Healthpact (preventing ill health), Messrs Pratt and Smyth emphasise that the arguments to support the integration are spurious. It is a nonsense argument to suggest that Healthpact has an unduly high level of administration expenses. A careful analysis of spending by Healthpact shows that the major portion of spending

will still be incurred in any event – given that the current quantum of Healthpact grants is maintained.

- 12.27 An issue that cuts across all aspects of the operations of the ACT's two public hospitals is the introduction of pay parking. While the supposed benefits of pay parking are themselves questionable, there are many associated issues, such as the impact on medical students and the impact on volunteers – especially people working in the Red Cross blood bank. Moreover, there are very serious questions about the investment that is required for the generation of such a small quantum of funds that will be raised and about the proposed hypothecation of these funds for health purposes.
- 12.28 Messrs Pratt and Smyth noted the Committee's comment that welcomes the allocation of \$1.9 million to establish additional car parking and to enhance security and lighting for car parking at the Canberra Hospital.
- 12.29 Messrs Pratt and Smyth are concerned that there is now discrepancy in estimates of revenue that will be raised from the pay parking. Since the proposal for pay parking was first raised in the 2005-06 Budget, revenue estimates have varied widely, reflecting the poor nature of the modelling of this proposal.
- 12.30 During the 2004-05 Budget Estimates Hearings, the former Minister for Health provided a range of revenue between \$0.5 million and \$0.8 million. In the *Canberra Times* of 28 July 2006, the Minister for Health estimated that the revenue would be \$0.72 million. Subsequently, in an interview on ABC radio on 3 August 2006, the Minister for Health, Katy Gallagher, revealed that the estimated revenue was a million dollars a year.
- 12.31 **Recommendation 35:** that pay parking not proceed at Canberra's two public hospitals.
- 12.32 **Recommendation 36:** that, should the Government proceed with pay parking at the Canberra Hospital, it not commence until the new car park is open.

13 Department of Disability, Housing and Community Services

- 13.1 A critical activity of the provision of services by the ACT Government is to service people seeking assistance with housing. Within this range of services, the Government has a responsibility to enhance access for people who need housing services: to this point, these services have been provided through a number of shop fronts.
- 13.2 Messrs Pratt and Smyth are concerned about the obfuscation of the Minister for Housing in relation to the continued provision of housing services through the shopfronts. When asked about the possibility of closing some shopfronts, the Minister said that “the direct services that we provide to people in the ACT will continue to be provided in a better way than they are at the moment.”²⁹ The Minister provided no further information on this important matter.
- 13.3 The Minister the proceeded to inform the public of the impending closure of three of the four housing shopfronts.
- 13.4 **Recommendation 37:** that people seeking assistance for housing matters be dealt with by specially trained staff from Housing ACT and that, as a consequence, the Minister provide details of any changes that are being proposed to the operations of all shopfronts in the ACT.
- 13.5 Messrs Pratt and Smyth are concerned about the continuing delays in the provision of adequate accommodation sites for older people in the ACT. Although they acknowledge that there are some sites for aged care beds and independent living units being developed at present, they note that many sites that have been identified will not come on stream for a number of years. The Stanhope Government has been extremely tardy in approving sites on which facilities for older people can be developed.
- 13.6 **Recommendation 38:** that the Stanhope Government expedite planning approvals for sites identified for facilities for older people.
- 13.7 Messrs Pratt and Smyth also note the apparently relatively high cost of managing children and young people who are in the custody of the ACT Government. While there appear to be good reasons for the substantial differential between this cost and the costs associated with keeping people on remand and in prison, this differential still seems quite large.
- 13.8 **Recommendation 39:** that an evaluation be undertaken of the full cost of managing children in the care of the ACT Government to identify any opportunities for savings to be made.

²⁹ Hansard, 26 June 2006, p 562

14 Department of Justice and Community Safety

- 14.1 A discussion occurred with the Director of Public Prosecutions regarding what has been regularly reported as a severe lack of capability in forensic services causing substantial delays in the processing of some major cases. It was noted that senior magistrates were critical of court delays due to the want of reliable forensic services. The Committee did not recommend any action.
- 14.2 **Recommendation 40:** that the Director of Public Prosecutions and the ACT Police provide more resources from within their current resources for the conduct of forensic services in the ACT.
- 14.3 **Recommendation 41:** that the Government move urgently to build dedicated ACT policing forensic services and ensure an adequate number of forensically trained police for domestic investigations.
- 14.4 Messrs Pratt and Smyth expressed concern at the Government's insistence that the ACT Prison project proceed at this time when the Government intends to close schools, cut spending and significantly increase revenue raising activities. As well, they note that the economic case for the ACT Prison appears to be ill-founded and that financial modelling – to the extent that Messrs Pratt and Smyth can perform this analysis – shows that it will not save any expenditure for the ACT community.
- 14.5 Nevertheless, Messrs Pratt and Smyth emphasise that there is an urgent need for a new remand centre to be built in the ACT.
- 14.6 **Recommendation 42:** that the Government defer the ACT Prison project until such time as the ACT Budget has returned to a financially sustainable position and that, in the meantime, there should be an inquiry as to whether the ACT Prison represents value for money for ACT taxpayers.
- 14.7 **Recommendation 43:** that the Treasury release their advice to the ACT Executive on the business case that was prepared for the ACT Prison.
- 14.8 **Recommendation 44:** that a new remand centre be planned and built as a matter of urgency.
- 14.9 Messrs Pratt and Smyth remain concerned about the re-integration of emergency service functions into the Department of Justice and Community Safety. This action flies in the face of a significant recommendation from the McLeod Report and imposes additional costs on the ACT community following the very expensive project to establish the Emergency Services Authority (ESA) as a separate entity. A major issue in the management of emergencies in the ACT, especially following the bushfires of January 2003, is to ensure there is effective, expert management of emergencies:

Mr Corbell: The government does not believe that the financial and administrative changes we have put in place in any way affect the operational independence of the four services.³⁰

- 14.10 Despite the reassurance from the Minister that operational procedures will not be impacted as a result of the changes, there is a concern about the practicalities of this arrangement of this in the long term. Some members of the Committee are concerned that there is potential that a return to this bureaucracy may impact on operational responses to future emergency incidents, and will need to see how this arrangement works in real terms.
- 14.11 Messrs Pratt and Smyth do not accept the Minister's assurance that the new reporting arrangements for the Emergency Services Agency do not contravene the recommendations of the McLeod report on the 2003 bushfires.
- 14.12 **Recommendation 45:** that the Emergency Services Authority remain an independent statutory authority, as recommended and accepted by and implemented by the Stanhope Government in response to the McLeod Report on the 2003 bushfires.
- 14.13 **Recommendation 46:** in the event that the former recommendation is not implemented, the Stanhope Government put in place a protocol that establishes clearly and unambiguously where the lines of responsibility fall with respect to the management of emergencies in the ACT.
- 14.14 At the same time, the management of the ESA continues to be a critical concern for Messrs Pratt and Smyth. They are aware of instances of what appears to be inappropriate spending by the ESA, on such matters as specialised and expensive uniforms for non-operational staff and on staff that was in excess of what a reasonable organisation would require.
- 14.15 Messrs Pratt and Smyth had concerns about the compliance of some senior officers with the requirements of their individual contracts and with the provisions of the Public Service Management Act. It has come to their attention that some senior officers of ESA may have contravened their requirements particularly through retaining directorships of incorporated entities operating independently of the ACT Government.
- 14.16 Messrs Pratt and Smyth noted that notwithstanding major disasters such as the 2003 bushfires (where Treasurer Advances (TA) may be justified) sufficient emergency and operational reserves should be built into the budget. TA's should not be used to cater for budget blowouts. It was also noted that this was the second consecutive year where TA's had been used for blowouts.

Mr Corbell: The government has not set a savings target for ESA. The target that is in place in relation to ESA is for it to work within its existing budget.

³⁰ Estimates Hearings, 27 June 2006

This financial year, we anticipate there will be a budget overrun in the order of just over \$5 million. The challenge for ESA for the coming financial year will be to work within its existing budget.

The ESA, because of its budget overrun this financial year, either has or is about to receive—I think it has—a Treasurer’s Advance to accommodate its budget overrun. That is what we will be seeking to achieve. I am not quite sure what that means. You might like to ask someone else to explain that.³¹

14.17 The Committee noted that the Strategic Bushfire Management Plan (SBMP) was still a draft document with Volume 2 promised for 2005 now well overdue. A discussion ensued about the number of Bushfire Operational Plans (BOP) being prepared as part of the SBMP, concern expressed that insufficient plans were developed for each front line suburb and other vulnerable places.

Mr Ross: SBMP version 1 came out, obviously, a few years ago. At the time it came out it was envisaged that, all things being equal, we could have got a revised version out of that plan. I think the record should be clear that the SBMP, or strategic bushfire management plan, is a series of guidelines that help all the government departments and landowners within the ACT develop the bushfire operational plans that we mentioned earlier.

14.18 Further Messrs Pratt and Smyth noted Mr Ross’ comments:

The fact that we don’t have a revised version of the SBMP does not hinder in any way, shape or form the preparation of those bushfire operational plans. It would be good to have a revised version of the SBMP. That would help us improve on the factors that we already have in the SBMP and it would help us refine a lot of the data we have, but it would not hinder our capacity to prepare very comprehensive bushfire operational plans every year.³²

14.19 Despite this assurance from Mr Ross that the current SBMP arrangements are sufficient, there are concerns that there are many elements lacking within the SBMP version 1 that make it suitable for a comprehensive management of the ACT’s urban assets.

14.20 The Committee noted that the SBMP was still a draft document with Volume 2 promised for 2005 now well overdue. A discussion ensued about the number of BOP being prepared as part of the SBMP, concern expressed that insufficient plans were developed for each front line suburb.

14.21 Messrs Pratt and Smyth seek that the Government fast track the release of the SBMP version 2 before the next bushfire season, and that at the least, this version incorporate BOP for each

³¹ Hansard, 27 June 2006, p 676

vulnerable Canberra suburb and other vulnerable points, given they are not included in SBMP version 1.

- 14.22 Messrs Pratt and Smyth noted that the Capital Works Projects – new communications infrastructure, were still not operating three years after the January 2003 bushfires and after entering into contracts to supply and install appropriate infrastructure, particularly with respect to the Trunk Radio Network (TRN) network and the digital data communications projects. It is noted that these projects have all exceeded their budgets.
- 14.23 Despite Mr Ayling’s assurance that the TRN will be operational by the next fire season, there are concerns that, given the previous delays in implementing this project fully after the 2003 Bushfire Disaster, that this communication project, along with the Firelink project, may be subject to further delays.
- 14.24 A discussion ensued about the cost of the new ESA Headquarters and current leasing arrangements at Fairbairn with clarity sought against concerns for excessive leasing arrangements and the possible high cost of new construction. The Committee failed to make any recommendations on this matter.
- 14.25 A discussion ensued about the progress of the Community Fire Units (CFU) program with concern expressed that the program had stalled well short of the ACT’s needs. The Minister assured the committee that the 28 CFU units raised were adequate for the task. However, a subsequent reply to a Question on Notice (No.292) showed that the existing CFU’s only cover 51.99 km out of 98.96 km of the vulnerable western urban edge.
- 14.26 **Recommendation 47:** that the Assembly note the failure of the Stanhope Government to ensure the continued rollout of the Community Fire Units program.
- 14.27 The Committee noted that not all Bushfire Operational Plans had been approved and that, therefore, they had yet to be implemented and/or assessed by the ESA.
- 14.28 **Recommendation 48:** that the Government ensure that all of its departments with land management responsibility and the ESA are sufficiently resourced to ensure that all BOP required for all vulnerable suburbs and other critical and vulnerable locations in the ACT are completed and then implemented in time for each bushfire season.
- 14.29 A discussion ensued around the specifications of what constituted the basic standard for bush firebreaks along the urban edge of vulnerable suburbs. The question was put to the Government whether the 5m firebreaks so commonly found along the western edge in January 2006 was an acceptable standard. A debate followed which did not specifically identify a standard.

³² Hansard, 27 June 2006, p 715

- 14.30 A discussion ensued about the Yarralumla Brickworks fire of December 2005 where the Government indicated that all appropriate bushfire hazard fuel reduction measures had been activated. Messrs Pratt and Smyth vigorously disputed this, noting that while some areas on the western and southern boundaries of the Brickworks had been satisfactorily prepared, many areas, particularly along the residential fence line, had narrow fire breaks which were no more than five metres wide.
- 14.31 **Recommendation 49:** that the Government ensure that its land managers and agencies are properly resourced to prepare bushfire breaks of an acceptable width along all of the vulnerable facades of the urban edge and settlements and where appropriately in Canberra nature parks, forests and bushland areas across the ACT.
- 14.32 The precise nature of the contractual arrangement between the ACT Government and the Australian Federal Police (AFP) for the provision of police services to the ACT has been an issue for some years. Accountability is a key issue where resources are being purchased on behalf of the Territory. A particular concern about this arrangement has been the difficulty in establishing performance indicators for policing activities and in then evaluating the performance of the police against those indicators.
- 14.33 Messrs Pratt and Smyth noted that the Police Agreement had not, for five years, laid down concrete actions, performance indicators and establishment requirements. Messrs Pratt and Smyth were deeply concerned that the well overdue Police Agreement for 2006-07 would be no more effective.
- 14.34 An associated issue relates to the determination of actual numbers of police in the ACT. Messrs Pratt and Smyth are concerned at the on-going difficulty in identifying the precise numbers of staff working in ACT Police. The Joint Study acknowledges this issue and proposes action to rectify it. This difficulty is frustrating and creates unnecessary issues when the Legislative Assembly evaluates the performance of ACT Police.
- 14.35 The Committee noted that the method of accounting for police numbers was not efficient. The Full Time Equivalent (FTE) method left much to be desired because it was important to be able to count experienced and technical positions.
- 14.36 **Recommendation 50:** that the number of uniform and non-uniform staff in ACT Police be determined on both a head count and an FTE basis as at the last pay period of each month and this information be included in the quarterly Justice statistics.
- 14.37 The Committee discussed community concerns expressed across the community about a lack of visible police presence, particularly in a significant number of shopping centres where crime and vandalism were excessive. The Minister was confident that this would be addressed in the near

future and Chief Police Officer, Audrey Fagan, (CPO) briefed the Committee on the soon to be implemented “Police Suburban Ownership” program. This was welcomed by the Committee as a long overdue initiative although grave concerns were expressed by Messrs Pratt and Smyth as to whether police force strength would meet the needs of the program.

14.38 CPO Fagan advised that the existing arrangements for the organisation of police which allowed a flexible structure for concentrating police strength against emerging crime was advantageous. The Committee agreed with this but Messrs Pratt and Smyth expressed concern that a flexible arrangement of shifting police strengths does significantly undermine community policing presence.

14.39 In response to questioning about drug affected driving, CPO Fagan said this was a concern. The Committee noted that surveys of driver habits and the analysis of road fatalities across all jurisdictions demonstrated alarming levels of drug affected driving in all jurisdictions. In response to questioning as to whether or not CPO Fagan had recommended to the Government random roadside drug testing, she said it was something police were looking at. Messrs Pratt and Smyth were concerned that CPO Fagan did not demonstrate a strong willingness by the Government or the Police to seriously address the issue of drug driving.

14.40 **Recommendation 51:** that the Government introduce a random drug driver testing trial as a matter of priority.

14.41 A discussion ensued around the matter of the overdue Joint Study into ACT Policing, with the Minister asked to table this and other capability reviews and time and motion studies conducted during the past four years.

14.42 Messrs Pratt and Smyth noted that the Minister for Police and Emergency Services had sat on the Police Joint Study (completed in June 2005) for over 12 months and had not released it until after the Estimates hearings had concluded, therefore denying the Committee the opportunity to scrutinise the budget in the light of the findings in the Joint Study.

14.43 The belated release of the Joint Study into ACT Policing, released after the hearings, will now provide an effective base from which to assess the adequacy of resources available to police the ACT.

14.44 The most immediate outcome of the Joint Study is to show that the ACT has significantly less police resources than are necessary for the task of policing the ACT adequately. This does not mean achieving a national average but achieving a satisfactory level of resources, especially including experienced officers, necessary to perform a range of identified tasks.

14.45 Discussion ensued about the loss of senior sergeants and senior constables and, more generally, experienced police although the CPO said that this was being addressed and the Committee

accepted this, however, Messrs Pratt and Smyth expressed their deep concern about the failure of the Government to retain experienced constables and sergeants, leaving significant leadership gaps in front line policing.

14.46 **Recommendation 52:** that the number of sworn police by rank, on both a head count and FTE basis, be counted and compared to other jurisdictions.

14.47 **Recommendation 53:** that the Government redesign the Police Purchase Agreement and the 5 Year Police Arrangement to incorporate firm performance measures and task oriented directives.

14.48 **Recommendation 54:** that, following the tabling of the Joint Police Study, the Government now build on the findings of that study and undertake a strategic level Territorial needs analysis into policing and community safety requirements.

15 ACT Planning and Land Authority

- 15.1 Messrs Pratt and Smyth reiterate comments made by the Committee about the concern that the Government has no clear understanding of how exactly staff cuts in the Authority will affect the planning services provided by ACTPLA. It appears that the Chief Planning Officer has had the budget requirements forced onto his agency at the last moment and that there is no clear understanding of how to effectively deliver staff cuts concurrently while maintaining services.
- 15.2 **Recommendation 55:** that the Minister report to the Assembly by the last sitting day of 2006 on productivity improvements that have been achieved to offset the loss of staff at ACTPLA.
- 15.3 The budget as delivered by the Stanhope Government has provided for an increase in the cost of development application fees. This cost was justified as bringing the ACT into line with adjoining local councils.
- 15.4 However, it would seem that the Planning Minister is simply going to lose fees in one area and make them up in another. During the hearings, the Planning Minister said:
- There is a reduction in the level of development application fees collected. A whole range of development applications will no longer need development applications.
- 15.5 Despite the Ministers assertion that the Community will be saving, with the individual price of development applications increasing, this is disputable point.
- 15.6 **Recommendation 56:** that the Stanhope Government not proceed with increases in development application fees.

16 Department of Territory and Municipal Services

16.1 Messrs Pratt and Smyth were concerned at the inability of the Minister for Territory and Municipal Services (DTMS) to detail proposed job losses within his Department. As the Attorney General and the Minister for Planning were able to provide a detailed reconciliation of staff movements within their portfolios, it is reasonable to assume that all Ministers should be able to provide this information.

16.2 Of all the Ministers appearing before the Committee, the Minister for the Territory and Municipal Services, Mr John Hargreaves, was the least able to detail actual job losses within his department:

MR PRATT: What will be the number of net job losses when ‘like functions’ in urban services are transferred to DTMS? What is the number for which you are aiming?

Mr Hargreaves: Again, it must be remembered that we have to talk in full-time equivalents. You must understand the complexity of the types of jobs that exist, so any number I give will not be spot-on. We can talk about FTEs in dollar values.

MR PRATT: There is a bit of a fudge factor in that.

Mr Hargreaves: A wild stab in the dark would be around 100 or so.

MR SMYTH: Are you saying there will be 100 job losses?

Mr Hargreaves: No, that is an incorrect assumption. I am sure you will agree that I did not say that; I said it would be FTEs.

MR PRATT: So there will be 100 fewer FTEs?

Mr Hargreaves: Yes, give or take a bit. I put a heavy caveat on that. We cannot be precise about these things until the change process is completed.³³

16.3 Recommendation 57: that the Minister for Territory and Municipal Services provide a detailed and accurate breakdown of job losses within his portfolio before the Budget debate resumes.

16.4 On a number of occasions, the Minister was unable to answer questions on the basis that he had not been briefed about areas coming into his portfolio responsibilities.

Mr Hargreaves: I have to take that one on notice, if you don’t mind, madam chair, on two levels. The first one is I want to make sure the information for Mrs Dunne is correct. Also, it helps me understand what has happened before I actually get responsibility for it on 1 July.

³³ Hansard, 23 June 2006, p 447

Mr Zissler: I only have a briefing next week on the arboretum at handover next week. I have not met with the individuals as yet, so I could not give you an accurate number.³⁴

16.5 While the Minister was unable to answer questions about the Departmental Budget he was to administer for the coming year, he was willing to ask the Assembly to appropriate monies for him to expend in DTMS:

Mr Hargreaves: Madam chair, I reject the nonsensical notions put forward by Mr Pratt. He asked a question and the only thing correct in the whole thing was the word “and”.

MR PRATT: Will you answer that question, minister?

Mr Hargreaves: I have answered the question.

MR PRATT: Do you have another five-year funded plan for road upgrades, in addition to the paltry \$11 million or \$12 million, including federal funding, in the budget to replace the five-year funded road plan which expired in 2005? Do you have one?

Mr Hargreaves: I am waiting for you to ask the next half of your question, Mr Pratt, because you seem to have had a pregnant pause in the middle.

MR PRATT: Chair, will you ask the minister to answer the question, please?

Mr Hargreaves: I was waiting for you. Have you finished?

THE CHAIR: Is that the rest of it?

MR PRATT: Come on, chair, you know that I have just asked a question.

THE CHAIR: I am asking you whether you have finished your question.

MR PRATT: Chair, you know I have just finished the question.

MRS DUNNE: Can we just ask the question and answer the question because other people have questions and time is getting on?

Mr Hargreaves: I will answer the sensible part of your question, Mr Pratt, and that is that when the Gungahlin Drive extension is completed we will develop a further five-year plan.

MR PRATT: Where do you have the money in the budget to—

Mr Hargreaves: Madam chair, I think I have answered the question.

MR PRATT: I haven't finished.

³⁴ Hansard, 23 June 2006, p488

Mr Hargreaves: I am not going to answer any more questions from Mr Pratt on this subject.

MR PRATT: Chair, I don't think the minister can do that. I don't think the minister can pick and choose which questions he will or will not answer.³⁵

Further:

Mr Hargreaves: You can ask me whatever you like.

MR SMYTH: Mr Wallace, do you have anything to say about that matter?

Mr Hargreaves: I will answer the question. Mr Wallace does not have anything to add.

MR SMYTH: Is the minister just going to shut down debate?

Mr Hargreaves: You have it in one, Mr Smyth.

MR SMYTH: The minister is avoiding public scrutiny yet again.

Mr Hargreaves: No, I am not, Mr Smyth.³⁶

- 16.6 The Committee recommends that if the Minister still has a portfolio under his control at the time of the next Estimates, he comes to hearings much better prepared than he did this year.
- 16.7 The Committee questioned the Government about the overall changes to the Department as a result of the Functional Review. The Minister was unable to give the Committee a clear indication of how the new arrangements would impact on services, affect staff, how the Department would be structured, or the financial impact and/or savings, as the process was not sufficiently advanced.
- 16.8 The Committee notes with concern that it is difficult to approve the appropriation of the 2006-07 Budget allocations for DTMS without a clearer indication of how the Department's funding is to be expended.
- 16.9 **Recommendation 58:** that the Minister provide to the Committee prior to the consideration of the 2006-07 Budget more comprehensive details of how DTMS is to be structured, what the impact will be on services, on the public, on employees of DTMS, and the financial consequences of these changes.
- 16.10 The Minister also said that there could be no 5 year Roads Funding plan until GDE was completed. The Committee did not make any further comment. Messrs Pratt and Smyth note a deep concern that there was no 5 year funding plan for road maintenance and upgrades. Messrs Pratt and Smyth also noted that the last 5 year plan had expired in November 2005. Concern was

³⁵ Hansard, 23 June 2006, p 471

³⁶ Hansard, 23 June 2006, p 508

expressed that the GDE project – a budget out of control – was absorbing all the roads funding. This is a tragedy given the poor state of many roads.

16.11 A discussion occurred around what proportion of the infrastructure maintenance budget would be allocated in bushfire season 2006-07 for bushfire hazard reduction on the urban edge. The Committee, having discussed the issue of bushfire fuel hazard reduction on the urban edge, made no recommendations.

16.12 The Committee questioned whether without the Fire Management Unit, would DTMS have sufficient planning and bushfire fighting capability to prevent and fight fires in its area of responsibility. The Minister replied that: “Yes, they would have.”.

16.13 Concern was expressed by the Committee that fundamental infrastructure maintenance such as the non-existent 5 Year Road Maintenance Plan, footpaths, drainage, traffic calming measures, preventing graffiti and bridge repairs – particularly Tharwa Bridge – were neglected at the expense of poorly managed projects such as GDE and white elephant projects such as the arboretum, the ‘on road cycle lanes’ indulgence and the \$85,000 bicycle sheds for DTMS staff at Macarthur House. An example of this occurred when the Minister was questioned about Tharwa Bridge:

MR SMYTH: I think I do, yes. The second problem: if this is the second collapse of this bridge in the last 18 months, why is there no money in this budget to fix the problem?

Mr Hargreaves: We have money in the bridge renovation levy, I think it is called. There is a budget for the maintenance and upgrade of bridges in the ACT and that—

MR SMYTH: Yes, but that is primarily a budget to cover double-Bs.

Mr Hargreaves: Well, the point is, Mr Smyth, we had hoped that we would have had a solution and a costing to put into the budget for that and we just don’t. A lot of our assumptions that we made when we went to the village and talked to the people were based on our, I guess, anticipated response from the heritage council. The heritage council came back with a very much stronger view than we had anticipated; so we have to do some more thinking about it. And I can tell you that it is top priority, but I do not have the numbers to be able to provide to you at this stage.³⁷

³⁷ Hansard, 23 June 2006, p 463

- 16.14 It is clear from the Minister's response to the replacement or repair of Tharwa Bridge that no funding has been dedicated to this project, despite the fact that the problem has been known to the Government for some time.
- 16.15 **Recommendation 59:** that the Government inform the Assembly, before the last sitting day this year, as to how it will solve the problem of Tharwa Bridge.
- 16.16 **Recommendation 60:** that the ACT scrap all indulgent capital works projects, such as the arboretum, to ensure that all funding is focussed on the delivery of essential services and the maintenance of essential infrastructure including footpaths, bridges and street lighting.
- 16.17 **Recommendation 61:** that the Government detail the total government-wide budget for bushfire hazard reduction along the urban edge.
- 16.18 **Recommendation 62:** that the Government re-establish an FMU in DTMS which is capable of planning and carrying out preventative bushfire fuel hazard reductions in DTMS land management areas.
- 16.19 Messrs Pratt and Smyth were concerned about the prospect of closures of some public libraries in the ACT. At the same time, Messrs Pratt and Smyth support a review of the ACT's public libraries, as this would ensure that these important institutions are equipped to respond to the emerging needs of users across all types of technology.
- 16.20 **Recommendation 63:** that the number of public libraries currently operating in the ACT not be reduced.
- 16.21 Messrs Pratt and Smyth note that, while the RSPCA continues to provide a range of services for the protection of animals and birds, it does not receive appropriate compensation for these activities from the ACT Budget. At the same time, there is a suggestion that there are elements of duplication between some of the activities of the RSPCA and of Domestic Animal Services. The rationalisation of these activities could provide the RSPCA with a more assured financial base.
- 16.22 **Recommendation 64:** that the activities of Domestic Animal Services be evaluated, in association with the RSPCA, to determine what opportunities exist to enhance the delivery of animal protection and related services and to achieve cost savings to the ACT Government.
- 16.23 The ACT Government used to lead the world in the delivery of e-government services, in particular, through access to on-line payment systems. The people of Canberra have steadily increased their usage of these services. Since the 2001 ACT Election, very little attention has been paid to the continuing development of e-government and this has been to the detriment of our world reputation and to the delivery of these services.
- 16.24 **Recommendation 65:** that, before the Budget debate resumes, the Government detail in the Assembly how it will progress e-government issues over the next 12 months.

16.25 A major concern to Messrs Pratt and Smyth is the prospect of changes to the delivery of counter services from the ACT Government shopfronts. While the Minister for Territory and Municipal Services obfuscated on this matter, it appears that the Stanhope Government is proposing to reduce service delivery through a reduction in both the number of shopfronts and the staffing at those shopfronts.³⁸

16.26 Shopfronts have been a success story for successive ACT Governments but it appears that the Stanhope Government is proposing to ask existing urban or municipal services staff to take on responsibilities for dealing with customers seeking assistance with specialised and complex matters - particularly housing issues. This would be a retrograde step, as the general staff would require specialised training in housing policies and there are likely to be issues concerning the way in which housing inquiries would be handled.

16.27 **Recommendation 66:** that a comprehensive evaluation be undertaken before any existing Government shopfronts are closed.

16.28 Messrs Pratt and Smyth are concerned that the cut in sports grants will have an adverse impact on many sporting groups in the ACT, at a time when the Government is attempting to combat childhood obesity. Specifically in this regard, the future of recently established 'Kids at Play' program seems unclear.

16.29 **Recommendation 67:** that, before the Budget is passed, the Government detail in the Assembly the effects of the Budget cuts on the 'Kids at Play' program

Output Class 3: ACT Tourism

16.30 The rationale for the Stanhope Government to reduce funding for tourism by more than \$3 million was largely based on a perceived duplication of marketing and promotion activities between the ACT Government and the combination of the National Capital Authority and the various national attractions that are located in Canberra. This approach ignores the differing roles of the marketing and promotion activities undertaken by these organisations.

16.31 The prime role of the ACT Government includes raising the profile of Canberra and the ACT as a destination and in developing tactical marketing and promotion campaigns that are focussed on particular national and international markets. The role of the national attractions, on the other hand, is to market their attraction as broadly and effectively as possible; it is not to market and promote the ACT or Canberra specifically. The Stanhope Government apparently does not understand this important distinction means that the tourism marketing and promotion activities

³⁸ Hansard, 23 June 2006, p 499

funded by the industry in the ACT will have to be redirected to a different set of priorities to account for the lack of strategic funding available from the ACT Government.

16.32 **Recommendation 68:** that an independent tourism corporation be re-established.

16.33 **Recommendation 69:** that the Stanhope Government restore the funding for the promotion and marketing of Canberra and the ACT as a tourist destination to national and international markets.

16.34 The Stanhope Government also has claimed, as one reason for bringing the tourism function into the Department, that the former Corporation spent too much on unnecessary administration.³⁹ The Minister for Tourism estimated this overspend at 16 per cent of the Corporation's budget or \$3.3 million. This claim is simply nonsense and reflects more sloppy analysis by the Stanhope Government.

16.35 Any reasonable examination of the financial statements prepared by Australian Capital Tourism Corporation shows that, of total spending of \$20.4 million incurred during 2004-05, more than \$19 million or 95 per cent of the total budget was spent on matters other than the administration of the Corporation. This means that only around \$1 million – or much less than the amount claimed by the Stanhope Government – can be attributed to general administration of the Corporation. Once again, this is an instance of very sloppy analysis made by the Stanhope Government.

16.36 **Recommendation 70:** that the Stanhope Government provide the details of the analysis it made of the administrative expenditure of Australian Capital Tourism Corporation.

16.37 The National Zoo and Aquarium (Zoo) is a major tourist attraction in the ACT. Apart from extraordinarily protracted processes related to proposals to extend the Zoo's area, the Zoo is now facing issues from the proposed development of the Molonglo region.

16.38 Of particular concern to the Zoo are proposals for transport links between this region and the southern parts of Canberra. There are absolutely no grounds for the ACT Government to consider interfering with the location and operations of the Zoo with proposals for major road links in the vicinity of the Zoo.

16.39 **Recommendation 71:** the Stanhope Government ensure that any proposals for transport access to the Molonglo region not detract either from the location of or the operations of the Zoo.

³⁹ Hansard, 3 July 2006, p P27.

17 Housing ACT

- 17.1 Messrs Pratt and Smyth note that a critical issue for any government is the way in which it deals with people with particular needs, such as for public housing. They are concerned, however, that the Stanhope Government is not proposing to resource properly those areas that deal with people who are seeking or who are occupying public housing.
- 17.2 **Recommendation 72:** that the Minister for Housing provide details of any staff reductions and of action that is being taken to ensure that service delivery is maintained.
- 17.3 Messrs Pratt and Smyth were concerned at the Minister's failure to answer about the future of the Gateway Services Section. Should this Section be shut down, it will have a serious impact on the operation of housing services.
- 17.4 **Recommendation 73:** that the Minister to release details of plans to reduce the number of staff in Housing ACT in Gateway Services Section or provide a guarantee that staff levels will remain the same and stable in order for the department to continue to maintain the highest level of service to its clients.

18 Department of Education and Training

- 18.1 The proposals from the Stanhope Government to close 39 schools in the ACT have generated considerable anxiety and concern across the community. The approach of the Stanhope Government to the issues that are evident in the government school system is superficial and lacks a coherent policy basis.
- 18.2 There is no question that some rationalisation of government school facilities is required in the ACT. The era of designing suburbs with their own pre-school and primary school has passed; likewise, the structure of high schools and secondary colleges in some parts of Canberra is now inappropriate given the composition of people living in different regions. Superimposed on these factors is the continuing, steady trend of students to attend private schools. This last factor, for example, demonstrates that students and their families are prepared for students to travel outside their own suburb to attend school – even pre-school.
- 18.3 For a Government that asserted the importance of effective consultation with the community, the approach of the Stanhope Government has been an abject failure when it comes to the policy for developing and managing government schools. What the Stanhope Government should have done was establish the groundwork for a positive debate about the future of education in the ACT. This debate should encompass such issues as how we achieve excellence in our schools, what the structure of our schools should be, what models of education should we have, what pathways should be developed between the secondary and tertiary education sectors and between schools and industry.
- 18.4 Despite protestations from the Minister, it appears that there is a lack of consistency in the determination of such key parameters as school capacities and the allocation of costs, particularly overheads, to government schools. Moreover, the questions that have been raised about the nature and quality of data that has been used in this analysis also raise doubts about the quantum of savings that are likely to be achieved through this restructuring program.
- 18.5 **Recommendation 74:** that the Stanhope Government initiate an inquiry, under the Inquiries Act, about the future of the education system in the ACT.
- 18.6 **Recommendation 75:** that no schools be closed until this inquiry has been concluded and the report considered by the Assembly.
- 18.7 **Recommendation 76:** that the Minister for Education and Training provide to the ACT community all the data that has been used as a basis for the decisions on identifying those schools that are to be closed.

18.8 Messrs Pratt and Smyth note that the Committee has recommended that the Stanhope Government make a clear announcement to the ACT community about the sale of land following any school closures. Messrs Pratt and Smyth are very concerned at the conflicting messages that the Stanhope Government is sending to the community on this issue.

18.9 The Committee heard from both the Planning Minister and the Minister for Territory and Municipal Services that they could not rule out the sale of school sites if schools were closed:

MR SMYTH: Is there any money in this year's budget for planning studies on excess school sites?

Mr Corbell: No. On the issue of surplus school sites, just to make it very clear, just as there is no money in the budget for planning studies, there is no money in the budget for realisation of those sites either; that is, for sale. There is not a single cent in the budget for any sale of those sites.

MR SMYTH: So are you ruling out the sale of any of these sites?

Mr Corbell: No, I am not. I am just saying that it is not factored into the budget.⁴⁰

18.10 The Minister for Education has repeated many times his statement that there will be no land sales as a result of school closures.⁴¹ For instance, at a forum held in Belconnen, the Minister said "there will be no land sales as a result of school closures"⁴²

18.11 The Committee was told by the Minister for Education that none of the 39 schools proposed for closure would be sold by the Government. He told the Committee that:

As part of this process, we are not seeking to fund our capital investments in schools by selling off land. Those buildings will remain in community use and they will be handed to the property group within the Department of Territory and Municipal Services, which looks after surplus government property.⁴³

18.12 In an extra-ordinary show of confusion, however, concurrent with these statements from the Minister, the Chief Minister has been saying just the opposite. Indeed, on the same day, the Chief Minister admitted:

that his Government was likely to sell unused school land to make way for residential developments, contradicting earlier assurances from Education Minister, Andrew Barr.⁴⁴

⁴⁰ Hansard, 21 June 2006, p 316

⁴¹ Refer, for example, to the *Canberra Times*, 5 August 2006, p 1

⁴² *The Canberra Times*, 5 August 2006, p 1

⁴³ Hansard, 28 June 2006, p 757

⁴⁴ *The Canberra Times*, 5 August 2006, p 1

18.13 The Chief Minister then went on to say that what Minister for Education Andrew Barr said was nonsense⁴⁵

18.14 The Chief Minister described

Mr Barr's comments as a poor explanation.⁴⁶

18.15 Messrs Pratt and Smyth are disgusted at the lack of honesty displayed by the Minister for Education, in misleading the Committee, the ACT Legislative Assembly and, in particular, the ACT community.

18.16 **Recommendation 77:** that the Chief Minister and the Minister for Education detail to the Assembly what will happen with surplus school land.

18.17 A critical issue in implementing effective management of government schools is to have an appropriate allocation of costs across each school. Many of the schools that are under the threat of closure have questioned the consistency of the propositions concerning the allocation funds to their schools.

18.18 **Recommendation 78:** that a review be conducted to ensure that all costs relating to the government education system are allocated fairly, such that this accurately represents the true costs of each school.

18.19 **Recommendation 79:** that the *Towards 2020* study be scrapped and that all of the planned school closures be postponed pending a comprehensive enquiry into the needs of the ACT community regarding the schooling infrastructure.

18.20 **Recommendation 80:** that the Chief Minister withdraws his comments and apologises to the Minister for Education and to the Assembly for contradicting him or that the Minister for Education apologise to the Committee for misleading it over the disposal of excess school sites.

⁴⁵ *The Canberra Times*, 5 August 2007, p 1

⁴⁶ *The Canberra Times*, 5 August 2007, p 1

19 Land Development Agency

- 19.1 The operating arrangements for the Land Development Agency have been changed, such that the Authority now is required to purchase land from the ACT Government (represented by the Department of Territory and Municipal Services). The Agency will then sell the land to third parties, either for development of the infrastructure and associated design works or for use as building sites.
- 19.2 Messrs Pratt and Smyth are concerned to ensure that the Agency is not able to inflate the prices at which land is sold by the Agency, such that the dividend that the Government requires the Agency to pay is higher than it would be in a true commercial environment.
- 19.3 **Recommendation 81:** that the operating procedures of the Land Development Agency be subject to appropriate scrutiny to ensure that competitive prices are paid by the Agency to purchase land and are charged by the Agency for land it is proposing to sell.
- 19.4 The process by which the Agency auctioned section 48, block 8 in Fyshwick has been a considerable cause for concern in these hearings; some comments and recommendations have already been included in section 8 of this report. Messrs Pratt and Smyth are aware of a range of issues that have emerged about the lead up to this auction. At this time, it appears that there remain a number of questions about the process that was followed by the Agency.
- 19.5 In particular, it seems that one or more bidders at the auction had information that was not generally available to all potential bidders. Further, the Agency even suggested that information that was provided to one potential bidder should not be provided to any other potential bidder.⁴⁷ This approach flies in the face of procedural fairness and contravenes the provisions of contracts made by the Federal Government, for example, in dealing with external parties.
- 19.6 **Recommendation 82:** that the Minister for Planning explain to the Assembly how such a flawed process occurred prior to the auction of section 48, block 8 in Fyshwick.
- 19.7 **Recommendation 83:** that the Minister for Planning explain to the Assembly why certain information was not provided to all bidders.
- 19.8 **Recommendation 84:** that, should the Minister choose not to make these explanations, then the Assembly take action to discipline the Minister.
- 19.9 During the Committee hearings, the Chief Minister was asked if the Functional Review proposed a 50 per cent reduction in staffing levels of the LDA. He was also asked if this was a Budget Cabinet Recommendation. The Chief Minister said that this was not true.

⁴⁷ Hansard, 21 June 2006, p P79.

19.10 Members of the community had brought this information to the attention of a Committee Member.

These people had attended a Labor Party function where the guest speaker, Deputy Chief Minister Katy Gallagher, informed the audience of the Government's intentions. Messrs Pratt and Smyth are concerned at the difference between the statements of the two Ministers.

19.11 **Recommendation 85:** that the Planning Minister table in the Legislative Assembly the relevant parts of the Costello Report on the Functional Review, and any Budget Cabinet Recommendations relevant to the discussion of this matter, in the Legislative Assembly, before the passing of the 2006-07 Budget.

20 Indigenous

- 20.1 Messrs Pratt and Smyth are concerned about the administrative arrangements and the manner in which they deal with indigenous issues. Policy would appear with the Chief Minister's Department while the majority of serviced delivery has been transferred to the Department of Disability, Housing and Community Services.
- 20.2 The lack of attention given to and outcomes achieved for indigenous Canberrans under the Stanhope Government is of significant concern.
- 20.3 The Chief Minister has committed to funding a new Indigenous Representative Elected Body in the ACT to the tune of \$393,000 over four years.
- 20.4 Yet, no decision has been taken to dissolve the two standing consultative bodies acting in the interests of indigenous people in the ACT.
- 20.5 **Recommendation 86:** that the Chief Minister provide a breakdown to the Assembly of the funding that has been allocated in the 2006-07 budget of \$393,000 for the new Indigenous Representative Elected Body.

21 Presentation of the Budget

- 21.1 There are a number of issues that are pertinent about the 2006 ACT Budget. The first of these concerns comprehension. The annual budget of any jurisdiction is a complex matter: there are a number of documents – some with many hundreds of pages – and there are cross-references between documents. Indeed, the Chief Minister said that “The new administrative arrangements are very complex...”.⁴⁸ One imperative of governments should be to make the budget papers as clear as possible.
- 21.2 This flies in the face of the Chief Minister’s comments quoted in paragraph 4.5. This is symptomatic, of course, of the entire 2006 ACT Budget and of the disdain with which the Stanhope Government treats the community.
- 21.3 Unfortunately for the ACT community, the 2006 Budget fails the test of comprehension. First, the structure of BP3 has changed from previous years. Second, the style of presentation in BP4 means that there is a lack of clarity about what changes have taken place in organisational units, output classes and indicators of performance. Third, even with the changes to the structure of the ACT Government, there are a number of changes that are hard to understand: tourism being in Territory and Municipal Services rather than the economic development area in Chief Minister’s; ACT WorkCover having functions spread between different Ministers; responsibility for Aboriginal and Torres Strait Islanders being under one but being responsible to another; responsibility for older people being split between Ministers.
- 21.4 The Budget made many changes to the administrative structure of the ACT Government. Messrs Pratt and Smyth would have hoped that this would lead to a simplified structure for the benefit of good governance and to facilitate comprehension. Unfortunately, this has not been the case. The Stanhope Government has demonstrated its disregard for the ACT community through its inability to establish a consistent structure of output classes across the 2006-07 Budget. The output classes for the Chief Minister’s Department and the Department of Justice and Community Safety, for example, differ between the Appropriation Bill 2006-2007 [refer BP3, Appendix C, pp 8-9] and the structure used in BP4 [refer Summary of Outputs, BP4, pp 565-567]. As well, an output class for ACTION is included in BP4 but is omitted from the Appropriation Bill.
- 21.5 By contrast, in the 2005-06 Budget, the structure of output classes in Appropriation Bill 2005-2006 [refer BP3, Appendix C, pp 8-9] is replicated almost exactly by the structure of output classes used throughout BP4 [refer Summary of Outputs, BP4, pp 577-579]. This difference in

⁴⁸ Hansard, 22 June 2006, p P55.

the structure of output classes in the 2006-07 Budget is confusing, silly and unnecessary – and it could have been avoided so easily.

21.6 **Recommendation 87:** that the Stanhope Government review the structure and content of the ACT Budget to increase the clarity of information that is presented.

21.7 **Recommendation 88:** that, in future ACT Budgets, a consistent structure of output classes is used throughout all Budget Papers to facilitate comparisons.

22 Operation of the Estimates Committee

- 22.1 Messrs Pratt and Smyth have major concerns about the approach of the Stanhope Government to the composition of the Select Committee on Estimates 2006-2007. Their concerns relate to a combination of the Stanhope Government having the chairmanship of the Committee and having an equal number of non-Government members.
- 22.2 This approach by the Stanhope Government flies in the face of the pledge given by Mr Stanhope in March 2001, when he acknowledged “accountability [as] a fundamental Labor value” and he committed a Labor Government to ensuring that “the Legislative Assembly is able to provide the appropriate scrutiny of the government of the day”.⁴⁹ Messrs Pratt and Smyth submit that the effectiveness of the Committee in 2006 to provide comprehensive and effective scrutiny of the Stanhope Government’s Budget for 2006-07 was considerably reduced following the approach adopted to the structure of the Committee.
- 22.3 The Chief Minister adopted a completely unnecessary and confrontational approach to questioning from the Committee. In response to quite reasonable questioning from the Committee, the Chief Minister threatened to repeat his Budget speech and “[to] speak happily for the next two hours without taking a breath”.⁵⁰ As far as Messrs Pratt and Smyth are concerned, this kind of attitude from the Chief Minister does not enhance the credibility of the Legislative Assembly and it makes a mockery of the Committee process.
- 22.4 The Minister for Territory and Municipal Services used inappropriate language a number of times and also sought to avoid questioning by the Committee. The Minister’s inappropriate comments about Members of the Committee included “silly question from a silly person”,⁵¹ “...Mr Smyth does not know anything”,⁵² “I am not going to answer any more questions from Mr Pratt on this subject”⁵³ and “Grow up”.⁵⁴ The refusal of the Minister to respond to legitimate questions is shown in the following exchange:

Mr Hargreaves: You can ask me whatever you like.

MR SMYTH: Mr Wallace, do you have anything to say about that matter?

Mr Hargreaves: I will answer the question. Mr Wallace does not have anything to add.

MR SMYTH: Is the minister just going to shut down debate?

Mr Hargreaves: You have it in one, Mr Smyth.

MR SMYTH: The minister is avoiding public scrutiny yet again.

Mr Hargreaves: No, I am not, Mr Smyth.⁵⁵

⁴⁹ Jon Stanhope, *A Code of Good Government*, Canberra, March 2001.

⁵⁰ Hansard, 22 June 2006, p P7.

⁵¹ Hansard, 23 June 2006, p P14.

⁵² Hansard, 23 June 2006, p P17.

⁵³ Hansard, 23 June 2006, p P39.

⁵⁴ Hansard, 23 June 2006, p P54.

⁵⁵ Hansard, 23 June 2006, p P75.

A further instance of completely inappropriate comments from this Minister was when he said about a Member of the Committee: “[I am s]earching for some way of dealing sensibly with Mr Pratt. Unfortunately, I think she has gone a long way to try to find out how to do that, I have to tell you.”⁵⁶

- 22.5 Minister Hargreaves also used some unparliamentary language later in the hearings. He attributed to a Member of the Committee the description “the ‘dickhead comment of the week’ award”.⁵⁷ Subsequently, Minister Hargreaves commented to a Member of the Committee: “If you did that...no-one would know you are deaf and a dill”.⁵⁸ The Minister should desist from making such unnecessary remarks, especially about fellow Members of the Assembly.
- 22.6 Estimates scrutiny provides the major opportunity for the Assembly to assess the performance of the government, the public service and its administration of government policy and programs. The estimates process is a wide-ranging examination of expenditure and it also has evolved into an evaluation of performance. The overall effect of estimates is to keep executive government accountable and place a great deal of information on the public record.⁵⁹
- 22.7 Ministers and their officials appear to answer questions on their respective programs. Of course, questions must be relevant to the departments and agencies that are to appear before the Committee. As the estimates represent claims by departments and agencies for funds, questioning can encompass the activities and financial positions of these departments and agencies.
- 22.8 The behaviour of some Ministers during these estimates hearings detracted from the respect that should accompany public events such as these hearings. Moreover, the comments made by some Ministers are not funny or clever; they simply lower the esteem in which the community holds its local parliament.
- 22.9 **Recommendation 89:** that the Government take note of the unparliamentary behaviour exhibited by some Ministers showing contempt for the parliamentary process during the 2006-07 estimates hearings and that appropriate disciplinary action be taken by the Assembly.

⁵⁶ Hansard, 23 June 2006, p P108.

⁵⁷ Hansard, 26 June 2006, p P11.

⁵⁸ Hansard, 26 June 2006, p P46.

⁵⁹ This material has been drawn from: Harry Evans (Ed), *Odger's Australian Senate Practice*, Eleventh Edition, Canberra, 2004.

23 And on a Lighter Note

- 23.1 One of the nightmares in putting together a complex set of publications such as the annual budget is the way in which gremlins can do their work. The flagship capital works project for the Stanhope Government is the new prison – which is now called the “Alexander Maconochie Correctional Facility” – is a case in point. Despite the prestige that this project carries for the Stanhope Government, it is still possible to make silly errors about this project: calling the new prison the “Andrew Maconochie Correctional Facility” (refer BP4, p 247) is most unfortunate.
- 23.2 All governments attempt to present themselves in the best possible light. A notable area in which this occurs is in trying to characterise as much of each Budget as possible as being an initiative: that is, something is happening that has not happened before. Sadly, this activity has now degenerated into the use of meaningless rubbish. First, the Stanhope Government (and others before it) uses the phrase “Recurrent initiatives” (refer BP3, p 69). This phrase is simply nonsense. An initiative, by definition, is something that is new; it is the first of something that has not been done before. To describe something as a ‘recurrent’ initiative is to be ignorant of the meaning of ‘initiative’. Second, the Stanhope Government continues to describe as “recurrent [sic] initiatives” a number of measures that are simply a continuation of an existing function or activity. It is simply imprecise language to describe some of these measures as an initiative (refer BP3, Chapter 5.2).
- 23.3 Many bureaucratic documents fall into the error of using tautologies. A notable instance of this in the ACT Budget papers is the phrase “forward design” (refer BP3, p 114). The typical context in which this phrase is used is to describe the earliest stages of a new capital works project. It is, of course, immediately obvious that any design work must be looking forward; hence, the inclusion of ‘forward’ is unnecessary and distracting.
- 23.4 Governments of all persuasions resist from describing measures that are intended to raise revenue as taxes; the Stanhope Government is no exception. In the 2006-07 Budget, revenue measures are described variously as:
- a levy;
 - a charge;
 - a permit; and
 - a fee.
- Put simply a tax is a tax is a tax, no matter how hard any government tries to disguise that fact.
- 23.5 One of the really difficult issues for any government – and the Stanhope Government is no exception – is to deliver bad news in a way that doesn’t seem as bad as it really is.

23.6 A particular issue in this regard concerns the abolition of a function. The twisting and turning of the Chief Minister in his attempts to hide the reality of abolition are a delight to behold; some of the alternatives used include (refer BP4, pp 42-43):

- “Rationalised Small Business Commissioner Functions”;
- “Rationalised Business Grants”;
- “Expiration of the Water Resource Strategy”;
- “Cessation of the Digital Divide Initiative”;
- “Expiration of the Community Inclusion Fund”; and
- “Removal of the Knowledge Fund”.

23.7 Messrs Pratt and Smyth suggest to the Stanhope Government that it is much easier to be honest and ‘up front’ and admit that a function is being abolished rather than adopt a pathetic approach of seeking to soften the blow of abolition.

23.8 When is a feasibility study not a feasibility study? When it suffers from “budget labelling”.⁶⁰ The Minister for Education and Training was forced to admit that, while \$1 million would be spent in relation to the proposed Gungahlin College, the project would be more than a feasibility study. Indeed, a college would be built; it was more a matter of taking into account other factors that could have an impact on design and utilisation of the proposed college.

23.9 Then there’s the story of how tough this Budget was going to be: “No pain, no gain” was one comment the Chief Minister was quoted as saying. Despite the stringencies, the cuts, the increased taxes and all the other nasty bits, what did the media receive in the pre-Budget lock up? It is reported that they received trays of “smoked salmon bagels and other piquant delicacies”. Clearly, hypocrisy is alive and well as the Stanhope Government attempted to woo the media about the nature of the 2006 ACT Budget.

⁶⁰ Hansard, 28 June 2006, p P91-92.

24 Conclusion

24.1 After three months of operations, almost three weeks of comprehensive and exhaustive hearings and a further two weeks of deliberations, the Committee failed to recommend that the Stanhope Government's 2006-07 ACT Budget should be passed.

24.2 This is an extra-ordinary result as, for the past three years, the final recommendation of each Committee has been to agree that the Government's Budget should be passed.

24.3 The outcome in 2006 reflects a number of factors:

- the refusal of the Stanhope Government to table the Functional Review, this meaning that it has been almost impossible to conduct an effective analysis of the 2006 ACT Budget;
- the failure of the Stanhope Government to detail many of its expenditure proposals, particular with respect to staffing;
- the failure of the Stanhope Government to provide adequate answers to many questions asked on notice, thus preventing appropriate analysis to be made; and
- a number of inaccuracies, omissions, contradictions and errors mean that it is not possible to have confidence in the Budget as presented.

24.4 **Recommendation 90:** that the Stanhope Government's 2006-07 ACT Budget not be passed.