LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION
(INCORPORATING THE PUBLIC ACCOUNTS COMMITTEE)

REPORT ON

CHIEF MINISTER'S DEPARTMENT ANNUAL AND FINANCIAL REPORTS 1998-99

LEGISLATIVE ASSEMBLY SECRETARIAT ANNUAL AND FINANCIAL REPORTS 1998-99

Finance Committee Report No 4
February 2000

RESOLUTION OF APPOINTMENT

The Standing Committee for the Chief Minister's Portfolio was appointed by the Legislative Assembly on 28 April 1998 to examine any matter under the responsibility of the Chief Minister's portfolio. The Assembly also resolved that the committee perform the duties of a public accounts committee, specifically:

(a) to examine:

(i) the accounts of the receipts and expenditure of the Australian Capital Territory;

(ii) the financial affairs of authorities of the Australian Capital Territory; and

(iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) to report to the Assembly, with such comments as it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed; and

(c) to inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question.

On 26 November 1999, the Assembly retitled the committee as the Standing Committee on Finance and Public Administration (Incorporating the Public Accounts Committee), omitted reference to matters under the responsibility of the Chief Minister's portfolio and included reference to women's affairs, Aboriginal and Torres Strait Islander issues, asset management, gaming and racing and any other related matter.

MEMBERSHIP OF THE COMMITTEE

Mr Ted Quinlan MLA Committee Chair

Mr Trevor Kaine MLA Deputy Committee Chair

Mr Greg Comwell MLA

Mr Harold Hird MLA (appointed for consideration of the Legislative Assembly Secretariat 1998-99 report)

Secretary: Bill Symington

1. SUMMARY OF RECOMMENDATIONS

Recommendation 1

4.3. The committee recommends that the Chief Minister's Department and other departments and agencies which expose functions to external competition include in their annual reports information about the rationale and processes determining such exposure and the cost savings achieved.

Recommendation 2

4.9. The committee recommends that the Chief Minister provide to the Assembly the actual savings arising from Strategic Partner services based on the rationale which drew the Government into the partnerships.

Recommendation 3

4.11. The committee recommends that future annual report listing of consultants and contractors specify:

i. **which Departmental area is covered by the arrangement, and grouped under an appropriate title such as 'strategic partner services'**
ii. **the date each contract was let; and**
iii. **the full value of each contract and any outstanding amounts on the contracts.**

Recommendation 4

4.15. The committee recommends that at the Whole of Government level a system be developed to quantify the impact on human capital (or corporate knowledge), in addition to physical capital and cash flows, when determining whether a service should delivered in-house or from an external provider.

Recommendation 5

4.24. The committee recommends that in addition to the reporting requirements contained in the Accounting Standards, and Annual Reports Act, future departmental and agency annual reports include a section dealing with key areas of activity occurring during a financial year, but not accruing a recordable expense at balance date (for example: the Actew merger expenditure), particularly when the costs are reasonably known.

Recommendation 6

4.26. The committee recommends that future annual reports include the annual funding component of the triennial grants together with the list of grants funded.

Recommendation 7

4.28. The committee recommends that future annual reports indicate all attendance figures separated for each of the CFC venues and that the records be included in both tabular and graphic format.

Recommendation 8

4.42. The committee recommends that the Government inform the Assembly on all of the impacts of the GST on goods and services purchased by and provided to the ACT Government, including an estimate of the bottom line effect of the new tax system.

Recommendation 9

4.50 The committee recommends that the Government provide the Assembly with details of the direct revenue to the Territory resulting from the projections of economic benefit of the Olympics in Canberra.

Recommendation 10

4.53. The committee recommends that Actew in future annual reports reconcile the highlights and objectives listed in the budget papers against the actual performance for the year and present that report in a comparative format for analysis purposes.

Recommendation 11

4.57. The committee recommends that ACTTAB brief the committee when the Board makes a final decision on the design, cost and future of head office accommodation.

Recommendation 12

4.62. The committee recommends that when the report on the performance of CanDeliver is completed that it be tabled in the Assembly and a decision be made, in consultation with the Assembly, about the future of the Corporation.

Recommendation 13

4.65. The committee recommends that Treasury undertake a review of the AIHS, similar to that being done for CanDeliver, with a view to providing recommendations to the Government and to the Assembly relative to the financial viability of the School in its current form.

2. TERMS OF REFERENCE

2.1. On 2 September 1999 the Assembly resolved *inter alia* that the annual and financial reports for the financial year 1998-99 presented to the Assembly pursuant to the *Annual Reports (Government Agencies) Act 1995* stand referred, on presentation, to the relevant standing committee for inquiry and report.

2.2. On 25 November the Assembly referred to the committee for inquiry and report the annual and financial report for the financial year 1998-99 of the Legislative Assembly Secretariat. The Assembly further resolved that Mr Cornwell be discharged from attending the committee for its consideration of the Legislative Assembly Secretariat annual and financial reports and that Mr Harold Hird MLA be appointed to the committee for that purpose.

3. INTRODUCTION

3.1. The Chief Minister's Department, government business enterprises (GBEs) and other agencies reports, for which the Chief Minister had responsibility during the year 1998-99, were presented to the Assembly during the week 12 - 14 October 1999. The TotalCare Industries Ltd report and financial statements were presented to the Assembly on 16 November 1999.

3.2. With effect from 7 August 1999 financial management, asset management and revenue matters which fell within the responsibility of the Chief Minister and Treasurer during 1998-99 were transferred to a separate Department of Treasury and Infrastructure under the portfolio responsibility of Mr G Humphries as Treasurer. The new Treasurer also became responsible for GBEs and other agencies previously within the responsibility of the Chief Minister and Treasurer during 1998-99.

3.3. Those aspects of the Chief Minister's Department reports which dealt with matters other than financial management, asset management and revenue matters were examined in a public hearing on 27 October 1999 attended by the Chief Minister, Departmental and agency officers.

3.4. Those aspects of the Chief Minister's Department reports which dealt with financial management, asset management, revenue matters and GBEs were examined in public hearings on 29 October 1999 and 5 and 19 November 1999 attended by the Treasurer, Departmental and agency officers.

3.5 A public hearing on the annual and financial reports of the Legislative Assembly Secretariat was not considered necessary. However, the committee received from the Speaker responses to a number of questions on notice about Secretariat operations.

4. ISSUES ARISING

Public sector contestability

4.1. Competitive tendering and contracting guidelines for government agencies is identified as a Key Result Area (KRA) in the annual report[1]The Chief Minister conceded that this is the one area that the Government has failed to meet its KRA. The Chief Minister stated that "...in areas where we simply are not achieving the sorts of outcomes that we need to achieve ... we are not providing value for money we need to have a look at how best to provide those services[2] At this stage, performance is measured against national averages rather than benchmarks because benchmark/best practice is a long way from what is being achieved in most areas of government[3]

4.2. The Chief Minister advised that after 12 months of inter-comparative pricing and three years into output based budgeting there is a better feel for the areas, both private and public sector, where better value for money can be obtained. The committee was advised that the bottom line for the government is contestability in terms of quality and price in relation to a particular task irrespective of the people who are performing that task .[4]

Recommendation 1

4.3. The committee recommends that the Chief Minister's Department and other departments and agencies which expose functions to external competition include in their annual reports information about the rationale and processes determining such exposure and the cost savings achieved.

4.4. The committee is concerned that competition can inadvertently have the effect of putting some classes of workers at risk, for example, people with disabilities who were employed by CityScape Services.

Consultancies

4.5. Expenditure on consultants by the Chief Minister's Department totalled some $10.4m in 1998-99. According to the Department major consultancies

[1] Annual report vol 1 p3
[2] Transcript p3
[3] transcript (trans) public hearing 27 October 1999 p3
[4] ibid pp 3-8

Included the ACTEW scoping study and regulatory advice, review of the public sector worker's compensation arrangement , Kingston foreshore development, upgrade of the Oracle system and the whole of government information technology (IT) modernisation.[5]

4.6. The committee sought details of the considerable overlap in consultancy services to InTact between Y2K, IT modernisation, IT research and advisory services and straight contract services. The committee questioned the provision of strategic partner services, at significant cost, and had some difficulty in correlating these services with other contracted services in the IT area.

4.7. The advice received was that strategic partner services have been established in the core areas of telecommunications, desk top services and mainframe with a focus on the contractors in each area providing an integrated service. The essence of the partnerships were described as mutual contractual obligations to provide goods and services from both sides and through to completion of a particular project [6]

4.8. In justification of the strategic partnership services the Chief Minister advised that "some of the benefits that have flowed from [using them] have been, in dollar terms, very definite because we were able to do some pretty reasonable deals, because we were dealing with one entity rather than potentially a number [of entities]."[7] While the committee sees some merit in the process of utilising strategic partners it is crucial for the purposes of scrutiny to know how much economic benefit is derived from this process.

Recommendation 2

4.9. The committee recommends that the Chief Minister provide to the Assembly the actual savings arising from Strategic Partner services based on the rationale which drew the Government into the partnerships.

4.10. Overall the lack of clarity in the annual report caused the committee difficulty in relating expenditure on consultants to specific services provided. This gave rise to the need for extended explanation during the hearing. The committee considers there is a clear need for future annual reports to be more descriptive about contracted services both in terms of the services provided and by whom. [8]

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5 Annual report pp58/64 and trans pp8/9
6 trans pp 11/13
7trans p 12
8 the committee comments further on a matter arising in this context in the postcrpt to this report at paragrahs 5.6 and 5.7

Recommendation 3

4.11. The committee recommends that future annual report listing of consultants and contractors specify:

(i) which Departmental area is covered by the arrangement, and grouped under an appropriate title such as 'strategic partner services'
(ii) the date each contract was let; and
(iii) the full value of each contract and any outstanding amounts on the contracts.

Consultancies and Loss of Corporate Knowledge

4.12. During the discussion on consultants and contractors the committee looked at the potential for loss of local knowledge in the public service through the use of external entities. InTACT gave evidence that would seem to confirm this position advising 'We have today about 112 public servants within InTACT. That was 265 when InTACT was first formed four years ago and it has been progressively reducing because we want to get a balanced budget within InTACT, as you know ... We also have, at the moment, 140 contractors. 1 would expect that to go down by at least 40 and probably some more from that, once the IT modernisation project is complete."[9]

4.13. This situation causes the committee concern. It means that Intact started with 265 people, reduced to 112, but kept the level of physical staffing at 252, risking the continuity of the knowledge base by utilising 140 external people to do a job that could have been performed in-house. The committee believes that there may have been savings against consultancies, and the development of relevant corporate knowledge that would have ensured continuity in service provision utilising more in-house staff.

4.14. More generally the committee maintains its concern that excessive outsourcing or contracting, including the large number of external consultants, may lead to a loss of corporate knowledge in the ACT Public Sector and in the body of consultants employed by Government in particular areas of expertise.

Recommendation 4
4.15. The committee recommends that at the Whole of Government level a system be developed to quantify the impact on human capital (or corporate knowledge), in addition to physical capital and cash flows, when determining whether a service should delivered in-house or from an external provider.

9 trans p 18

Coroner's inquest - Acton Peninsula

4.16. The committee noted fees totalling some $246,000 for legal advice provided to the Chief Minister and various ACT Government employees by five legal firms in relation to their appearance before the Coroner's inquest into The Canberra Hospital implosion.[10] The committee established that these are fees to the end of the 1998-99 financial year and that more fees remained outstanding for payment in the current financial year. The committee will assess the total cost to Government in the context of the draft budget process.

ACTEWscoping study and regulatory advice

4.17. Fees totalling some $2.224m were paid to ABN Amro, Deacons Graham James and Stephen G Marks and Company in relation to the scoping study and the proposed merger between ACTEW and Great Southern Electricity (GSE)[11]

4.18. It is of concern to the committee that in light of the considerable expenditures involved, and an agreed report by a joint working party comprising ACTEW, GSE, the NSW Treasury and the Chief Minister's Department, that the NSW Government unilaterally withdrew from the proposed merger.[12]

4.19. The joint working party found that "...a merger of the two utilities has the potential to satisfy all of these objectives referred to above, subject to there being no other attainable restructure option involving either utility which would provide a higher return for its shareholder government"[13] The committee was that the joint working party work could not be categorised as due diligence which would have been necessary as would have been a heads of agreement had NSW been keen to go to the next phase (of merging). [14]

4.20. The committee was disappointed with the almost instant dismissal of the merger proposal by the NSW Government and, in part, with its rationale for that dismissal as the proposal was no different at the end of the joint working party process than it was at the beginning. It appears to the committee that the NSW opinion that the Assembly might impose conditions on the merger which would be unacceptable to NSW predated the joint working party process.

10 Annual report pp58/64 and trans p27 '1 ibid 12 trans p31 " ibid p136 14 ibid p134
11 ibid
12 trans p 31
13 ibid p 136
14 ibid p134

4.21. The committee observes that it was not given the opportunity to test the vagaries of the NSW Parliament on this matter.

4.22. The full cost of those consultancies was only revealed when the committee questioned whether there were further payments to be made. The Chief Minister indicated that "our understanding is ABN Amro's costs for the merger study are estimated ... at $330,000. [15] This amount is understood by the committee to be over and above the amount spent on regulatory reform work and the sale proposals.

4.23. The committee looks forward to a table that indicates the gross amount to be paid, the amount paid this year and the amount expected to be paid subsequent to balance date. The lack of information on the full cost of the process in the notes relating to events subsequent to balance date is a cause for concern in terms of full disclosure contained in annual reports.

Recommendation 5

4.24. The committee recommends that in addition to the reporting requirements contained in the Accounting Standards, and Annual Reports Act, future departmental and agency annual reports include a section dealing with key areas of activity occurring during a financial year, but not accruing a recordable expense at balance date (for example: the Actew merger expenditure), particularly when the costs are reasonably known.

Arts- triennial grants funding

4.25. The committee was concerned that details of triennial grants funding were not given in the report, the reason being that it has been the practice to announce such funding progressively. Details were provided at the hearing.[16] Grants totalling some $1.257m were made to various bodies during 1998-99 and the committee received an undertaking that a full breakdown of such grants will be provided in future reports.[17]

15 ibid p 42
16 ibid pp56/57
17 ibid p57

Recommendation 6
4.26. The committee recommends that future annual reports include the annual funding component of the triennial grants together with the list of grants funded.

Cultural Facilities Corporation (CFC) Attendance Figures

4.27. Attendance figures presented in the CFC annual report were questioned.[18] While some of the figures are included for total attendance at all CFC venues, the committee was informed that details on venue-by-venue attendance figures were not readily available. In the interest of maintaining continuity of statistics for monitoring attendances at each of the facilities this is seen by the committee as unsatisfactory.

Recommendation 7
4.28. The committee recommends that future annual reports indicate all attendance figures separated for each of the CFC venues and that the records be included in both tabular and graphic format.

Canberra airport

4.29. The committee heard of, and questioned, the potential for regional air services to establish or expand their operations at Canberra airport and for the airport to achieve status as a regional hub. Advice received was to the effect that problems exist with control of through ticketing and reservations by the major airlines and certain Federal Government regulatory impediments.[19]

4.30. The committee supports efforts being made within government to advance ACT interests as far as air traffic through Canberra is concerned and looks forward to further advice on developments.

ACTBusiness Incentives Scheme (ACTBIS)

Job creation

4.3 1. The committee understands that it had been the practice for many companies accepted under the ACTBIS to receive cash grants in addition, in some cases, to waiver of payroll tax and stamp duties and land discounts.[20]

4.32. However, the committee was advised that the government has changed the assistance system away from cash grants because of the difficulty of

18 ibid p 65
19 ibid pp62/64
20 Annual report pp 106/111

recouping moneys from companies which have not performed.[21] The committee accepts and endorses the practice that unless it is unavoidable, future assistance packages will not involve cash grants. It was indicated to the committee that cash grants would be directly linked to the immediate provision of jobs rather than the promise of jobs in the future.[22]

4.33 The committee still needs proof that incentives are directly related to the creation of new jobs in the ACT, and that there be is an appropriate mechanism for ensuring that those companies which receive assistance do provide the targeted jobs growth and that the growth can be properly measured.

Other economic benefit

4.34. The committee was informed that the Chief Minister's Department Economic Policy and Research Unit provided analysis for business proposals under the ACTBIS process, with an aim of determining there economic benefit to the Territory.[23] However, the committee was unable to obtain a satisfactory explanation during the hearings as to what types of assessments were done and how conclusions were reached about the economic benefit of particular proposals.

4.35. Apart from the notification in the annual report as to what jobs might eventuate from various proposals [24] the committee is concerned at the lack of data provided in the annual report to indicate the broader benefit to the ACT of those business/development projects accepted under the ACTBIS.

4.36. The committee was subsequently provided with the Treasury generic model for assessing the economic impact of business assistance proposals under the ACTBIS. The model comprises employment multipliers, average earnings, discount rate database, projected wage inflation, government direct payroll tax revenue, government indirect payroll tax revenue, other state based taxes, structure of the subsidy required and yearly and cumulative discounted net revenue. [25]

Land grants for commercial purposes

4.37. The committee was advised that the protocol with ACTBIS provides that where a grant of land is sought or land is sought at a reduced price from the Asset Management Group and there is a perceived business benefit to the ACT, the requests are directed to ACTBIS. Land grants outside the ACTBIS process are also dealt with by the Group. [26]

21 trans p95
22 ibid p 109
23 Annual report p30
24 ibid pp 106/111
25 Treasurer, Response to question on notice, 4 November 1999

The Goods and Service Tax (GST)

4.38. A major issue arising in terms of financial planning was the work the Government had reported doing regarding the GST. The interest is primarily focussed on how the GST is going to effect Government revenue and payments. The information was uncertain in both regards.

4.39. Treasury indicated that the redistribution of revenue from the Commonwealth would be "through the Grants Commission using the principles of horizontal fiscal equalisation…."[27] The committee accepts this, but still requires the information that was offered by Treasury. [28]

4.40. The committee also questioned which Government purchases, generally, would be subject to GST. The particular questions related to the effect of the GST on the purchaser/provider model, and the associated tax obligations to be picked up as a result of the GST. The issue according to the Treasury is that the exact treatment of certain ACT purchased services is not yet known, and is waiting a determination from the Commonwealth Treasurer.[29]

4.41. The committee considers this information will become critical for any assessment of the draft budget process. On that basis the committee is interested in a full GST briefing once the information is known.

Recommendation 8

4.42. The committee recommends that the Government inform the Assembly on all of the impacts of the GST on goods and services purchased by and provided to the ACT Government, including an estimate of the bottom line effect of the new tax system.

Bruce Stadium - long term contractual arrangements

4.43. The committee questioned the extent of the contractual arrangements between the football codes and the ACT. The committee was advised that 12,000 people would generate the revenue required to ensure the Raiders cover costs at a stadium game, and 9,000 people are needed to cover costs for a Brumbies game. These attendance figures guarantee that the ACT will not be

26 Trans p 142
27 ibid p 133
28 ibid p 134
29 ibid pp 161-164

called upon to provide the guaranteed monies to the codes for each game.[30] The committee was told also that the Cosmos would not exercise their guarantee if the crowds exceeded 1,000.

4.44. Intuitively the committee considers it is for the codes to attract the patrons with the ACT providing the facility and the fixed costs at an agreed cost to the codes rather than the ACT providing a financial guarantee for each game. The committee was advised "...clearly there will be revenue streams of some sort and as each revenue stream becomes more successful, the guarantee falls because the guarantee ... only becomes real if it is called and it only gets called if certain revenue streams are not reached. So in fact the codes could receive all the money from the revenue guarantee, but no guarantee be called, based on the success of the stadium."[31]

4.45. The committee was reminded that the individual contracts are both different and confidential with the revenue splits for each code being performance based.[32] However, the committee's problem in accepting assurances about the contractual arrangements is that it has not had access to the individual contracts between the ACT and the codes.

4.46. The committee observes that the Audito-General is to report to the Assembly on the Bruce stadium re-development in the near future. Accordingly, the committee chose not to progress discussion of aspects of the Bruce stadium at this inquiry.

Olympics

Olympic football

4.47. The committee was advised that a study of the economic benefit of the Olympics to the Territory's market share of international visitation over the period 1995/2003 was valued at $86.4m. Should the ACT do nothing, including not hosting the Olympic football, there would be a potential loss of $140m on anticipated visitation with a potential impact of $230m on international visitation figures.[33]

4.48. It was made clear that the potential $140m loss did not hinge on football alone and that a reported gain of $200m to the ACT economy from Olympic football was never in contemplation. Other factors projected to increase visitor numbers included increased conference and convention business, international

30 ibid pp 114/115
31 ibid
32 ibid p120
33 ibid p 127

and national sporting events, Para-Olympic Games Canberra-based events, anticipated torch relays, visiting journalist's programs, trade delegations and the like.[34]

4.49. The committee was unable to derive from material available to it or from Departmental officers a figure of the marginal benefit to the ACT of Olympic football. It was argued that the benefits had to be seen in the context of associated activities such as team training, pre-Olympic visits and so on.[35]

Recommendation 9

4.50. The committee recommends that the Government provide the Assembly with details of the direct revenue to the Territory resulting from the projections of economic benefit of the Olympics in Canberra.

ACTEW

4.51. Over the period 1995-1999, staff numbers declined from 1354 to 915.[36]
The committee was advised that further staff reductions of less than 50 overall are anticipated and that most of that reduction has already taken place. The prediction was made that while staff numbers might end up being about 800, ACTEW is presently heading for somewhere between 850 and 875 staff.[37]

4.52. The Committee had difficulty in reconciling the highlights from the budget to actual outcomes.

Recommendation 10

4.53. The committee recommends that Actew in future annual reports reconcile the highlights and objectives listed in the budget papers against the actual performance for the year and present that report in a comparative format for analysis purposes.

4.54. There was lengthy discussion in the hearing regarding the expressions of interest process for Actew with both the Chief Minister's Department and the Treasurer. There was no resolution about the process followed.

4.55. However the committee believes that the process has been less than transparent with the joint release of calls for expressions of interest and the proposed merger clouding the perceived intention of the Government.

34 ibid p 128
35 ibid p 129
36 ACTEW annual report p22
37 trans p 14

ACTTAB

4.56. The Committee was advised that plans are under way to redevelop the Head Office of ACTTAB. The issue is now of considerable importance given that the ACTTAB annual report indicates the building has become an occupational health and safety (OH&S) issue. In view of that, the committee will maintain a close interest in the redevelopment, particularly when a decision is taken on the form of the new headquarters, and the committee will also be interested to know when the OH&S issues indicated in the annual report are resolved.

Recommendation 11

4.57. The committee recommends that ACTTAB brief the committee when the Board makes a final decision on the design, cost and future of head office accommodation.

CanDeliver

4.58. During the hearings concern was raised about the profitability of CanDeliver. Both Treasury and CanDeliver executives informed the committee that a review of the Corporation's operations was well under way with the purpose of establishing whether it could provide a return to government.[38]

4.59. The committee was also advised that the government had written off some $850,000 in Candeliver losses.[39]

4.60. Compared with this performance, the committee was concerned to note remuneration levels of $30,000 - $40,000 for one director and $150,000 $160,000 for another.[40] The committee questioned whether such levels of remuneration could be justified within the framework of the performance of Candeliver.

4.61. The committee was concerned that in financial terms Candeliver was going backwards rather than forwards and surviving on capital injections and debt funding. The committee's view was that the Government should accelerate the review of Candeliver's viability.

38 ibid p 170
39 ibid p 171
40 CanDeliver annual report p27 and trans p 171

Recommendation 12

4.62. The committee recommends that when the report on the performance of CanDeliver is completed that it be tabled in the Assembly and a decision be made, in consultation with the Assembly, about the future of the Corporation.

Australian International Hotel School (AIHS)

4.63. The committee was briefed extensively on the financial performance of the AIHS including aspects of the agreement with the Royal Melbourne Institute of Technology (RMIT) and the formulae used in the Cornell affiliation agreement.

4.64. An observation from this briefing is that the AIHS has been consuming considerably more funds than CanDeliver, which is now subject to a financial review by Treasury. The committee considers that it may be prudent to now undertake a similar review for the future of the AIHS.

Recommendation 13

4.65. The committee recommends that Treasury undertake a review of the AIHS, similar to that being done for CanDeliver, with a view to providing recommendations to the Government and to the Assembly relative to the financial viability of the School in its current form.

TotalCare Industries Ltd

Single select contracting

4.66. The committee was advised that single select contracting is one of a number of delivery mechanisms used within the construction industry. Within the framework of ACT Government purchasing policy, the notion of single select is that firms are listed as pre-qualified approved suppliers. Single select is normally used in special circumstances as relating to an agency or special requirements of the client and may apply where a contractor on site is in a preferential position to contract for a further contract or contracts at the same Site.[41]

4.67. The committee was advised that the single select method is used sparingly.[42] However, the committee is concerned that this method should not become a means of limiting the scope for competitive tendering by all qualified tenderers.

41 trans 19 Nov 1999 p 1 et seq
42 ibid p2

Project management procedures

4.68. The committee was advised that in the light of findings, comments, recommendations and criticisms by The Canberra Hospital Implosion Coroner an international project management expert had been engaged to complete a detailed review of Totalcare's procedures. The expert is expected to provide and interim report by 30 November and a final report by the end of the year.[43]

4.69. The committee awaits with interest the expert's report.

Legal expenses - Coronial inquiry into The Canberra Hospital Implosion

4.70. The committee noted expenditure of some $1.167m on legal fees in relation to the implosion coronial inquest[44], and that final accounts in the order of $75,000 will be brought forward during the current financial year.[45]

Profitability

4.71. Totalcare's operating profit in 1998-99 before abnormal items was $1.292m against revenue of $92.221 m. Accumulated losses were $4.383m.[46]

4.72. It is clear to the committee that Totalcare as an operating business operates at the margin. The committee was advised that Totalcare expects to turn its indebtedness around and deliver sustainable and realistic profits to government in the financial year 2002-2003, that it is going through a very rigorous liability review and that it is positioning itself to ensure long-term viability.[47]

Incinerator

4.73. The issue of pollution from Totalcare's Mitchell waste incinerator was raised during the hearings. In particular, the committee found the Minister's statement that the emissions from the incinerator were 'pollution free emissions', rather curious.[48]

4.74. The committee considers that even if the emissions are cleaner than normal the compounding of extra business from inter-state to make the plant

43 ibid p 16

44 TotalCare annual report p36

45 trans pp 26/27

46 TotalCare annual report p29

47 trans p30

48 ibid p 19

‘economic’ would contribute to an environmental problem in terms of aggregate emissions. This may be something for Totalcare to consider in the context of complying with environmental standards as a part of the review of its business operations,

ACT Legislative Assembly Secretariat

4.75. The committee was pleased to receive answers indicating that the review of the Secretariat is being implemented and will note with interest the final outcome of the review.

5. Postscript

5.1. Subsequent to receiving evidence on aspects of the financial statements events have occurred that mean recommendations of the committee may no longer be required. These events specifically relate to CanDeliver, the Actew Expressions of Interest and Bruce Stadium hirer contracts.

5.2. The CanDeliver issue was resolved in the Assembly, leading to the winding up of this Territory Owned Corporation with majority Assembly approval. The committee awaits information on the final cost of the winding up exercise.

5.3. The Actew expressions of interest were released by the Chief Minister and an announcement was made that Actew would consider a joint venture with the Australian Gas Light Company (AGL).

5.4. The Assembly, in the last week of sitting for 1999, approved the release of Bruce Stadium contracts relating to major hirers. The contracts between Bruce Operations Pty Ltd and the three football clubs, namely the Raiders, Brumbies and Cosmos were subsequently passed to the Select Committee on Contracting and Tendering. Following scrutiny of the contracts, that committee resolved during January that they be released publicly on 22 February allowing the respective football clubs to provide any new evidence to the committee in relation to release of the contracts. This committee will monitor the outcome of this process with interest.

In TACT Group

5.5. A further matter of considerable interest which came to light following the committee's hearings was the payment by InTACT of $751,900 to an individual contactor for consultancy services in 1998-99, $118,000 in 1997-98 and $120,250 in 1996-97, an overall payment of $990,150.

5.6. This information is contained in Auditor- General's Report No 4 1999 dealing with financial audits for the year ending 30 June 1999. The information was also provided in the Chief Minister's Department 1998-99 annual report where, in the table of expenditure for consultancy and contractor services,[49] payments to Utmost Pty Ltd of $411,150 and to Zesta Pty Ltd of $340,750 for the provision of organisational change management services are recorded. The committee did not know at the time of its hearings that the services provided by these two companies were in fact provided by the one individual contractor submitting invoices from both companies.

5.7. The committee is concerned that the relationship between the two companies and the circumstances of the services involved were not readily apparent from the annual report. This may be a matter for further consideration in the context of the committee's review of Auditor General's Report No 3, 1999. It does lend further strength to the committee's recommendation no 3 above that annual reports provide far more specific details of contractors and consultants.

5.8. The committee subsequently discussed the matter with the AuditorGeneral who advised that the human relations/strategic management consultant was engaged by a previous General Manager of InTACT on what appears to have been an informal basis, that is, without contractual arrangement or written documentation, to provide advice on strategic change issues and so forth on an initial daily fee of $4,000 rising to $4,500 a day plus accommodation expenses. The consultant was employed for some 166 days, on average for three days a week, for tasks which, in the opinion of the Auditor-General, could, for the most part, have been handled by any departmental senior officer.

5.9. The committee will report to the Assembly in more detail on this matter in its review of Auditor General's Report No 3, 1999.

Ted Quinlan MLA
Chair

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