

**Monday 22 June 2009 - Estimates Committee A (Aird) - Part 2**

**CHAIR** - We are on output 1.3 - Shareholder advice on Government businesses. I did ask a question just before lunch about Hydro Tasmania and I am going to refer that to Mr Llewellyn, the stakeholder minister, when we come to it. I move along to another matter on page 4.22 of Budget Paper 1 - the Rivers and Water Supply Commission repaying the equity contribution for the Meander Dam pipeline extension project. I am wondering why that is and can you provide some detail as to how much was originally provided as an equity contribution and was this out of the \$80 million Water Infrastructure Fund?

**Mr AIRD** - Whereabouts are you looking at?

**CHAIR** - Page 4.22 of budget paper 1. Anything that reads Meander Dam attracts my attention. I do not know why.

**Mr AIRD** - Is it table 4.6? I cannot recall. We will find out for you.

**CHAIR** - You will take it on notice?

**Mr AIRD** - Yes.

**CHAIR** - Thank you.

Following on from that, how much of the \$80 million of the Water Infrastructure Fund has been transferred as equity injections to the RWSC? Can you answer that one at all?

**Mr AIRD** - I will take that on notice too.

**CHAIR** - As a follow-up question to that. As a matter of principle, if that money is being paid back as dividends from the Rivers and Water Supply Commission, should it not be going back into water development?

**Mr AIRD** - I need to take this series of questions on notice.

**CHAIR** - So you want to take that one on notice as well?

**Mr AIRD** - Yes please.

**Ms FORREST** - This is the rate of dividends and tax equipments.

**Mr AIRD** - Just on 11.33, table 11.22 - it is in Primary Industries, Parks, Water and Environment - the allocation has been made, \$27.12 million. We will get a breakup of that for you in terms of equity and the contribution.

**CHAIR** - If I can turn to 4.22 once again of budget paper - 1 TasPorts paying a special dividend of \$7 million. Can we have an explanation of how was that arrived at?

**Mr AIRD** - That was from retained earnings.

**CHAIR** - Then on the same page Transend their dividend has plummeted from \$15 million in 2008-09 to \$1 million next year financial year, which is explained in footnote 7. I suppose the question is: Does that indicate that Transend as an entity is under pressure? Because it is a very big turnaround in dividend levels from \$15 million down to \$1 million.

**Mr AIRD** - Remember we made a transfer of \$100 million of equity from Transend to the Hydro?

**CHAIR** - Yes.

**Mr AIRD** - That has an effect on Transend's ability to pay higher dividends. Also there is superannuation provisions and depreciation. There are aspects on that as well.

**CHAIR** - I cannot recall whether Ms Forrest asked the question before regarding consultants' costs associated with the disposal of TOTE. Did you ask?

**Ms FORREST** - I asked for the breakdown of \$2.5 million that has been spent.

**Mr AIRD** - We are getting that for you.

**CHAIR** - Thank you for that. We have a few questions on notice there.

**Mr HARRISS** - Probably more the principle than the matters you are referring to, Mr Chairman - with the Meander Dam and the payment of dividend as a repayment of equity, I suppose the bigger question is: What is the policy about repayment of equity? I would be right in suggesting that there are plenty of other Government businesses in which you have an equity interest but you do not require repayment of the equity.

**Mr AIRD** - Sometimes it is how this is treated by the accountancy standards which deems the appropriate way of treating some of these allocations. I need to find out the detail of the need for some of it to be seen as equity. I guess it would be seen as a grant as well. I need to get further detail on that. But the accounting standards can affect how it is treated.

**Mr HARRISS** - Because as a general principle my proposition stands though, does it not, because there are probably plenty of examples where the Government has provided equity into a government business but then further down the track has not required the return of that equity payment to the Government - regardless of how it is treated on accounting standards.

**Mr AIRD** - Yes, that is true.

**Mr HARRISS** - Is it true then that this is more a policy decision simply because the Meander Dam as an operating facility has the capacity to have a return of about \$12 million?

**Mr AIRD** - Again, this is probably better directed towards the minister than to me in one sense because this relates to the pipeline. There were arrangements made - and probably the chairman would know better than me - about other private investment in this area. I do not know the detail of that. It is probably best taken up with the minister.

**Mr HARRISS** - But this is your investment in the business, is it not?

**Mr AIRD** - We make the allocation. We provide the \$80 million and then we have done that and it has been allocated for this purpose.

**Mr HARRISS** - So you are getting \$11 million more back. That is the plan. It could be more?

**Mr AIRD** - We will wait and see. Our interest really is to make sure that the infrastructure investment is adequate and proper. While there will be modelling done in terms of the economic benefit, we would expect some level of returns over a period of time. How that is treated, whether it is an income or equity return is a matter of judgment. It would depend on the advice that I got about how it would be treated, to be quite frank.

**Mr HARRISS** - I can only presume then that this process does not pose any threat to the viability of the facility the Meander Dam?

**Mr AIRD** - No, we would not do that. We want this to work well. My understanding, although I have not been intimately involved, is that this investment into the pipeline has actually made the Meander Dam itself a lot more commercially viable than it would have been if this investment had not been undertaken. It has allowed for a further use of the resource beyond what was originally anticipated. That is my understanding.

**CHAIR** - I have already Mr Llewellyn's name written down beside that question as well. As long as he does not tell us that we should have asked that of the Treasurer.

**Mr AIRD** - If he does that, then he will have to come and see me.

**CHAIR** - Does anybody have any more on 1.3 shareholder advice on GBES? We will move to 1.4.

#### **1.4 Government property and accommodation services -**

[1.45 p.m.]

**Mr MARTIN** - Treasurer, basically we have quarter of a million dollar roughly for the next three years in this item which the footnote tells us is the Parliament Square project. Presumably this is because of the need for the relocation of existing services, I would imagine but can you provide information about what these additional costs arising for the three years are?

The reason I ask is there is a 20 per cent-odd increase in the budget for this project for the next three years. I am sure there are good reasons.

**Mr AIRD** - It is a matter of detail that I have not got in my head. I would have to check. I would think the ongoing would be to work with the preferred developer when we announce that. There will be ongoing work with that because there are going to be obvious implications for the government services and the use of the existing buildings and so on. I am making an assumption here that that would be for the continuing working with the preferred developer, which will not be far away.

**Mr MARTIN** - I would be happy for the information to be tabled.

**Mr AIRD** - Whatever is available we will table.

**Mr MARTIN** - I also note in the budget documents it says that Treasury will be the lead tenant of the Parliament Square project. How was that decided? We need more space or expanding.

**Mr CHALLEN** - No, head tenant means that -

**Mr AIRD** - No to that assumption.

**Mr CHALLEN** - In fact I am pretty certain Treasury will not be in the building. Head tenant just means that the new owner/developer of the building will have a single lease with the Government for all space the Government takes in the building and Treasury will manage that and we will sublet it to DHHS, DIER, the Parliament and so on in little subtenancies in exactly the same way as we do with Henty House, for instance.

**Mr AIRD** - It is really the head tenant is the lead tenant.

**Mr CHALLEN** - Not unless somebody knows something I do not know. We are planning to stay up in 21 Murray Street.

**Mr MARTIN** - I thought you liked it up there so I was a bit surprised.

**Mr CHALLEN** - I do. My colleagues do too.

**Mr MARTIN** - I misread the intention. Can you advise whether there are any other crown properties that have been identified as surplus and therefore will be disposed during the coming year?

**Mr CHALLEN** - There is always the collection of odds and sods.

**Mr MARTIN** - Any other significant properties?

**Mr CHALLEN** - The Whitemark public building on Flinders Island is in the process of being assembled for sale in a little while. It is expected to go on the market in 2009-10. The former education buildings at 114 Bathurst Street and 124 Murray Street, so -

**Mr MARTIN** - The one that was to be common ground but is not now?

**Mr CHALLEN** - That is the one and the old Highfield House. Those buildings are ready for sale and they will be put on the market shortly. Elizabeth Street Pier is in the process of being assembled with sale. We are sorting out leases and things there. I expect that that will be put on the market in 2009-10 and then the only other buildings are the components of the Parliament Square site. You know the complex of buildings - I could go through the list but there are seven buildings.

**Mr MARTIN** - The decision to sell Elizabeth Street Pier has been made, has it?

**Mr CHALLEN** - Yes. Remember when TasPorts was formed, the transfer of assets that occurred between the old Hobart Ports Corporation and TasPorts left out three buildings. The 1 Franklin Wharf, the old brown-coloured Marine Board building down there, which was sold last

year, Princes Wharf No. 1, which as you know is being managed for redevelopment, and Elizabeth Street Pier. It was always intended to sell Elizabeth Street Pier. It is just that there were some complexities with the leases in particular that have taken us a while to work through. The marine board building was able to be marketed more quickly than Elizabeth Street Pier.

**Mr MARTIN** - Elizabeth Street Pier did previously go through a kind of expressions of interest thing, did it not?

**Mr CHALLEN** - No, I don't think so.

**Mr MARTIN** - I might have the wrong pier in mind.

**Mr CHALLEN** - Elizabeth Street Pier is the one that has T42 and Fish Frenzy and Mark 4 the Oakford Hotel and also that Hobart Function Centre.

**Mr MARTIN** - That is not subject to any further development?

**Mr CHALLEN** - No, the plan is just to sell it as a building with leases in place.

**Mr MARTIN** - Given the time that is all I have.

**CHAIR** - Any more on that output? If not we will move to 1.5 Government procurement services.

### **1.5 Government procurement services -**

**Ms FORREST** - Just a couple of questions in regard to this. I am sure you are aware. With regard to the whole-of-government contracts, I am sure you are aware of the Auditor-General's report released last week, special report No. 81, looking at contract management. I assume the Treasury would have Treasury instructions regarding the oversight of contracts, especially where State funds are being expended. What is your response to the comments of the Auditor-General in that report regarding the lack of risk management and issues regarding registering the issues registered to document events and systematic monitoring of compliance and those other matters of compliance regard relating to those comments made by the Auditor-General?

**Mr AIRD** - I have not read the Auditor-General's comments in detail but I will and I will expect each agency to respond to the Auditor-General's comments.

**Ms FORREST** - You as Treasurer would expect a risk assessment. The Auditor-General was saying there was no formal risk assessment exercise undertaken prior to the commencement of certain deeds and no risk management was undertaken once the deed was in operation. Would not there be Treasury instructions covering this sort of practice anyway?

**Mr AIRD** - I do not think there are. There may be in the future. That is one of the things we have to look at in terms of the Auditor-General's report and work out how we respond to it. Then when we have had an analysis made of it, we will be able to see which is the best policy response to it.

**Ms FORREST** - One further question in this outline item: This covers the Tasmanian risk management fund as well. I cannot find exactly where it is in the budget papers. But there was

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comment made about the significant impost on that fund this last year with the Bridgewater High School fire. Has there been an increase, if you take that out of the picture, in the overall claims on the Tasmanian risk management fund, and particularly with regard to medical liability claims?

**Mr AIRD** - I will see if I can find out for you.

**Mr CHALLEN** - There has been a little increase in general property damage claims - apparently mainly driven by some flooding particularly of parks facilities and the like. As far as the Bridgewater High School fire is concerned, the risk management fund only bore \$5 million of the total loss. So the rest of it has been borne by the Budget. That is the maximum amount that the risk management fund can take for any single property damage claim, \$5 million.

**Ms FORREST** - So the Tasmanian risk management fund also covers the medical litigation?

**Mr CHALLEN** - Yes it does.

**Ms FORREST** - Do you have some details of the claims that have been made in that regard?

**Mr AIRD** - I do not have the detail. We will see if we can find it for you. I seem to remember - I will not guess but we will get the information for you.

**Ms FORREST** - Thanks Mr Chairman.

**Mr WILKINSON** - How many government-wide contracts are there for goods and services, are you aware, as opposed to agency contracts? You might have to put it on notice because I was wondering if there was a list. The reason I am interested in that is, given the potential for volume discount, what work has been done to endeavour to centralise the purchasing of those items?

**Mr CHALLEN** - We manage 13 common-use contracts. Premier and Cabinet manages at least one, the telecommunications contract. I am not sure there may be another.

**Mr AIRD** - I missed the second part of the question.

**Mr WILKINSON** - I was saying that given the potential for volume discount, what work has been done to endeavour to, if you can, centralise the purchases to a limited group which would allow you to get volume discount?

**Mr CHALLEN** - We have got common-use contracts wherever we think there is significant saving to be gained by centralising purchases. If you go back in the history you have to go quite a long way back, there were a lot more common-use contracts. But the difficulty is that the costs of administering them outweighed the benefits that you got. People missed out on the sort of specials and discounting that occurred in the general market from time to time. So we now only focus on the major things like petrol, cars, IT and those sorts of things where there are large savings to be made.

**Mr WILKINSON** - I suppose I am answering the question for you: You are happy that all the savings that can be made are being made or do you think it could be tweaked any further?

**Mr CHALLEN** - It is one of those things that need regular review but if we saw an opportunity for further savings by putting a new contract in place, we would.

**CHAIR** - We will move then now to output group 2 economic and fiscal policy advice.

**Output Group 2  
Economic and Fiscal Policy Advice**

**2.1 Economic policy advice -**

**Mr HARRISS** - A couple of very quick ones. The annual competition index re the competitiveness of Tasmania relative to the other States and New Zealand - I did not see anything in there about it. How do we stack up with that index that is produced annually to identify our competitiveness?

**Mr AIRD** - We have released last year's report. As I recall we were leading in some 17 of the 32 indicators. I am doing this from my memory, and my memory is faulty. Tasmania ranks most favourably in 12 of the 35 indices. In particular compared to other States and Territories Tasmania found to have lowest labour costs, including wages and payroll tax, second lowest level of taxation, severity and business licensing costs, the lowest land and accommodation costs and lowest level of labour turnover in industrial disputes and the best port access.

**Mr HARRISS** - The only other matter in this area I wanted to at least address my mind to was the COAG reform initiatives regarding new directions in competition policy and also reducing the impact of regulation and what that really means to us and what projects are going to be implemented.

[2.00 p.m.]

**Mr AIRD** - Minister Singh has taken over, so this is still a work in progress some of this stuff. The payroll tax harmonisation is one example. Basically there are some areas of licensing that I think they have signed off on. I do not know the detail of that. The minister that has the carriage of that is Minister Singh.

**Mr HARRISS** - Nothing about new directions in competition policy, as the Budget Papers suggest, that sits within your portfolio?

**Mr AIRD** - Obviously we are trying to be as competitive as we can be. In terms of the overall objective of the COAG reforms, they are to make Australia competitive and to seek as much uniformity as possible. Trying to get uniformity across the states is hard work. I remember once I tried to get some harmonisation on public holidays. Did we provide any avenues of reform?

**Ms FORREST** - Daylight saving.

**Mr AIRD** - Daylight saving has also been inhibited. The other areas where further reform is being focused is initiatives in the areas of transport, energy, infrastructure, regulation and planning. The environmental and assessment approval bilaterals is also an area of further reform, as is payroll tax administration and trade licenses. There is a health work force intergovernmental agreement, national trade measurement, rail safety regulation reform, consumer poll say framework, product safety, trustee companies, mortgage credit and advice, margin lending and non-deposit-taking institutions. COAG has established the COAG Reform Council to assess

reform initiatives and report to COAG annually on progress of implementation of the national reform agenda.

**Mr HARRISS** - Is there going to be any impact on our operations in this State with the introduction of the emissions trading scheme, if it gets there?

**Mr AIRD** - Well, let us wait until it gets there. Quite frankly, once we know what is going to happen federally - it is going to be debated this week, let us see what the outcome is - we will make some assessment about that once the legislation is through, if at all.

**Mr HARRISS** - No estimates made of what impacts there could be?

**Mr AIRD** - I have not seen any assessment pass my desk on that. The office of climate change has made some assessments of that. Well, obviously that is in DPAC, but I have not seen anything on it. I do not want to let you think that I am not interested in it. I have actually answered a fair few questions from the Chairman. Basically, we will focus our attention once we know the outcomes. We did make very strong representations when we thought there were going to be some Tasmanian businesses severely disadvantaged. We will continue to keep an eye on that particular aspect. I was going to say that I am not a punter, but I am. I would think that I would not take out any large bets on what is going to happen in Canberra this week.

**Ms FORREST** - On a number of issues.

**CHAIR** - I am surprised my question has made such an impact. I am quite chuffed about that.

**Mr MARTIN** - I will take a bet on nothing happening.

**Mr AIRD** - That is probably the best bet.

**CHAIR** - Anything further?

**Ms FORREST** - Yes. Treasurer, there is very little comment in the Budget reflecting the view of the suitability of our current tax base, given the stress testing had had through the global financial crisis. Does the Treasurer have a view and have any submissions been made to the Henry review?

**Mr AIRD** - Yes. We made a submission to the Henry review, and we have our own taxation and regulation review panel under my reference group underway. We will be watching the result of the Henry review. It is taking a national perspective. Our tax environment relative to our states is still very good. If there is going to be any changes which relate to the State, then we have to make sure that we are not disadvantaged by any changes that may be proposed nationally.

**Ms FORREST** - A lot of the submissions to the Henry review highlight conveyancing duties as a costly impediment to economic transactions, and a recommendation has been made that they gradually be replaced with a broader application of land taxes. This may be considered by some more equitable to some people, because they have not paid land tax or conveyancing duties for 30 years or more, if at all in some cases. Has reform of land tax been considered by the Government at all?



**Mr AIRD** - The views on land tax basically are that our land tax regime is fairly competitive with other jurisdictions - other than the Northern Territory, which does not have one - given the other factors which affect investment in Tasmania. The overall rate of taxation is the second lowest of any jurisdiction in Australia. The proposition has been put before that you lower the rate of the tax but broaden it out. That, to me, is not going to happen. If we are going to change our taxation regimes - I have said this publicly - it has to be done in concert with the Commonwealth. Our own source of revenue is around about 35 per cent. Our taxation is about 19 per cent of our revenues. Now, if you start peeling away in terms of the transaction duties or land tax or payroll tax, then you are diminishing your ability to maintain your own source of revenue. Once you do that, as we have seen, there is a large reduction in GST revenue and our flexibility is diminished. It is okay for people to say, 'We're going to cut tax.' There are various sectors which these taxes affect. Different types of businesses are affected. You talk to people that own property and they talk to you about land tax, but they are not paying any payroll tax, so they do not worry about that. There are others paying payroll tax and they would like to see a reduction in that. I understand the nature of their argument, but it can be a sectorial argument. What I have to do is try and weigh up all the avenues of revenue to the State, put that in perspective, knowing that we have to deliver a range of services back to the community in the best way.

**Ms FORREST** - I will take you down the path of land tax a bit further, then.

**Mr AIRD** - I beg your pardon?

**Ms FORREST** - I just want to take you down the path of land tax and getting money into the State coffers basically. Some 75 per cent of land tax is paid by about 10 per cent of general property owners or about 3 per cent of owners, if one includes residential property owners. An exemption for land tax is provided to primary producers, but there has to be a reasonable expectation of profit. Does the State Revenue Office carry out checks that the primary producer exemptions are valid, or is it all self-assessment?

**Mr AIRD** - I think the premise of your question is wrong. The profitability factor does not actually come into it. It is about the classification of the land; that is the key thing. Is the classification of the land checked? Yes, it is.

**Ms FORREST** - My understanding is that for these exemptions to be valid - I am happy to be corrected if I am wrong - is that there has to be a reasonable expectation of profit. The same can be applied to the MIS schemes where there is no reasonable expectation of profit. What constitutes profits in this test? The question is: are these exemptions valid and checked that there is a reasonable expectation of profit?

**Mr AIRD** - Did you mention MIS then?

**Ms FORREST** - Yes.

**Mr AIRD** - Are you talking about managed investment schemes?

**Ms FORREST** - Yes.

**Mr AIRD** - What is the point?

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**Ms FORREST** - The question I have here is: has the State Revenue Office checked land tax exemption applications for MIS land where there is no expectation of profit?

**Mr AIRD** - No, it is not profit. It is actually about it being used for primary -

**Ms FORREST** - Private timber reserves you are thinking of.

**Mr AIRD** - No, the classification of the land is for primary production and whether it is for profit - if it is making money or not - is not part of the equation. So long as it is a genuine business -

**Ms FORREST** - So it does not have to make a profit then?

**Mr AIRD** - No. As long as the classification of the land is that it is being used for primary purposes, that is the key. Whether it makes a profit or not, well, some farms make money and some do not. They will still be exempt from paying land tax.

**Ms FORREST** - I will check that further. The private timber reserves are automatically granted land tax exemptions. They do not have to meet the reasonable expectation of profit test, as I understand it.

**Mr AIRD** - I am not aware of any profit test. It has to be in the business of primary production.

**Ms FORREST** - That is the only requirement?

**Mr AIRD** - Yes.

**Mr MARTIN** - The Government's submission to the Henry review, is that a public document?

**Mr AIRD** - Yes. It is on the Commonwealth web site.

**Mr MARTIN** - Thank you.

**Mr AIRD** - It should be. If it is not, it will be.

**CHAIR** - Anything more on output group 2?

**Mr WILKINSON** - I was going to ask what input we have had into the national tax review?

**Mr AIRD** - We took the overall view of making a submission. It did not go into detail. Do not forget, the Henry review will not, in my understanding, land on any particular area in its final form. It will go out in draft form. Anyhow, that was my expectation, that it would be out in draft form. So we will just wait and see.

**Mr WILKINSON** - Do we have any proposed changes that we are putting forward to it?

**Mr AIRD** - Well, basically - I have not got the submission in front of me - we did not make any firm recommendations as such.

**Mr WILKINSON** - Who is the major driver for it then? Normally with matters like this, even though everybody has an input into it, there is a major driver. Is it a state that is a major driver or is it the Federal Government. Are you able to assist with that?

**Mr AIRD** - They initiated the process. They will be making an assessment. I do not know if the Secretary has been in touch with Mr Henry about this in the review process. You might want to make some comment.

[2.15 p.m.]

**Mr CHALLEN** - Actually, I spent Thursday and Friday at a conference on the tax review. It is very much a Commonwealth initiative and it is being driven by the Commonwealth. Henry said in public on Friday that it was not clear whether they would expose draft proposals or not. The way he put it was that he would have to seek guidance from the Government on that.

**Mr WILKINSON** - Am I right in saying that the Tasmanian economy is in for a tough time; the Australian economy may be in for a tougher time in the near future at any rate, therefore, in order to obtain the moneys to be able to pay for everything, there could be some major reforms in relation to tax reforms to be able to do just that? Is that too generalistic?

**Mr CHALLEN** - From what we have seen so far, the focus of the reform is about raising the current level of tax in a better way rather than new ways of raising higher levels of tax. Certainly, in Henry's early public statements, he focused on the review as setting a medium-term agenda for reform of taxation, rather than coming up with a whole series of detailed proposals for immediate change. If he is still of that view - admittedly, those comments are a year old - then I think you can expect a sort of direction of change type report rather than a whole lot of specific proposals.

**Mr WILKINSON** - In relation to the advice given under this output, what other things are we doing at present and what do we envisage doing over the forthcoming year?

**Mr CHALLEN** - Fiscal policy advice?

**Mr WILKINSON** - Yes.

**Mr CHALLEN** - This is the output under which we provide our advice to the Government on the Budget, on tax measures, those sorts of things. We just habitually do a lot of work in this area. Right now, for instance, people are working on the legislation to implement the Treasurer's announcements on the payroll tax rebates for new employees and the changes to the Duties Act for agreements of sale. It is that kind of thing. These are the people that produce the taxation amendments bills every year where we do a bit of tidying up. They are also the people who do work on superannuation. So there is a just a steady flow of policy work going through these areas. It is part of the engine room of the Treasury.

**Mr WILKINSON** - Thank you.

**CHAIR** - If we have done with that output, we will move on to output group 3.

### **Output group 3** **Regulatory Management Services**

**3.1 Tax administration and revenue collection -**

**CHAIR** - I will lead off with a question, Treasurer, about compliance issues. Have there been any in recent times? With the economy getting a bit tougher, have there been any impacts on compliance at all that you know of?

**Mr AIRD** - There has been nothing drawn to my attention about this. I have not received any information which has indicated that anything is not as it should be. Sometimes there are issues where there are sometimes inadvertent consequences of some legislation, and we get advice that we have to tighten that up or tidy it up because there may be some loopholes. You have all been party to legislation in the past where we have had to close apparent loopholes in terms of seeking compliance. People think in many different ways. They receive advice from a certain profession.

**CHAIR** - So, basically, no breaches or any identified illegal activities?

**Mr AIRD** - Nothing extraordinary.

**Ms FORREST** - Do we need to reopen that question?

**CHAIR** - Yes, sorry.

**Mr AIRD** - I just noticed that the reasonable expectation of profit would be on had basis that it was a business trying to get a profit not being run deliberately as a loss-making business. It would be a genuine business carrying out activity. The expectation would be that they aim to get a profit.

**Ms FORREST** - For the purpose of *Hansard*, we are talking about land tax and primary procedures and the reasonable expectation of profit.

**Mr AIRD** - Yes.

**Ms FORREST** - So, how do you measure what is a reasonable expectation? You say that so long as someone is not running a business with the intention of making a loss, then that means they would then have an exemption.

**Mr AIRD** - I would imagine the thought behind a reasonable expectation of profit would be that people might just deem it to be the business of primary production to get the classification.

**Ms FORREST** - That is the question.

**Mr AIRD** - Therefore, avoid their obligations.

**Ms FORREST** - So is the State Revenue Office checking on those? That was my question. Does the State Revenue Office carry out any checks that the primary producer exemptions are valid and that there is a reasonable expectation of profit? Is it self-assessment? Are they assessed? What constitutes a test of what profit is? When I referred to the MI schemes, some of those, particularly up in the far north-west, have no reasonable expectation of profit because the trees have not grown. But there is still a land tax exemption there because their purpose is as a forestry plantation under the MI schemes.

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**Mr AIRD** - I will ask Wendy Sawford, Director, Revenue, Gaming and Licensing, to make a comment.

**Ms SAWFORD** - We would do some upfront checks, so that when someone applies for an exemption for the business primary production there would be some upfront checks to make sure that they met the criteria. In addition, we would run audit programs from time to time that would check on those things as well.

**Ms FORREST** - Have there been any cases where that exemption has been refused?

**Ms SAWFORD** - There may well have been, but I could not tell you that.

**Ms FORREST** - Can we have that information?

**Ms SAWFORD** - Well, we cannot give you information about individual taxpayers.

**Ms FORREST** - I am not asking for that. I am asking how many situations have there been where that has occurred, that primary procedures have been determined not to have a reasonable expectation of profit or MIS land, for example?

**Ms SAWFORD** - I would not be able to tell you. I would not be able to go and pull out the reason they were found not to meet the requirement, because that would mean having to go back and look at every individual audit record.

**Ms FORREST** - But you would know if there were some that have been knocked back, surely?

**Ms SAWFORD** - We would know if we had not provided an exemption, but I could not tell you the reason why it had been denied without going and looking back at every individual application.

**Ms FORREST** - So how many denials have we had?

**Ms SAWFORD** - I do not have that information.

**Ms FORREST** - Can we get that information?

**Ms SAWFORD** - We can have a look and see whether we can get it. I cannot tell you categorically here whether or not we have that level of information or not.

**Ms FORREST** - So does the State Revenue Office then have any checks in place to ensure that the primary procedure land tax exemption or the automatic exemption granted to the private timber reserves are being legitimately claimed?

**Ms SAWFORD** - We would run some checks. I cannot tell you what the checks are, but we would certainly run checks. We run an audit program on a range of things. I cannot give you here the detail of every individual audit.

**Ms FORREST** - Is it possible to get that information, Treasurer, at a later time?

**Mr AIRD** - We will give you the information, the statistical data, that is available, as long as it does not compromise any commercial-in-confidence or the operations of the State Revenue Office.

**Ms FORREST** - And also the auditing process.

**Mr AIRD** - We will get you as much as information as we possibly can.

**Ms FORREST** - Thanks for your indulgence, Mr Chairman on that one. I have got one on output group 3 when you are ready.

**CHAIR** - On 3.1?

**Ms FORREST** - Yes. Treasurer, I understand that Treasury have implemented a fine system that is imposed on departments for late payment of accounts. Can you tell me how this fine system is imposed and how long overdue the payments are before they attract a fine from Treasury and how many fines from each department have been received and what is the total income from these fines?

**Mr AIRD** - There is a Treasurer's instruction relating to this. There is a penalty for the agencies for non-compliance with the Treasurer's instruction. It is Treasurer's instruction 1125. Penalty interest for late payments of invoices, goods and services. The instruction applies only to procurement of goods and services and is to be read in conjunction with other instructions relating to goods and services which are contained in the 1100 series of the Treasurer's instructions. The penalty interest to be paid is the greater of \$25 or an amount calculated on a daily basis on the date of due payment of the invoice is detailed until the date of payment of the invoice at a rate specified by the Treasurer. The penalty interest rate applies under clause 5(b), and it is a small overdraft rate published by the Reserve Bank of Australia in its indicator lending rate series.

**Ms FORREST** - So how many fines -

**Mr AIRD** - It is a penalty paid to the supplier. I would not know the agency details. It is best avoided. That is the idea. It is to ensure compliance.

**Ms FORREST** - The fines are paid to the supplier of the goods or service?

**Mr AIRD** - The instruction took effect from 1 May 2009, so I do not have any information about that.

**Ms FORREST** - It has only been imposed since May 2009?

**Mr AIRD** - Yes. It takes effect from that date.

**CHAIR** - We will move on to 3.2

### **3.2 Regulation and administration of liquor and gaming**

**Mr MARTIN** - Just a couple of questions on this. I would probably expect to see a bit of an increase in this line item, given that Minister Giddings has recently released the draft alcohol

action plan for the next five years. Given that the first key direction identified in the draft plan relates to the regulatory aspect of public safety and amenity, which would have clear implications for the work of the condoning officers within the department, I would have thought that extra resources would have been available for these officers rather than have the funding reduced. Surely they are going to have an increased workload?

**Mr AIRD** - Without going to the detail, yes, there has been a reduction of \$37 000. But if you are going into 2010-11, there is an increase of \$130 000. There are subsequent increases in the outyears. I would have thought that that is a pretty reasonable effort in terms of resources.

**Mr MARTIN** - Is that because of the draft plan?

**Mr AIRD** - I would not be able to provide a break-up of that. I would imagine relating to the alcohol area, that that would be in the Department of Health and Human Services.

**Mr MARTIN** - I would have thought that surely the key recommendation of the regulatory aspects of public safety and amenity would fall within your area.

[2.30 p.m.]

**Mr AIRD** - I think you are linking one output against another in Health and their plan. They would have responsibility for that, and that is where it would reside.

**Mr MARTIN** - So you do not expect any increased workload for the liquor and gaming licence officers?

**Mr AIRD** - I think that is more to do with a health outcome than a regulatory outcome.

**Mr MARTIN** - Okay.

**Mr CHALLEN** - The things that we need to do can be done with our existing complement of staff. The area in which you will see more activity is in problem gambling and the health-type areas, which is in DHHS's budget and not in ours. We are responsible for the compliance framework. They are responsible for the health behaviour consequences.

**Mr MARTIN** - I was going to go on next to the report into the social and economic impact of gambling in Tasmania. That was released in December. The Tasmanian Gaming Commission acknowledges on page 5 of its report that there are significant problems that remain unaddressed and policy responses are available within the potential to ameliorate these problems. In that context, how can you justify reducing resources for the regulation and administration of gaming in Tasmania?

**Mr AIRD** - We are responding to a policy position. As part of the announcement, we said that we would produce a whole-of-government policy response. The Minister for Human Services will be the lead minister in developing that policy response to that comment. That was an observation of policy, and it deserves a policy response. The Government is, with the Minister for Human Services and I, developing a whole-of-government response policy position.

**Mr MARTIN** - For example, though, the Tasmanian Gaming Commission report said that further design modifications of electronic gaming machines are warranted. They would need oversight by your officers.

**Mr AIRD** - We are going to be undertaking all the requirements in terms of the changes that are required as a response to the social and economic impact review. We will be able to undertake all those functions within this output.

**Mr MARTIN** - Within that output?

**Mr AIRD** - Yes.

**Mr MARTIN** - So, for example, it also says that different harm minimisation rules apply in casinos as opposed to pubs and clubs, which I would think, by definition, there needs to be further regulatory work done.

**Mr AIRD** - I do not know.

**Mr CHALLEN** - There is work that needs to be done, but you do not need more of the sort of people that we have got to do the work. It is just a question of where they focus their energies, really. We are doing things like tightening bet limits on gaming machines, strengthening machine-based interventions, working up mandatory codes of conduct and so on. You do not need more staff to do those sorts of things; you just need to focus the existing staff on a specific measure. Most of these things are just one-off in nature. You do the work, you implement them, and then you have a compliance regime to make sure that they -

**Mr MARTIN** - So you can assure me you have the resources in your current structure to carry out everything in those reports?

**Mr CHALLEN** - Everything for which the Department of Treasury and Finance is responsible.

**CHAIR** - Anything else?

**Mr MARTIN** - That is it.

**CHAIR** - Anything else on that output. We will go through to 3.3.

### **3.3 Government Prices Oversight and economic regulation -**

**Ms FORREST** - I notice the increase in funding in 2011-12 is stated to reflect the commencement of the regulator's role in setting prices for water and sewerage services. There was also a \$231 000 increase above the estimates from the 2008-09 Budget, in spite of the completion of the Metro and MRB pricing investigations in 2008-09. How much is the regulation and pricing of water and sewerage services adding to this line item?

**Mr AIRD** - In 2009-10, \$840 000. That is the establishment costs. In 2010-11, \$200 000 and then in 2011-12 it goes to \$600 000. That is when the major independent pricing review is undertaken by the Regulator. That is a major initiative.

**Ms FORREST** - Yes. With regard to the two-part pricing user-pays model, do you know what the cost of a kilo of water is? Does the Government remain committed to a two-part pricing user-pays model?



**Mr AIRD** - The legislation allows for two-part pricing. I do not know the exact figure that you require.

**Ms FORREST** - Any idea? Is there a figure that has been established?

**Mr AIRD** - The pricing at the moment is based on an indicative increase of 10 per cent on the existing rate. That is in place for two years. As we move forward to develop an independently regulated model, part of the regulated model will determine the rate that needs to be charged both in terms of fixed cost and also a volumetric charge, I would imagine. Again, that is up to the Economic Regulator to determine that.

**Ms FORREST** - So when do you plan to introduce the user-pays model? What is the time frame for that?

**Mr AIRD** - Basically, it is a work in progress. But there will be a review undertaken by the Economic Regulator, and that will determine the pricing structure going forward.

**Ms FORREST** - But does the Government have a view on when it intends to implement the user-pays model?

**Mr AIRD** - It will be up to the independent regulator, and it will be up to the corporations to work out how they are going to implement the regulator's report.

**Ms FORREST** - So will the Government or the independent regulator decide issues such as who pays for water meters? Will there be allowance for trading water allocations? Can excess water allocations be sold? Will those sorts of things be part of the Government policy, or will they be part of the independent regulator's decision-making process?

**Mr AIRD** - Some of those issues would relate to the independent regulator. There was one there, the excess water, I do not know what the actually refers to. Are you saying that because your holdings are at 90 per cent and you are only using, say, 15 per cent, the rest is excess?

**Ms FORREST** - Potentially. It depends how it is all set up.

**Mr AIRD** - Well, the basic thing about water is that the independent regulator will be making the determination on the price of water. Depending on how much water people use will determine the revenues. The independent regulator will be making judgments about what is a fair and reasonable price. I find the issue of excess water a notion that I need to have further thought about. I do not think it really relates to the independent pricing of water.

**Ms FORREST** - What about paying for water metres? Who will be paying for that?

**Mr AIRD** - Again, that is up to the corporations to work that out. There is a policy of the corporations that they want to have water meters installed, and it is up to the corporations to work that out. They will be making those decisions based on the information they have available to them. Water metres are in 19 of the 29 councils now. Obviously, where there is an existing water meter, it would be put to use. It is mainly in the southern part of the State where the corporations - the southern corporation particularly - will have to make a policy decision if they want water metres. If they do that, then they have to work out a way of funding them. Whether

they do that through a billing process as a fixed cost to the consumer, it is up to them to work out how they are going to do it. In other States there have been areas where there has been an initial capital cost to the property, then that is sometimes factored in over a period of time in the billing process. I am not going to anticipate what is going to occur there.

**Ms FORREST** - How does the Government intend to deal with the issue of nodal pricing?

**Mr AIRD** - Again, the level of pricing is going to be up to the regulator. The independent Economic Regulator will determine the level of pricing. He would have to take into consideration all aspects of pricing. What we are trying to do over the next two years is take the shocks out of pricing. That is why we are saying a 10 per cent increase. Hopefully - this would be my expectation - when the independent regulator gets to a position in 2011-12 to make a determination, it will be in keeping with the price increases that have gone for the preceding couple of years.

**Ms FORREST** - So is it your view, then, that it should be on a statewide basis?

**Mr AIRD** - The independent regulator will make a determination about that, whether it should be statewide pricing, whether it should be nodal pricing, whether it should be regional pricing. Again, it will be up to the independent regulator to make a determination. Do not forget, any pricing regime can be phased in over a period of time in any event. If the independent regulator said that there should be a statewide pricing regime, then he or she is also capable of making a determination over a period of time that that ought to be put into place.

**Ms FORREST** - Just with regard to the interim pricing order, Treasury obviously has carriage of that in the interim?

**Mr AIRD** - Yes, well, I do.

**Ms FORREST** - The Treasurer has, yes.

**Mr AIRD** - Yes.

**Ms FORREST** - I know there have been some issues of concern raised with the draft interim policy. Is that going to be amended to reflect those concerns?

**Mr AIRD** - Obviously we will look at the concerns. That is why it was put out at a draft, to get some commentary and understanding of the issues relating to that.

**Ms FORREST** - So the concern that there is a charge to developers retrospectively. Is that one of the issues that is being considered in that process?

**Mr AIRD** - What does that mean?

**Ms FORREST** - Well, there is a clause, section 1.3(a) of the draft IPO. It seems fairly clear from that that there is an intention to charge developer charges retrospectively. It has been raised. Is that the intention, to charge developers retrospectively?

**Mr AIRD** - There is a provision in the act which allows for there to be a recovery. That refers to head works changes.

**Ms FORREST** - Retrospective, though.

**Mr AIRD** - The recovery of head works charges would be a separate issue to the IPO.

**Ms FORREST** - It is contained in the IPO.

**Mr AIRD** - I would have to go back and look at the IPO. In terms of the decision-making, there is a legislation provision to charge head works charges, but I would have to look at that particular clause so I could clarify it for you.

**Ms FORREST** - One further question with regard to the IPO, is it the intention of the Government to maintain the cross-subsidisation regime? You have shopping centres and commercial warehouses and things like that basically cross-subsidising the water and sewerage costs of others.

**Mr AIRD** - That is why the IPO is there - to allow for a reasonable charging regime to be put in place for the next couple of years as we go through seeking to have a regulated market and a commercial market. Yes, there are a number of business people around who would like to see it changed immediately. That would create too many shocks in the system. We are not prepared to allow for the shocks. The idea behind the IPO is to allow for some managed increases of 10 per cent or thereabouts to allow for the adjustments which are going to be, if the independent Regulator determines, in the future. I understand the nature of the argument. You cannot just swap from one pricing regime to another overnight.

[2.45 p.m.]

**Ms FORREST** - But you do intend to unwind that cross-subsidisation?

**Mr AIRD** - It will be up to the independent regulator to work his way through that issue. But, obviously, if you are going to have two-part pricing, you are going to have fixed costs and you are going to have volumetric charges.

**Ms FORREST** - Do we have a time frame for that?

**Mr AIRD** - If you are only a car park, you are not using too much water.

**Ms FORREST** - We do not have a time frame? That was one of my first questions. That is the time frame for that?

**Mr AIRD** - It will be up to the independent regulator. I would expect in the next two years the IPO will be put in place and then the independent regulator will make a determination in 2011-12. The independent regulator will then be making a judgment about that.

**CHAIR** - It would seem, Treasurer, that we are going to go beyond 5 o'clock at this stage. Are you okay with that? We will do the best from our side.

**Mr AIRD** - What is the level of negotiation? Are we putting a time on this?

**Ms FORREST** - We are telling you how it is.

**Mr AIRD** - When does the clock stop? I will do what the committee wants.

**CHAIR** - We will go straight through to 11 o'clock, then.

**Mr AIRD** - Within the standing orders.

**CHAIR** - Yes. All I have to do is comply with the resolution of standing order 226, that the committee will sit beyond 5 o'clock. We will keep pressing on.

**Mr AIRD** - Just to clarify that, is it a reasonable expectation that 6 o'clock will see it finished or something around that?

**CHAIR** - I would have thought so. That is my gut feeling.

**Mr AIRD** - We just have to make plans, that is all.

**CHAIR** - We will aim for that. We will keep going to output group 4.

**Output group 4**  
**Community Assistance**

**4.1 Bass Strait islands community service obligation -**

**CHAIR** - Ruth, do you have any questions.

**Ms FORREST** - Just a quick one on this, Mr Chairman. This is the concession that assists the Bass Strait Island electricity customers. We are seeing such significant power cost increases just recently. Do you believe that figure is enough to cover those sorts of increases? There is an increase in the allocation; I appreciate that. I am just wondering if those recent Aurora price increases have been factored into that?

**Mr AIRD** - These allocations are indicative. Obviously if we have to make up the difference on the basis of how much electricity is being used, we will make that up.

**Ms FORREST** - That will come out of your retirement fund, will it?

**Mr AIRD** - I wish - well, I wish mine would be able to help.

**Ms FORREST** - Thanks, Mr Chairman, that is all from me on that.

**CHAIR** - That is all on that one. We will move over then to table 12.10, which is the urban renewal and heritage fund. Any questions at all on Princes Wharf No. 1 renewal. Any questions on that from members?

**Mr MARTIN** - Just one. There is a \$1.3 million allocation in this year's Budget for Princes Wharf work renewal.

**Mr AIRD** - Yes.

**Mr MARTIN** - Given that, as yet, there is no plan for this redevelopment, I wonder what the timing of that is and is it likely that the money is going to be spent this year?

**Mr AIRD** - The expectation is that it will be spent this year. This does not come under my portfolio area, but the expectations are that we are now in the process of preparing design options. There will be public consultation on the designs. The finalisation of the design should be October-November. Planning approvals through October-December. A construction contractor should be appointed in January-February with construction from February through to June next year. Then there ought to be some official opening some time after that.

**Mr MARTIN** - This year?

**Mr AIRD** - No, 2010. So, basically, what we are saying is that there will not be anything done this side, and it will be timed beyond that, because obviously you would not be able to undertake the level of work that is required. Basically the Premier will be able to explain more about his view of how that should work.

**Mr MARTIN** - So the project -

**Mr AIRD** - It is funded.

**Mr MARTIN** - It is to be completed this year.

**Mr AIRD** - It will be completed -

**Mr MARTIN** - This financial year.

**Mr AIRD** - This financial year, yes.

**Mr WILKINSON** - It is not the whole of Sullivans Cove?

**Mr AIRD** - No.

**Mr WILKINSON** - I know with Sullivans Cove there was going to be a design competition and a number of things done. It seems that not much was done at all. So are we sure that something is going to happen with the Princes Wharf project?

**Mr AIRD** - Yes, we have allocated some money on the basis that something will be concluded this financial year.

**Mr MARTIN** - Whose portfolio area is it under? I am totally confused by this.

**Mr AIRD** - Administratively I think the Minister for Planning has it. The Premier is running the show.

**Mr MARTIN** - It is no wonder I am totally confused.

**Mr AIRD** - No, the Premier is running the show.

**Mr MARTIN** - It could be Sturges, it could be Llewellyn or it could be Bartlett.

**Ms FORREST** - It could be O'Byrne with Heritage, couldn't it?

**Mr MARTIN** - Have we got an answer?

**Ms FORREST** - No.

**Mr MARTIN** - It is a serious question. I really would like to know.

**Mr AIRD** - The day-to-day management of the issue is managed by the Premier. He has the policy coverage of it. I think the administrative arrangements are that the Minister for Planning under the Justice portfolio is responsible.

**Mr MARTIN** - So what is the state of the Sullivans Cove Waterfront Authority now?

**Mr AIRD** - The Sullivans Cove authority is still there.

**Mr MARTIN** - Under whom?

**Mr AIRD** - That is under the Minister for Planning.

**Mr MARTIN** - Minister Llewellyn?

**Mr AIRD** - Yes.

**Mr WILKINSON** - It would seem by the way you said it, if I can read something into your voice, that it might not be there for too long, or am I jumping the gun?

**Mr AIRD** - You cannot read anything into my voice. My voice, at the end of every day, sounds very much like this, as those who observe these things would know. That is why I drink so much water - to try to preserve my larynx.

**Mr WILKINSON** - So any questions in relation to the Sullivans Cove Waterfront Authority we ask Minister Llewellyn?

**Mr AIRD** - Yes, if it is about day-to-day management, that is correct.

**CHAIR** - We will now move on to table 4.1, and the first output group is debt servicing and management. Is there any need for a change in the guard at the table, Mr Treasurer?

**Mr AIRD** - Craig Jeffery is coming to the table.

**Mr HARRISS** - One of the matters that crops up year on year is the Commonwealth-State housing debt and whether there has been any negotiations with the Federal Government about extinguishing that or other arrangements which might be possible.

**Mr AIRD** - There have been a number of discussions, as there have been over a number of years about this issue. The implications in terms of the policy for the Commonwealth is that if they wrote off our debt, then they might feel compelled to write off the debt relating to other States. They have greater levels of debt. I cannot get all the jurisdictions in a row here. Victoria

does not have any debt now, so there would be inconsistencies across the jurisdictions, but we are still pushing ahead. Obviously, this is not a debt which is of any use to anyone. We would very much like the Commonwealth to retire the debt.

**Mr HARRISS** - You mentioned Victoria. Is that one of the jurisdictions which, in fact, handled that debt internally rather than bouncing the Federal Government?

**Mr AIRD** - They retired that debt some years ago. I think it might have even been in Jeff Kennett's day.

**Mr HARRISS** - By their own internal arrangements?

**Mr AIRD** - Yes, I think -

**Mr HARRISS** - Because Howard would not have paid it for them.

**Mr AIRD** - No, he would not have. As we know. He had 12 years to do it and did not.

**Mr HARRISS** - Yes, but we are in more favourable circumstances now with your mate Kev. He might dance to your tune.

**Mr AIRD** - He is favourable to us in terms of helping us with our infrastructure, that is true.

**Ms FORREST** - This probably relates more to 1.3, is it all right to go to there? There is a footnote related to 1.3 on page 4.3. It talks about increased appropriations in 2012-13 to reflect payments to the temporary debt repayment account. Is this so that the net debt fiscal strategy can be met and so there is, therefore, no requirement to repay that? If there is no requirement to repay -

**Mr AIRD** - Sorry, where are you?

**Ms FORREST** - There is a footnote, footnote no. 4 - I am not sure that is the right one now. The temporary debt repayment. So, the question is: if there was requirement to repay, as this is a liability rather than a debt, as you have explained to me on other occasions, why is this then not listed as a long-term liability? What is the relevant Australian accounting standard that enables a long-term liability to be netted off against a current asset such as trust funds?

**Mr CHALLEN** - The remark about the accounting standards is a general one. It is not intended to relate to that comment about the temporary debt repayment account. What is happening there is that there is a transfer from the Consolidated Fund of the temporary debt repayment account in 2008-09 and then not again until 2012-13. It just reflects the fact that during this period of relatively high Consolidated Fund deficits that we are going to see as the global financial crisis works its way through, the Treasurer has decided to suspend the appropriations from the Consolidated Fund into temporary debt repayment account for 2009-10, 2010-11 and 2011-12.

[3.00 p.m.]

**Mr HARRISS** - Is that part of the overnight process with the Special Deposits and Trust Fund?

## UNCORRECTED PROOF ISSUE

**Mr CHALLEN** - No.

**Mr HARRISS** - The Temporary Debt Repayment Fund?

**Mr CHALLEN** - No. It is the device that was created a few years ago to avoid the need for the overnight borrowing.

**Ms FORREST** - I suppose you are shifting money from various account through that to enable you to meet your net debt fiscal strategy.

**Mr CHALLEN** - It is used to allow us to access the balances in the public account to pay down debt - that is what it allowed us to do. Effectively funds that are available and aren't needed at a particular point in time were used some years back to allow us to pay down our debt and the counterpart of that is the balance in the temporary debt repayment account. One day, many years out in the future, the temporary debt repayment account needs to have its balance extinguished, but it doesn't have to happen by a particular day - it could take 30 years.

**Ms FORREST** - I understand that. So it should be a liability, shouldn't it, as opposed to a debt?

**Mr CHALLEN** - No. These are fund accounts, so I this is not cash. This is just the accounting entry counterpart of the use of the funds in other accounts being used to repay debt.

**Ms FORREST** - It still could be classified 'liability' then, couldn't it?

**Mr CHALLEN** - No, it is not a liability. These are just internal accounts. It would be a bit like you just segregating one of your personal bank accounts into two bits - one that you call your holiday account and the other one that you call your housekeeping expenses account. That is all it is.

**Ms FORREST** - But there is not actually money in that one?

**Mr CHALLEN** - These are fund accounts, they don't have money in them.

**Ms FORREST** - So they are a liability?

**Mr CHALLEN** - No, no, no. It is not a liability.

**Ms FORREST** - So it is an account with no money in it, but it is not a liability? But it has accounts paid against it - is that right?

**Mr CHALLEN** - I don't know that Estimates committee is a great way to explain this, but I'll have a go. If you imagine some cash coming into, say, the Department of Treasury and Finance operating account, but is going to sit there for a number of years because it is not needed, the way in which we can access the cash to repay debt is that we leave the balance sitting in the Treasury operating account but we debit the temporary debt repayment account and credit the debt account. That is how we get access to the cash that would otherwise be sitting against the Treasury operating account to allow us to repay debt. So the debt goes down because the cash has been used to pay down the debt. Then what you end up with is the balance that was always there in the



## UNCORRECTED PROOF ISSUE

Treasury operating account and now offsetting that you have a debit balance in the temporary debt management account.

**Ms FORREST** - A negative balance?

**Mr CHALLEN** - A debit balance. It looks like an overdraft, if you like. Then one day in the future when the cash balances have built up again and the temporary debt management account balance has been taken down and the cash is needed for the Treasury operating account then the cash is available to do that.

**Ms FORREST** - So this is another accounting standard that enables the recording of those transactions.

**Mr CHALLEN** - No, this is fund accounting. Apart from double-entry bookkeeping, there aren't any accounting standards about fund accounting because they are the way we manage our internal affairs. It is very much like the way people manage their household budgets. What your bank manager cares about is how much cash you have and how much debt you have. He does not care whether you have partitioned your internal accounts into housekeeping and holidays or whatever. This is what this is about - it is just a set of internal accounts sitting in the background about how we manage our own affairs. The accounting standards are about how we report the transactions that we undertake with the outside world.

**Ms FORREST** - Why does Finance-General have land, building and plant, which leads to a depreciation expense when it is really just an operating -

**Mr AIRD** - Where are you?

**Ms FORREST** - Page 4.33.

**Mr CHALLEN** - These are the whole-of-government properties. I can give you the whole list because it is fairly short: 10 Murray Street; 114 Bathurst Street; 12 Murray Street; 21 Murray Street, which is the Franklin Square building; 2-4 Salamanca Place, which is the old Government Printer; 34 Davey Street, which is the Health building; 36 Davey Street, which is the old St Marys Hospital; 53-59 St John Street, Launceston, which is the public offices up there; 6 Salamanca Place, which is the old PABX building; Elizabeth Street Pier, which we talked about earlier; Highfield House, which is in Stanley; and Main Road, Whitemark, which is the offices in Whitemark which I mentioned earlier and which are earmarked for sale. That is it - it is just that collection of buildings.

**Ms FORREST** - Why is the taxation revenue collected by Finance-General less than that shown for the general government sector? Who else collects State taxes? I thought they would all have been collected by Finance-General.

**Mr CHALLEN** - DIER collects motor vehicle registration fees, for instance.

**Ms FORREST** - So that is classed as a taxation revenue?

**Mr CHALLEN** - Yes. The State Fire Commission is the other one - they collect a bit too.

**Ms FORREST** - That accounts for this nearly \$2 million difference then?

**Mr CHALLEN** - I am advised that the Fire Commission is the difference. The DIER bit comes in with Finance-General. Sorry about that. It is just the State Fire Commission component.

**CHAIR** - I think, Treasurer, at this stage we might take a 10-minute break. After the break we will start on output group 2.

**The committee suspended from 3.08 p.m. to 3.28 p.m.**

**CHAIR** - If we could resume and we are now up to Output Group 2 - Employee related costs.

**Output group 2  
Employee related costs**

**Mr WILKINSON** - I know time is at a premium but I have a couple of very quick questions. At page 6.15 of budget paper 1 notes:

'Due to current market volatility and the long term nature of the liability, the current projections of the unfunded superannuation liability do not use the current Commonwealth long term bond rate as would be required ...'

And it goes on. What is the current bond rate and how much difference is there?

**Mr CHALLEN** - On Friday it was about 5.75 per cent and the discount rate that we use is 6 per cent. One of the things we are trying to do is not provide too much confusion, so the discount rate we have used is the same rate that we have used at mid-year report time and the same rate that was used in the Treasurer's annual financial statements, the audited statements, which were published in September last year. The advantage of doing it this way is that any movements in the unfunded liability are a result of the transactions that have occurred. If we also put a current bond rate in there we would be confusing the valuation with changes in the bond rate that have occurred since the audited statements last year. This was a considered thing to do, because we wanted to try to make the story as transparent as possible rather than having a lot of confusion. It is interesting that the ratings agencies have commented that they like this way of doing it.

**Mr WILKINSON** - My next question was going to be: What effect would there be on the super liability over the forward Estimates if the long-term bond rate was used?

[3.30 p.m.]

**Mr CHALLEN** - The problem is it depends what the long-term bond rate is on the day in which you choose it. The accounting standards say you have to use the bond rate that exists on 30 June because that is the date at which your audited balance sheet is prepared. We would have had to have forecast what we think the bond rates are going to be on next 30 June, and that is not an easy thing to do. I suspect at the end of the day it is probably not going to make much difference, because the bond rate is tracking back in the general direction of 6 per cent. My guess is by 30 June it is not going to be much different from 6 per cent.

**Mr WILKINSON** - Thank you.

**CHAIR** - Any more on that particular out put?

**Mr WILKINSON** - The only one is boards and committee savings. I heard what you said at the outset that you are looking at revamping boards themselves. Do I take it that you mean either reducing the number of members on the board or reducing the boards or amalgamating the boards? How are we going to look at that?

**Mr AIRD** - In conjunction with DPAC we will be working our way through this issue. I would expect there to be a review of all boards and committees. We will make an analysis of some of them in terms of whether they are performing a useful role on behalf of the Government. If it is deemed that they are performing a useful role for the Government, are they doing that efficiently and in the best possible way? We will be making judgments about that on the way through to achieve the level of savings we have identified. I guess part of that could be a resizing of some of the positions on the boards and committees in terms of whether we are paying too much for some people to sit on these boards and committees?

**Mr MARTIN** - A lot of them were set up by legislation.

**Mr AIRD** - Obviously if some require legislative change then we will have to make provision for that, but there are number that are not. So we will be making an assessment about that in time.

**Mr MARTIN** - Any rules for family being appointed to boards?

**Mr AIRD** - One of the things that I was keen to make a statement about is that we have engaged in a new process of appointment. We should be very close to making an announcement -

**Mr MARTIN** - Now would be a really good time.

**Mr AIRD** - In coming days probably about how board appointments should be made. We announced some time ago that we were going to undertake a process. I actually think that there needs to be an avenue for anyone who is interested in being on a board or committee to be able to self-nominate, identify themselves for particular positions and nominate areas of interest. I think it needs to be thoroughly transparent and open - we have already undertaken some rigour in establishing panels and so on that is on the website - so that people will know there is a process whereby there is a more thorough assessment of the skill set and abilities of people to go on these boards and committees. So it will not be long.

**Mr WILKINSON** - In relation to the provision for agency reduction requirements and recoveries from agencies, is that to do with the redundancies if they come about? That is, the agency borrows to pay out the employee, and that agency then has to pay back the money.

**Mr CHALLEN** - Correct.

**Mr AIRD** - That is it.

**Mr WILKINSON** - Thank you.

**CHAIR** - We will move to Output group 3.

**Output group 3**  
**Government businesses**

**3.1 Forestry Tasmania -**

**CHAIR** - The footnotes pretty well explain that the allocations for the forward Estimates drop off in 2011-12 and 2012-13 due to issues regarding firefighting and Helsham funds out of the Commonwealth and all those sorts of things. I understand all that. This is just a hypothetical: any thought with Forestry Tasmania, FT, that the State might sell off those timber assets and just retain FT in a regulatory and research type role?

**Mr AIRD** - This has been mooted before publicly.

**CHAIR** - I must have remembered it from somewhere.

**Mr AIRD** - You must have. I have not seen any proposal from FT to deal with this issue. It is up to FT in association with the shareholders. If it was an appropriate course of action to be undertaken then it has to be done in a proper, strategic and coherent way.

**CHAIR** - And transparent?

**Mr AIRD** - And transparent. But I have not seen any formal proposition put forward about that. It has been canvassed from time to time. That is no secret.

**CHAIR** - Any more on FT? If not we will move to 3.2 State Fire Commission.

**3.2 State Fire Commission -**

**Mr MARTIN** - I could not find anything anywhere on what the \$875 000 is. I could not work out what that was for.

**Mr CHALLEN** - It is the sale costs for TOTE.

**Mr MARTIN** - The sale costs for TOTE of \$875 000. That seems a lot of money.

**Mr CHALLEN** - It costs a lot of money to sell a big business.

**Mr AIRD** - It is an investment in fact.

**Mr WILKINSON** - That begs the question. In selling the business, is it going out to a private tender and that business gets a percentage of the sale? Is that what we are looking at or what?

**Mr CHALLEN** - The main sale adviser is on success fee arrangements, very similar to the arrangement that applied for the HIAPL.

**Mr WILKINSON** - So it is a success fee.

**Mr CHALLEN** - It is a retainer plus success fee, yes.

**Mr MARTIN** - So you have a consultancy advising you on how to sell it, is that right?

**Mr CHALLEN** - Yes, and I might say they are doing a great job.

**Mr WILKINSON** - Where are we up to at the moment?

**Mr CHALLEN** - We are in the process. It is grinding its way through.

**CHAIR** - If there is no more on that we will go to Output group 4 Miscellaneous.

**Output group 4  
Miscellaneous**

**Ms FORREST** - I have a couple of questions. I notice there is no future funding for the first line item as the motor registry system has been finalised. For any future projects undertaking structural improvements that you think would be appropriate where there is time and cost saving and an expectation of increased efficiency and productivity, particularly in projects related to information technology developments that have the potential to result in some significant savings, how will projects that are deemed to fit under this sort of area be funded? Will they be funded somewhere else?

**Mr AIRD** - You can always set up another account to achieve the same ends if you wanted to. Your point is valid. I have thought about this myself about the future, and my reaction was that if we wanted to use such a facility we could re-establish it.

**Ms FORREST** - So effectively 4.1 will disappear from the budget papers next year unless a project becomes important to be funded under that?

**Mr AIRD** - That is right, unless we re-enliven it.

**Ms FORREST** - There are no projects on the table then that would go under that sort of program? The answer is no?

**Mr AIRD** - There is nothing proposed under this. There are other initiatives which have been funded directly to various agencies. For instance, the IT program in health was funded directly rather than using a program like this, but that could have fitted under this category if we had not funded it directly through the department.

**Ms FORREST** - I just hope there's enough money in there for rail, that's all.

**CHAIR** - Have there been any calls on the Treasurer's Reserve recently?

**Mr AIRD** - No, really it is an input-output type of account that at various stages will be used.

**Mr MARTIN** - Slush fund.

**Mr AIRD** - No, it's not a slush fund; it's highly accountable and transparent.

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**Mr CHALLEN** - The main activity at the moment is adjustments for Commonwealth-funded projects, so we're hearing that the cost of a Commonwealth government project is slightly different than what was budgeted, so the Commonwealth cash flow is slightly higher than it was and we have to provide additional funds to the agency and it's just the flow-through of Commonwealth money.

**Ms FORREST** - This is all reported under the Public Account Act -

**Mr CHALLEN** - Yes.

**Ms FORREST** - So the question I have asked the Treasurer on a previous occasion - and it's currently on the Notice Paper but I will ask it again now - is will dates of these cash movements in and out of the fund be included in the reporting under the Public Account Act requirements? Currently when we get a report there are no dates attached to any of the movements through that account. I'm talking about reporting under section 19 of the act.

**Mr CHALLEN** - I'm sure we comply with the Public Account Act.

**Mr AIRD** - We do.

**Ms FORREST** - But the Public Account Act is silent on the nature of what should be included. I am asking you, in the interests of openness and transparency and making it easier to track these movements through this particular bucket of money, that dates be included.

**Mr AIRD** - I don't know if it would add to -

**Ms FORREST** - It would add.

**Mr AIRD** - How? I will take further advice but as I sit here today, I do not see a major problem with what you're proposing.

**Ms FORREST** - Because it would make it much easier to look at what comes in, when it goes in, when it goes out, and where it goes.

**Mr AIRD** - Okay. I understand the import of your question.

**Mr CHALLEN** - Just to avoid disappointment, most of this activity occurs in the last couple of weeks of the financial year, so you're going to see a lot of dates in June.

**Mr AIRD** - I have explained that.

**Ms FORREST** - We don't see dates, though; all we see is transactions.

**Mr HARRISS** - That's what Don's saying.

**Ms FORREST** - Yes. I appreciate they're happening around the same time but it doesn't hurt to drop a date in.

**Mr CHALLEN** - I agree it doesn't hurt but I don't think the information is going to be terribly interesting when you see about 20 or 30 all in the last couple of weeks.

**Ms FORREST** - I expect that to be the case because of the question I've asked the Treasurer.

**Mr AIRD** - There is still some work to be done this week, I suspect.

**Mr HARRISS** - Treasurer, notwithstanding you have indicated that, in essence, that particular fund is a mailbox, there have been times, though, haven't there, when there has been a substantial call on the Treasurer's Reserve which hasn't then been a flow-through and a repayment for the types of things Don mentioned with a delay in Federal funding or whatever?

**Mr CHALLEN** - The Treasurer's Reserve is seeded by this mechanism of \$20 million and then it's supplemented by over-budget revenue and over-budget Commonwealth grants and then you pay out of it excess expenditures, particularly against Commonwealth-funded activities these days. I don't think the current Treasurer's period has been typical of this, but there certainly have been some years in the past where large changes have gone through the Treasurer's Reserve, but that's the nature of the thing; if you like, it's a bucket in which the appropriation bill is seeded with a little bit of water and then it gets topped up with excess revenue during the year and depleted with excess expenditure.

**Mr AIRD** - In terms of what you were referring to in some unexpected kind of call, in my time I can't remember an instance. If you're talking about rail, for instance -

**Ms FORREST** - Wasn't the Treasurer's Reserve called on for the Tamar Valley Power Station?

**Mr CHALLEN** - No, we had a second appropriation bill.

**Ms FORREST** - Oh, that's right, we did too.

**Mr HARRISS** - What about when the high school in Devonport was razed?

**Mr AIRD** - David Crean might have used that as a bridging -

**Mr HARRISS** - I think so; that's one of the examples I was thinking of, of a substantial amount out -

**Mr CHALLEN** - We've had second appropriation bills most years for half a dozen or so. Most of the big things have been dealt with by bringing them before the Parliament in appropriation.

[3.45 p.m.]

**Ms FORREST** - Under 4.3, miscellaneous, this group has a \$15.4 million allocation for 2009-10 and there is some information both in the footnote and on page 4.11 with regard to this. A number of projects talked about have now been terminated, including the telecommunications infrastructure project and the Public Bodies Assistance Act which has wound up and has no further allocation. However the ones that are listed come to a total of \$9.29 million, so there is an extra \$6.1 million that is not accounted for in the information in the budget papers. So can you provide a breakdown of all allocations made under this heading of 'Miscellaneous' and how much each refers to? You might need to table that.

**Mr AIRD** - Yes, we'll do that.

**Ms FORREST** - Okay. Under the water and sewerage reform and the local government transition there was \$6 million allocated in 2008-09. Can you tell us how much of that was expended and in what areas? Which local government bodies used it? It is on the top of page 4.13, Finance-General.

**Mr AIRD** - We'll get that for you. I suspect some of it went to some councils -

**Ms FORREST** - That was the intention. So how much of it was spent and where?

**Mr AIRD** - An amount of \$4.2 million of transitional assistance allocated in last year's budget to assist councils and bulk water authorities transition to new structural arrangements has been paid out so far. Two milestones remain and payments will continue to be expended in the first quarter of 2009-10. I did think about this issue when the Hobart City Council were taking out advertisements complaining about my view of water and sewerage and I thought an irony might be that some of the transitional money might have been spent on those ads and leaflets. I didn't take it any further but it could have been one of those ironies that through the allocation of the budget I actually paid for a publicity campaign aimed at me.

**Ms FORREST** - In a negative light.

**Mr AIRD** - I have to say that I think I'm the only person who can actually unify the Hobart City Council.

**Ms FORREST** - Just one other question under this line item. Last year the printing costs for the Government *Gazette* and acts of parliament were included under this line item. Are they still included under this?

**Mr CHALLEN** - The reason is that since the Printing Authority of Tasmania was sold there is now a contract in place for the printing of the *Gazette* which is managed by either Justice or Premier and Cabinet, I forget which but one or the other. It's not in Finance-General's budget.

**Ms FORREST** - This may not be an answer you can provide either, then, but has consideration been given to publishing the *Gazette* to reduce costs, in that case?

**Mr AIRD** - It is.

**Ms FORREST** - But you can't access it online.

**Mr AIRD** - Can't you?

**Ms FORREST** - I've asked about this a number of times. We're the only jurisdiction in the country that doesn't publish its *Gazette* online.

**Mr AIRD** - Oh, I thought it was, I have to say.

**Ms FORREST** - Well, I have asked in the past. Surely it would reduce costs, because not everyone wants a printed copy and most of us have computers.



**Mr AIRD** - I'll check that out.

**Mr WILKINSON** - In relation to the Risk Management Fund, how many claims have there been in total against this fund?

**Ms FORREST** - I've already asked about that; it's being tabled.

**Mr AIRD** - We went through that before.

**Grants and subsidies -**

**Ms FORREST** - There is the new Support for Local Government Infrastructure Assistance Program to assist local government to invest in their local areas and create employment opportunities. Budget paper 2 on page 2.4 mentions interest subsidies. Can you provide information of how this scheme will operate and what the interest subsidy will involve? Is it a full repayment of the interest and how is it going to work?

**Mr AIRD** - Basically it is anticipated that about \$20 million worth of work would be undertaken under this program. I have already announced that the West Coast Council will be the first beneficiary of this proposal, with \$1.7 million. The subsidy will go for three years and it will be for the full interest rate, but it needs to be well understood that this needs to deal with local government infrastructure and it needs to engage local private-sector industry involvement. I don't see this as a way of propping up councils' works programs artificially. In terms of the west coast, we have gone through and identified a number of programs. I have spoken to the mayor about identifying those programs and there will be some further discussion with him but basically I believe that applied fairly, this can be of great use. I have been to a number of different councils where they have raised the issue of local infrastructure - Dorset, Glamorgan-Spring Bay - who have indicated they have infrastructure plans and programs and no mechanism for doing those. I felt that by providing a loan facility that would assist them to undertake this work.

**Ms FORREST** - But the councils still have to borrow the money and that was one of the issues with the West Coast Council, when their economic development group were of the impression that the Government was going to fund one of their projects, so there has obviously been some misunderstanding there somewhere.

**Mr AIRD** - No, there has been no misunderstanding in terms of providing a loan facility; it was very clear.

**Ms FORREST** - Yes, at this end of the arrangement, obviously.

**Mr AIRD** - And it was at the other end of the phone call when I explained it.

**Ms FORREST** - When the economic development group was established?

**Mr AIRD** - No. What I wanted to do there, given the stress the mining industry was under, was get a way of optimising the views of those involved in the community to see - through the Commonwealth, the State and local government - if we could some assistance. The nature and type of assistance was never discussed. It wasn't going to be a grant program, if that's what you're referring to. The capacity for us to do that is very limited and therefore I think by providing this mechanism we're in a reasonable space to try to achieve some levels of employment. I think on

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the west coast the program of \$1.2 million will employ around 30 people and therefore provides some support to the local economy and to employment at that level. Given our own budgetary situation, I think providing a loan facility at an interest-free rate is a way of supporting them.

**Mr MARTIN** - Regarding the other local government one there - the rates and charges remission - which has had a \$5 million reduction, given the fact that as far as I know there has been no conclusion drawn with local government about the future of this and certainly there has been no legislation put through, does this mean that pensioners are going to be out of pocket this financial year?

**Mr AIRD** - There are discussions going on about that. I don't want to see anyone disadvantaged by the discussions that are being undertaken and certainly that is not the intention. There may be some legislative issues relating to the rate rebate. I haven't formally received any brief about that but I understand there are issues surrounding it, and as soon as we get a resolution to it the better. I don't want to see anyone disadvantaged by the argument that is going on between local government and the State Government; that's the bottom line for me.

**Mr MARTIN** - I have no doubt that is your opinion, but there's a timing issue, given the fact that rates are going out at the moment and people are going in to pay them and claiming the subsidy.

**Mr AIRD** - Yes, I understand that.

**Mr MARTIN** - How soon will there be a decision?

**Mr AIRD** - I just need to get some more formal advice on the nature of that but as I indicated, I don't want to see anyone financially disadvantaged by this discussion. We just have to adhere to the laws in place in terms of rates and remissions.

**Mr MARTIN** - So the current legislation as it's set at the old amount?

**Mr AIRD** - Yes.

**Mr MARTIN** - So at the moment the Government would be paying that much?

**Mr AIRD** - Yes.

**Mr MARTIN** - Okay. So if it's not sorted out and the legislation's not changed, this budget item is going to be overspent?

**Mr AIRD** - Yes, this budget item will be, but we will make savings in other areas which will allow us to deal with this.

**Mr MARTIN** - But the ratepayer won't be out of pocket.

**Mr AIRD** - No.

**Ms FORREST** - I have a question on special capital investment funds. Treasurer, the Hospitals Capital Fund on page 4.18 shows that the estimated closing balance last year was

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\$145 million and the opening balance this year is \$75.76 million. Can you explain where the \$69.42 million was spent?

[4.00 p.m.]

**Mr CHALLEN** - This is as a result of adjustments that were made in -

**Ms FORREST** - Yes, it was the budget figure - the closing balance in -

**Mr AIRD** - You need to go back to mid-year report where we made the initial adjustment. So from the Budget to the mid-year report, the mid-year report will tell you about the adjustment and therefore that is a carry-forward balance to here.

**Ms FORREST** - I have the mid-year report somewhere - I will have a look at that. With these special capital investment funds who decides what project to spend the money on? Is it Finance-General, the Cabinet or the minister? Who actually decides how to spend these funds?

**Mr AIRD** - In terms of the allocations, it is the Department of Health and the minister.

**Ms FORREST** - So can money be transferred between SCIFs and if so -

**Mr AIRD** - I have just been reminded - it is with my approval. But basically I do not interfere in the micromanaging of allocations in the agencies.

**Ms FORREST** - So can money be transferred between SCIFS? If so, are the reporting requirements under the Public Account Act for that? For example, could funds be transferred between the Special Capital Investment Funds to fund rail?

**Mr AIRD** - No, you wouldn't do that.

**Ms FORREST** - Can you transfer funds out of another area, such as the Superannuation Provision Account to a special capital investment fund?

**Mr AIRD** - No.

**Ms FORREST** - I will have to go back to the mid-year report to have a look at whether last year's closing balances were different to this year's opening balance and that was because of the adjustment made in the mid-year's.

**Mr AIRD** - Without going to the actual accounts, I would say that that would be the most logical -

**Ms FORREST** - With the Water Infrastructure Fund, for example, where the funds went through the Rivers and Water Supply Commission, there was a significant difference as well.

**Mr AIRD** - Without going to the specifics, I cannot give a general answer to that. There may be reasons that relate to specific accounts and that are due to the circumstances relating to those accounts rather than the mid-year report.

**Mr MARTIN** - I asked earlier about the Henry report. During the day I have had someone trying to find it on the web site -

**Mr AIRD** - Henry was supposed to have put the submissions on the web site, but it has not been done. I thought it had, but it hasn't. However, my intention is to make it public - I just need to deal with a couple of issues and then it will be made public.

## **DIVISION 1**

(Department of Economic Development, Tourism and the Arts)

### **Output Group 1**

#### **Economic Development**

##### **1.1 Export and trade facilitation -**

**CHAIR** - We will now moved to Economic Development.

**Mr AIRD** - I introduce the new Secretary of the Department, Mark Kelleher, and Craig Watson, who is in charge of Corporate Services.

**CHAIR** - Thank you. We will start with Output Group 1 - 1.1 Export and trade facilitation. As I look at that, I see that costs will drop by about 10 per cent by my reckoning in 2009-10 in response to the Government's management strategies. The question is, given the importance of exports to the State's economy, is this an area that should be cost cutting?

**Mr AIRD** - My view is that every area has to accept some of the budget management strategies. Exports are a very interesting area and obviously a major part of our economy. There have been arguments to say that we should have been convening export conferences and so on, but the markets for some of our goods and services have diminished because of the global financial crisis. We want to see the increase in demand overseas and in the rest of Australia and then our economy will get a lift. We will keep on doing what we can within our allocations, but until commodity prices improve and there is a demand for our products and services, that is all we can do. Sure, we have a range of programs whereby if someone is not exporting at the moment needs some advice or potential assistance, we are happy to provide a level of assistance. Some of our exporters are doing reasonably well; other areas - metals and so on - have not been doing so well. Someone asked me once at a press conference what I was doing about the nickel price. I said, 'There are some things I can do, but to try to prop up the nickel price is a bit hard!'

**CHAIR** - It is a matter that we discussed ion the Budget reply. We are part of the global economy - I accept that. But some of that output - that \$3.7-odd million - relates to trade fairs. Is that something that you will continue in this coming year? Obviously there would be a fair bit of travel costs associated with those. Who would be attending those trade fairs?

**Mr AIRD** - I don't know how many trade fairs are scheduled, but obviously we will be picking and choosing which ones we send people to. In approving those locations, I would be looking for some serious measures as to where we go. For instance, if there was a trade fair on information technology or some other aspect which we could leverage off some opportunities in terms of our broadband investment, I would be tempted to provide some support for a delegation to go to such a fair. Who would go would depend on the type of fair, whether there were presentations to be made, who best can make those presentations and so on. I know that there are some presentations to be made nationally soon that I think it would be good for the State to make. It may be appropriate for the Premier or myself to make those presentations. Tasmania is at the

forefront of what is happening with broadband and the opportunities that I see will give us a major fillip. Within the agency I have had several discussion about giving emphasis and some real grunt to get in there and not miss an opportunity. I notice that some of the ICT industry says that that we should have been providing some direct assistance for them to leverage off, but my observation is that there are national and international players coming to Tasmania and exploring the opportunities here. I think that local providers and services should be doing the same. We have provided a level of infrastructure support for the industry which will give it a major fillip. There are some programs where we provide some level of direct assistance to organisations. If they qualify, that is well and good, but I am not going to set up a special program to target one industry. I think there will be some natural growth in that industry in any event, and I hope that Tasmanian businesses are geared to it. I know that some are - they are really relishing the opportunity of superfast broadband. If we are providing programs to the northern hemisphere, we will be in a very good position to do that from here.

**CHAIR** - Just before I hand over to Mr Wilkinson, I noticed that there were \$111 million of exports facilitated by the department during 2007-08. Could you qualify what they were?

**Mr AIRD** - The value of initial export contracts target of \$23.25 million has been exceeded with more than \$25 million recorded to date. A target of 140 clients provided with export assistance has been surpassed with 223 clients to date. The number of participants in information export market development events has been 184 to date, surpassing the target of 120. Exhibitions and coordinated trade missions - the target of 10 was exceeded, with 13 activities being undertaken. Business-matching facilitated by the department - we had a target of 500 and that has been exceeded with 723 opportunities offered. Developing export cultures integral to the continued export success, 10 workshops have been delivered to date, just under the target of 12. Two further workshops have been scheduled for early July 2009.

**Mr WILKINSON** - Can you assist us with the latest statistics on international students?

**Mr AIRD** - That is with Education.

**Mr WILKINSON** - Oh, right. In relation to the attracting of international students - is that Education.

**Mr AIRD** - Yes.

**Mr WILKINSON** - What about opportunities to tap into the Indian market as a result of what has been happening on the mainland? Is that Education? It would seem to me that that is something you should be looking at.

**Mr AIRD** - Yes, that is also Education.

**Mr MARTIN** - So there is no role for you now with overseas students?

**Mr AIRD** - No.

[4.15 p.m.]

**Mr WILKINSON** - What are two companies that have increased their exports as a result of funding or advice from DED? Are we able to identify two?

**Mr AIRD** - Reid Fruits, Incat, Richardson & Devine - that is three. There are a fair few. We could supply you with a list.

**Mr WILKINSON** - That would be helpful.

**Mr AIRD** - No problem. I think the department has been active in this area. We have very good connections with Tasmanian business, and particularly with those who are keen to provide export products. I remain committed. Obviously a major part of our economy is to export and we will not lessen our efforts. We might have to think differently about some issues, but basically I am quite confident that we can still provide support to those who want to export.

The other point I make is that our connection with Austrade is the best of any State. We work very hard to link in with Austrade and we do that very successfully. I am pleased to say that the feedback from Austrade is that we do a very good job. We will get some information back to you about the export marketing assistance scheme.

**Mr WILKINSON** - I suppose the real question is: a substantial amount of money is injected into the Department of Economic Development. We are looking at outcomes. One could ask the question: what are the outcomes for the amount of money? That is the very general question and that is the type of information that I am looking for. Do you believe that part of that would be in the list of companies that have received assistance?

**Mr AIRD** - This is in a form which would not assist the committee. We will get it into a form which I think would be more helpful. As it stands, it is just a list and it doesn't have any sense in terms of the question you are asking. Are we getting a return? Yes. You want to know the value of that return. I will try to get that information to you.

**Mr MARTIN** - Carrying on from there, I suppose the question that I would have, looking at the output creep overall - it is a huge drop in budget over the next three years, from \$52 million in this current financial year, down to \$37 million - are we still going to get the same return?

**Mr AIRD** - We just have to work with what we have. We have made some adjustments on the way through, obviously.

**Mr MARTIN** - But it is a 30 per cent drop.

**Mr AIRD** - If you go through the footnotes, you will see there have been some one-off costs associated with this that are no longer there. Intelligent Island is one of them. These show that basically, in terms of core activity, we will still be able to provide a fair bit of grunt.

**Mr MARTIN** - But as a general philosophy in these tough economic times when industry is doing it as tough as governments are, is this the time to be cutting back on development?

**Mr AIRD** - No, you are not actually cutting back on economic development. My firm view is that the role of Government here is to provide support for infrastructure. We are doing that through \$3.9 billion worth of infrastructure over the forward Estimates. That will have a major stimulus effect - not only the immediate economic benefit but also the long-term infrastructure effect which can allow industries to build up that infrastructure development so we get a productivity gain out of that. The Government can provide assistance. I can explain that the

nature of the agency will be re-fashioned in some senses to target areas of activity with more concentrated effort in certain areas.

**Mr MARTIN** - That was going to my next question: You mentioned this morning in response to a question from me about whether there were any plans to abolish the department -

**Mr AIRD** - No.

**Mr MARTIN** - And in response to that you said you had exciting new plans about restructuring. Can you get on to some detail about that?

**Mr AIRD** - Yes - have staff been notified about it?

**Mr KELLEHER** - Not the detailed boxes but the general stuff.

**Mr AIRD** - Ever since I have been minister I have been anxious to give greater emphasis to policy and strategy to be able to have the capacity within the agency to ask questions such as if a pulp mill is built, what opportunities and what effects will it have on our economy? If it does not go ahead, well then we have a lot of forests. What are the opportunities -

**Ms FORREST** - We can do a few things with that.

**Mr AIRD** - Where do we take this resource? How do we value add? What are we doing with exports? So that the agency can make an assessment about what is going on in the Tasmanian economy. You have to go through your mind - there are a number of businesses which are in a stressed environment. There is no secret about that. How do we respond if they fall over, for instance, which could happen? We are trying our level best to provide support for these industries, but it is not a bottomless pit. I think we need to have a clearer understanding of where we need to take our economic development, what are the strengths and weaknesses, what are the opportunities and the threats, and keep on working at that. There are other aspects in terms of the agency that need to be clarified in the overall departmental structure. Now Mr Kelleher is on board, which is not very long really but it seems like a lifetime, we will be making further announcements about that. We need to engage the staff in about how best that occurs. It will require some movement of people across from where they are now into other areas of activity.

**Mr MARTIN** - Is that within the department?

**Mr AIRD** - Yes, within the department.

**Mr MARTIN** - You would not need to be Einstein to know that you have a significant change in structure in mind and the fact there is almost a 30 per cent reduction -

**Mr AIRD** - You keep on saying that but some of that is one-off costs. So you need to take those out and come back to the core activity of the agency and then concentrate on what we can do best within the resources we have.

**Mr MARTIN** - Is there therefore a likelihood that a larger than otherwise chunk of the 800 positions might be coming from Economic Development?

**Mr AIRD** - No, you should not expect that at all.

**Mr WILKINSON** - If we can look at the performance information on output group 1 in table 2.4 on page 2.11, and I see what the footnotes say in relation to it. What we have under 'Investment facilitated' is actual 2006-07 of \$522.3 million, actual 2007-08 of \$419.4 million and in 2009-10 down to \$300 million; likewise under 'Exports facilitated' we have \$190.3 million down to \$70 million - quite a significant drop. Can you explain whether they are figures that can understand as a result of the drop in resource demand or is it something other than that?

**Mr AIRD** - I think that is a fairly realistic assessment about where the economy is going. To me, those performance measures are that - you have to allow for the economic forecasts and what stems from that. This is all part and parcel of it.

**Mr WILKINSON** - But the other figures go out to 2012-13. Is there any reason why these performance indicators did not go out to those dates or is it a fact that you just do not know and therefore you cannot do it?

**Mr AIRD** - I cannot recall all the performance data relating to other areas. They are targets. I think the performance measures only go to these years, so it is consistent with all agencies.

**Mr WILKINSON** - Right.

**CHAIR** - I have a few succinct questions of a general nature, and you may have to take some of these on notice.

**Mr AIRD** - Can I just seek some clarification: Do you want me to take them on notice?

**CHAIR** - No, I will ask them because you may be able to answer. What are the present employees numbers? You might be able to give that to me off the cuff.

**Mr AIRD** - That is the whole agency?

**CHAIR** - Yes.

**Mr AIRD** - I think I can give this to you.

**CHAIR** - And what is the expected number at this time next year?

**Mr AIRD** - This is just as at 28 May 2009 the status of the agency now and where it was on 27 May 2008.

**CHAIR** - Could we have the expected figure for this time next year?

**Mr AIRD** - No - we do not know.

**CHAIR** - What is the current total at the moment, did you say?

**Mr AIRD** - I will table this for you. This is the whole agency. So it is not just Economic Development, it is Tourism as well. As at 28 May 2009 there was a total of 451 staff equating to 397.25 FTEs.



## UNCORRECTED PROOF ISSUE

**CHAIR** - Can we break that down between DED and Tourism?

**Mr AIRD** - I have not got that breakdown.

**CHAIR** - This is one you will probably have to take on notice. Could we have a breakdown of how those numbers have changed in the last 10 years in DED?

**Mr AIRD** - It would not be comparing apples with apples because there have been additions and subtractions. We will have a look at it, but I reckon that would be a pretty hard call.

**Mr MARTIN** - If you said four years or something?

**CHAIR** - Five years - well, let us compromise and make it five.

**Mr AIRD** - We will see what we can get for you. Your argument is that it has grown too much in the past and therefore -

**CHAIR** - I do not know how you could come to that conclusion.

**Mr AIRD** - Sometimes I can switch my head into gear. We will see what information we can provide for you so that you can get an understanding about what has been going on.

**CHAIR** - Okay.

**Mr MARTIN** - What about in 12 months time? It raises some issues.

**Mr AIRD** - I would be very surprised - basically there is no anticipation of huge employee reductions in the agency other than Tas Temps.

[4.30 p.m.]

**CHAIR** - In regard to the Tasmanian Industry Support Scheme, could we have how many loans have been provided and could we also have a list of the recipients and the loan details? In fact, I am sure you provided that information to us last year.

**Mr AIRD** - It would not have been me. This is my first crack at this.

**CHAIR** - No, it was not. I am getting confused with another year.

**Mr AIRD** - Anyhow, whatever we provided for you last year, under the scheme we have provided the following: Tascot Carpets Pty Limited with \$1.5 million; Etech Pty Limited with \$2 million; Duggans Pty Limited with \$100 000; Stornoway with \$1 million; and Australian Weaving Mills with \$2.5 million.

**CHAIR** - Is that a comprehensive list or are there others?

**Mr AIRD** - They have been approved. Seven other formal applications totalling \$2.1 million have been received and are currently being investigated. There are a further 10 proposals under consideration which may lead to the submission of a formal application.

**CHAIR** - Thank you. One that is close to my heart, because I have had people in asking about it, is the farm water development issue with regard to infrastructure and the terms and conditions of the loans that might be available there. I am struggling to get nailed down what those terms and conditions would be. There was also a suggestion earlier on that it will be loans for the purchase of water entitlements, but that seems to have fallen off the radar. Could you explain the reasoning for that change?

**Mr AIRD** - The Premier announced in the state of the State address that the Government would provide low interest rate loans to farmers to support investment in irrigation infrastructure. The Farm Water Development Loan Scheme will formally commence on 1 July 2009 and will be administered by the Department of Economic Development, Tourism and the Arts under the Farm Water Development Act 1985. It will provide short-term loans of between \$100 000 and \$750 000 for irrigation infrastructure and on-farm water storage with the aim of increasing agricultural productivity. The scheme will run for up to four years. It will not fund the purchase of water or water rights. The scheme guidelines were developed with input from the Department of Primary Industries and Water - the details are not going to assist the committee.

Two associated schemes to help the State's farming sector are also being administered by Economic Development: a drought recovery restocking assistance scheme, which is a loan scheme to help farmers in exceptional circumstances in declared areas to restock or re-sow crops or pasture; and a drought recovery planning program, which offers assistance to farmers to develop a drought recovery plan.

**CHAIR** - I suppose that is a fairly broad statement, Treasurer, but people are wanting to know the finer detail, the nitty-gritty: What are the interest rate subsidies; what are the terms of the loans; and all that fine detail? They are the issues out there. If it is starting on 1 July, that is not far away, so people want to know where they are going or whether quite simply it is better to go to their normal commercial lending institution.

**Mr AIRD** - I will check the detail of that.

**CHAIR** - Could I suggest it is something that needs to get out into the community -

**Mr AIRD** - I agree with you. I will check to find out where that is. The level of detail should not be far away, so I will check and get back to you as soon as I can.

**Mr WILKINSON** - While we are waiting for a question can I just quickly touch on the pulp mill -

**Mr AIRD** - While we are waiting for a question, we will ask another one.

**Mr WILKINSON** - Yes, that is right, while we are waiting on a question from the Chairman I will ask one to save time. Can you outline what role DED is now playing in the progress of the pulp mill development in ensuring that we capitalise on the opportunities when financial closure is reached - if any at all?

**Mr AIRD** - We have basically taken the approach that we have done all we can to facilitate the approvals process and we are now waiting for the company. If the pulp mill gets the support of the Commonwealth Government, then the pulp mill itself will then be, as I indicated, an important factor in terms of adding value to the economy. I do not think we have to do too much

at all to ensure that. The private sector investment itself will drive that. I do not think there is too much else we can do.

**Mr MARTIN** - Do the economic projections the Budget assume that the pulp mill will go ahead -

**Mr AIRD** - No.

**Mr MARTIN** - Because you do not think it will be done?

**Mr AIRD** - No, it is not that. It is just that there has been so much uncertainty. At various times we have factored it in, at others we have factored it out. In one budget we factored it in and out, and now we have factored it out. We will just wait and see. It is out of our hands basically, even if it got the approval now. I do not know but I think there would be a slow warm-up this year in terms of this development making a major economic impact.

**CHAIR** - Just an update if we could on the King Island meatworks.

**Ms FORREST** - That was my question.

**CHAIR** - I have asked the honourable member's question. I am sorry.

**Mr AIRD** - Do you want to ask the question?

**Ms FORREST** - No.

**Mr AIRD** - Basically we are still having discussions. The Commonwealth Government is a player in this in terms of the freight equalisation scheme. There is obviously greater support given to livestock being on the hoof than in a cardboard box. That is a major issue for those who wish to make a profit out of meat that is on King Island. There are other issues which relate to State Government activity, but it is a major threshold question for the company and for the State Government to try to engage the Commonwealth in a policy position which can provide value.

There are always going to be areas where if you put in a policy which supports one part of the industry there is potentially another part of the industry which may be disadvantaged. Like most of these issues, they are a lot more complex than they appear and there can be inadvertent consequences in our providing support. What we did is in the short term provide a bit of a lifeline. If you remember the company made a decision to close the abattoir down while they undertook a review. I did not think that was particularly useful and therefore provided some support to the company to continue operations in the hope that it would give us some time to find a longer-term solution. We have extended that assistance for another month, but we are still working our way through the issues with the Commonwealth Government in trying to find a policy position which is consistent. They have provided freight equalisation to the island.

They have implications for that in terms of export; if they applied that to boxes of meat, what are the implications for other islands around Australia? So there are obvious consequences nationally in terms of policy change but we are working as hard as we can. Obviously we want to see an ongoing, sustainable abattoir and we are working as hard as we can to achieve that.

I have just been informed that the on-farm guidelines are on the Net.

**CHAIR** - Okay; I had a look the other day and they weren't there, so it must be very recent. ACL Bearings has become a bit of a problem child, and there was another one I had in my mind as well. Anyway - ACL?

**Mr AIRD** - The status with ACL is that we have made a commitment of \$4 million which is conditional on providing a level of security from the directors, which is going to satisfy the risk associated with providing a loan facility. I have been up there to have a look at the operation and again, if we can, we want to keep the facility going on a sustainable basis. ACL has sought and received at various stages in their long history support from governments. The Commonwealth Government has provided \$2 million worth of grant assistance and they have allocated another \$2 million as a grant in the latter part of this year, and there are still discussions going on from ACL's perspective about the level of guarantee that is required to provide security for the \$4 million facility. We have to be satisfied that we are putting in place a reasonable level of assistance to the company but we also have an obligation to the Tasmanian taxpayer that if we are providing assistance we do so in a prudent way. We can't just tip money into these companies and not expect to protect the interests of the Tasmanian taxpayer.

**Ms FORREST** - So as part of that working with the company to look at else they can produce, I don't know the operations personally, but are there other areas they could branch into, not just producing the bearings or whatever they produce at the moment?

**Mr AIRD** - Well, you know, it is a pretty interesting operation if you go up there because they are preparing bearings for washing machines and bearings for the old Morris 1000s, so they're also in the replacement parts business and they're the only people doing it.

**Ms FORREST** - But is there an area that DED can assist them in branching into?

**Mr AIRD** - We would provide any assistance in terms of product development or market opportunities that they require. They have international operations in America and they are pushing all the buttons they know to try to achieve market sustainability for their product.

**CHAIR** - Just as a matter of interest, Treasurer, on the farm water development, the secretary has tried to bring it up on the Internet and we're drawing a blank.

**Mr AIRD** - Are you?

**CHAIR** - Yes, so it needs -

**Mr AIRD** - Righto, we'll check that out.

**CHAIR** - Okay, thank you. And Australian Paper? You very succinctly -

**Ms FORREST** - It's Tasmanian Paper now, not Australian Paper any more. It's been rebadged.

**Mr AIRD** - This is a very serious issue for us. Again, we are working with the Commonwealth Government and the company are very close to having to make a decision on this. We are conscious of that and, quite frankly, as soon as the Estimates committees are over it

would be one of the highest priorities to continue my discussions with the Commonwealth Government.

**Mr MARTIN** - How many jobs are involved?

[4.45 p.m.]

**Mr AIRD** - About 560 between the two, Burnie and Wesley Vale. I've spoken to Kim Carr, the Federal minister, and Maxine McKew, who is assisting regional development. I have spoken to Anthony Albanese also in relation to these matters. I am talking to anyone I can and I need to talk to Mark Abib about some of these matters. I know that the Deputy Prime Minister's office has been advised about this situation and I would expect the PMO to be advised also about the seriousness of this situation. I have to say I believe that Tas Paper and John Ryder have behaved in a manner they can take credit for under because it is a very stressful situation they have been landed in through corporate activity which has left their assets stuck there with nowhere to go, basically. It is a very serious situation and, again, we are working as hard as we can to try to find a resolution, but it is a very difficult and vexed situation for us.

**CHAIR** - Okay. I read somewhere that the department saw a lot of leverage and potential in developing biotechnology industries in this State. Can anybody expand on that?

**Mr AIRD** - Biotechnology is an important industry to Tasmania, with approximately \$45 million per annum exclusive to the poppy industry component and \$200 million inclusive. Following stakeholder consultation, the Tasmanian biotechnology strategy Biovision 2007-15 was developed. The strategy aims to treble the value of the industry exclusive of the poppy industry by 2015 through capacity-building commercialisation activities. In 2008-09 \$120 000 was allocated to implement this strategy. Actions included three commercialisation and business skills development workshops; supporting Tasmanian biotechnology companies and research organisations to promote and sell their products, establish collaborative research partnerships through a delegation of four companies and research organisations to AusBiotech 2008, and a delegation of four companies and research organisations to Bio 2009 in Atlanta USA; and I-Cubed Information and networking events to promote local biotechnology businesses and encourage collaborative partnerships. There has also been encouragement of business collaboration and research facilitated by visits of Merck, Sharp and Dohme and IXC Intermediary. Providing the industry with certainty on Tasmania's GM status the Government has released the updated policy on gene technology in Tasmanian primary industries for 2009-14, consulting with industry and coordinating input to the Government's bio-prospecting policy, which will manage access to Tasmania's valuable biological resources.

**CHAIR** - I think the Brumby Government will take advantage of that gene technology bit.

**Mr AIRD** - We just have to work with what we have. I still think we're doing pretty well, as indicated by that. There will be some competitive advantages we get in other areas and you perhaps you can't optimise all the advantages there. We have had this discussion before that we think this policy position is useful, not only relating to biotech but the overall value to the State in terms of our position and branding and so on. That is a judgment call; you may have a different judgment.

**CHAIR** - I may. We will move on.

**Ms FORREST** - You have given an overview of a lot of things you are doing within the department and the change of direction you have outlined in some regards, because you seem to be taking a slightly different approach, but in the constrained budget you have I am sure that is going to present a range of challenges. The Premier and you decided recently that a parliamentary secretary would be a good position to have to assist you in that role. Will you be reappointing a parliamentary secretary and if not, why not? If you are, what will be the role and function of that person?

**Mr AIRD** - I don't blame you for asking that question. There are a number of things which I am required to do in Economic Development which, quite frankly, I haven't the resources to undertake and therefore I have to ask other ministers or members of the Labor Party - whether frontbenchers or backbenchers - to undertake. I had hoped that by appointing Allison she would be able to do some of that work. Now that she is no longer with us obviously I will have to recast that. I know there are some areas of the agency that some members still want to be associated with - and even my fellow ministers would love to be involved in - and we will need to judge that but I think we will go down a different path.

**Ms FORREST** - So you're not going to reappoint?

**Mr AIRD** - I certainly do not have anything in mind to do that, no.

**Mr HARRISS** - Notwithstanding your pronouncements of great support and delight that you had been recently allocated a parliamentary secretary, because of the workload.

**Mr AIRD** - I thought that Allison could do some work for me that could add value to what the Government was doing and to ease some aspects of the job.

**Mr MARTIN** - Do you still agree with that?

**Mr AIRD** - Which part?

**Ms FORREST** - The position, not the person - that's the issue here.

**Mr AIRD** - There are other ways of achieving the same outcome.

**Ms FORREST** - So how are you going to do that?

**Mr AIRD** - I can either use a backbencher or another minister.

**Ms FORREST** - But they won't be appointed parliamentary secretary to assist you in that role?

**Mr AIRD** - No. I don't have anyone in mind.

**Mr HARRISS** - You didn't have a parliamentary secretary for very long so there would have been very few outcomes as a result of that appointment to assist you in that role and so you would therefore, by association, be very disappointed by the fact that you now don't have a parliamentary secretary, for all the circumstances surrounding that.

## UNCORRECTED PROOF ISSUE

**Mr AIRD** - I just have to accept what has occurred and then move forward, basically. From my point of view, if there are ways of my allowing some other members of parliament to represent me at various things then I will ask them to do it.

**Ms FORREST** - But doesn't a parliamentary secretary do more than just represent you at various events and functions?

**Mr AIRD** - A parliamentary secretary generally does what a minister requires of them.

**Ms FORREST** - But doesn't the role include drilling down into some of these areas and perhaps engaging industry and trying to attract or promote other opportunities? It's not just about representing you at functions.

**Mr AIRD** - It depends. My attitude is that I want to be directly involved in that activity.

**Ms FORREST** - So why have a parliamentary secretary appointed in the first place?

**Mr AIRD** - I wanted to share some of the aspects that I thought could be undertaken by another person - and they might be. I can't be everywhere and I will be working with my colleagues to ensure that the Government's interests are represented at all levels, including the ones you are talking about - which is my job.

**Mr HARRISS** - Isn't it more the case that the position was created to justify the staffing appointments which were then in place, rather than creating the position because it was desperately needed?

**Mr AIRD** - No, it wasn't based on that at all. It was based on the fact that I thought Allison could perform a useful role in representing me in various things and, quite frankly, we didn't really get off to square one, so whether it was in terms of promoting exports or product development or going out and looking out at various businesses or making presentations or those other things you do, I don't know, but anyhow, we'll just have to adapt.

**Mr MARTIN** - But if you had a genuine need for that you'd be reappointing someone now, wouldn't you?

**Mr AIRD** - What I'm saying is that I am going to use other members of the Parliamentary Labor Party to perform those functions.

**Mr MARTIN** - You could have done that before.

**Mr AIRD** - Well, you could do a lot of different things. I thought it was best to use Allison's skills and talents as parliamentary secretary.

**Ms FORREST** - We heard that was the case on budget day, so wouldn't that still be the case, whether it were Allison or someone else? I am talking about the position here. If the position was warranted on 11 June isn't it warranted now?

**Mr AIRD** - No. The issue of whether there are things that can be undertaken that I would like to have some help in still remains the case.

## UNCORRECTED PROOF ISSUE

**Ms FORREST** - Isn't it better to have a dedicated person for that - some consistency?

**Mr AIRD** - Well, that's not an option now, is it?

**Ms FORREST** - Well, it is - you can reappoint a parliamentary secretary.

**Mr AIRD** - I am going to be pursuing other ways of achieving the same objective.

**Mr MARTIN** - I had a general question about the bottom line. There is a \$2.5 million drop over the next three years.

**Mr AIRD** - Where are you?

**Mr MARTIN** - It is 1.2 - investment attraction and industry development. I asked a question about the bottom line before about the fact that, in my view, in tough times there should be greater work in this area rather than less.

**Mr AIRD** - There are a lot of things that you would prefer to do in better times but you just can't and therefore you have to make adjustments on the way through. We have made them and I think we have made the right judgments in terms of every agency has to pull its weight in these difficult times. In terms of finding the savings that are required, we have made them.

**Mr MARTIN** - Do you expect reduced outcomes?

**Mr AIRD** - Well, the major adjustment under this side was the Tasmanian brand project; that's the biggest area that has a reduced allocation. We are going to refashion that project in any event but I want the allocation made for that to be on the basis of application to provide support to the brand project.

**Mr MARTIN** - The footnote refers to Brand Tasmania as being part of this decrease. Is that a nice way of saying it's been axed?

**Mr AIRD** - No. There are two things. There's the brand project, okay, and what you might be getting confused with is the brand council. They are connected but separate. The brand council is an independently incorporated organisation that has generally had some core funding through that. What I have said is that there will be an independent review of the brand council and subject to that we will then determine the level of funding that is applied to that council. In terms of the brand project, obviously you make the allocation and we expect to be making an announcement about a new chair for the brand project and the level of governance associated with that. I think it is timely to have this approach. Obviously there are things you can do with greater allocations, but some of the things that we might have identified as being useful in the past cannot be afforded now.

[5.00 p.m.]

**Mr MARTIN** - So you don't think they have achieved results in the past?

**Mr AIRD** - The brand project has not been up and going for very long. The brand council has - that's why I think we should have a review of how it has been performing and go from there.

**Mr MARTIN** - What is the future of the brand project?



**Mr AIRD** - The brand project will be funded to the tune of \$910 000 this year. We will be administering that, but that will be on application or expressions of interest about certain activities that can be undertaken under the various facets of the brand project.

**Mr MARTIN** - So is there no reduction? Footnote 2 says that the decrease in funding is partly due to 'the timing of funding for the Tasmanian Brand Project'.

**Mr AIRD** - The brand project has a fixed term and concludes in the year 2011-12.

**Mr MARTIN** - But is there a reduction in funding or not for this year?

**Mr AIRD** - Yes, there is.

**Mr MARTIN** - How much?

**Mr AIRD** - The brand project funding is reduced from \$3 million in 2009-10 to \$910 000 as part of the budget process.

**Mr MARTIN** - Wow, that is a big drop.

**Mr AIRD** - Yes, it is.

**Mr MARTIN** - Is there details of that?

**Mr AIRD** - What we are saying is that we are changing the methodology of funding - the various areas under that. It will be by application and therefore those ideas which have greatest merit will be funded under that project which aids the objectives of the brand project. Some things just have to go. We obviously looked at this project and found a level of saving.

Basically I will take on notice and I will get back to you on the question about the level of savings in terms of the indicative allocation from 2009-10, and the allocation to 2010. It will only be in the ballpark, but we just need to qualify that figure. The 2009-10 figure is right; the \$3 million figure may be too high.

**Mr MARTIN** - So you will let us have that info?

**Mr AIRD** - Yes.

**Mr MARTIN** - Are we on target to reach the target of \$300 million investment for the 2008-09 year?

**Mr AIRD** - The figures are concluded by 30 June and it will take some time to work that through, but it would appear that it is tracking reasonably well.

**Mr MARTIN** - In relation to the uptake of gas and gas connections in the past year, is it possible to get the latest figures?

**Mr AIRD** - As at 30 April 2009, there were 6 549 customers connected to the network. The breakdown by sector is 6 031 residential accounts; 476 commercial customers; and 42 large industrial users.

**Mr MARTIN** - Are you aware of the criticism from TASICT, the peak industry body for the Tasmanian ICT industry, that 'Tasmania is in danger of missing its ride on the telecommunications bullet train'? What is your response to that?

**Mr AIRD** - I have responded earlier. I disagree with it. I think that we are on the cusp of a major level of investment in this sector. The sector itself will respond. Some in the sector are gearing up on the basis of the MBN network. We are going to be a test bed for rolling out of broadband to the premises, and those who wish to build a business should be able to see the opportunities and exploit them as a natural part of development of the industry. I notice that they did not mention what type of assistance they wanted, but I would expect any business involved in this sector would see the opportunities and go for them.

**Ms FORREST** - Terry has talked about the reduction in funding in this area. I just wonder how the Government will attract investment in industry development to achieve better outcomes, particularly in areas such as the Port Latta industrial site. There is no water on the site and things like that, but there is potential there for a pelletising plant, and the toss up is between Tasmania and Malaysia. I think it is very important that we have the facilities and the resources there to help drive that project. Will there be negative impact here?

**Mr AIRD** - That is a very valid point. That is an interesting example of what level of infrastructure will be required to develop there in terms of optimising the opportunities for one, two or three companies to be able to use that type of facility. I am very conscious of that.

**Ms FORREST** - You have power there; you have gas there.

**Mr AIRD** - This is a particular interest of mine. One of the things we have to do is create opportunities for new generation businesses and new generation jobs. That is why, when faced with opportunities to invest in companies, in terms of supporting existing businesses or the opportunity to invest in future businesses, there will be some hard choices that have to be made about where we go in the future. I do agree that Port Latta is right up there. What level of investment is required in terms of infrastructure support, what type and have I had discussion with potential investors in Tasmania about those things? Yes, I have and I am asking for a clear indication from those potential investors in terms of creating the atmosphere for them to conclude that Tasmania is the right place to invest. These companies are in an international global economy. They have choices to make around the world as to where they invest. What type of investment in infrastructure can we make that would make a difference to them in terms of their investment priorities? I have had discussions with them about that and I am really conscious of trying to provide avenues for new investment.

**Ms FORREST** - So you are looking at a two-way port there?

**Mr AIRD** - Let us take one thing at a time here. Let us just see what types of requirements there may be. I am not going to commit one way or another. Some of the activities can be just -

**Ms FORREST** - That is an important aspect in attracting other industries besides -

**Mr AIRD** - It may be, but is that the immediate priority or is it some land-based developed infrastructure, such as water, that needs to come first?

**Ms FORREST** - There is a pipeline corridor that comes down there - you could run a pipe down from the rainfall-rich west coast.

**Mr AIRD** - I appreciate the advice of the member! I have a colleague who puts pipes all over Tasmania.

**Mr WILKINSON** - Could I just dwell on industry development for a brief time? I know we were talking about REDImap last year. What has happened with that?

**Mr AIRD** - There are some parts that are still on track and some parts that are not. That is not unusual. As you go through the legend, you will see various projects that are under way, planned for, and being developed. So the status of the projects changes, depending on the investment. Some projects have not proceeded, not necessarily on the basis on anything other than the company's reluctance to invest. That is okay. Corporate decisions require adjustments in terms of investment strategies -

**Mr WILKINSON** - What is on REDImap at the moment? Many projects were going to be up and running over the last year. They have fallen away for whatever reason. If I ask you now what is ready for this coming year, hopefully this time next year I can ask you the same question -

**Mr AIRD** - With some of the projects, some of the companies - without going into details - have not gone to the full extent of their investment. That is their decision. In terms of the time of the publication of REDImap, you would have to go back and say, tick, cross, tick, cross. I think the REDImap is a useful tool, even if it is just to indicate what is in the pipeline at various stages. You do not need a REDImap to have investments not go to conclusion.

I think REDImap is a good innovation. I have not had any discussion about whether we do it again, but I would like to see it -

**Ms FORREST** - I have a number of constituents who appreciate seeing it in my office window.

**Mr AIRD** - People stop to look at it in my office too. In terms of answering the member for Nelson's question about what is going ahead and what is not, I couldn't just indicate off the top of my head what is not going ahead, but I would think that for all the time the REDImap has been produced, there would be a number of projects that have not been concluded in the way they were forecast.

**Mr WILKINSON** - Can I ask what is proceeding, then?

**Mr AIRD** - Again, I would have to go back and look at the REDImap and do a summary for you. I am sure you could do it too. I will do my best to give a bit of a report card about that.

### **1.3 Innovation support -**

**CHAIR** - We will now move on to 1.3 - Innovation support.

**Ms FORREST** - I have a couple of issues under this line item. This is a broad question in relation to innovation. Given the time-honoured rationale for government intervention is ensuring that public benefits exceed the public costs of the intervention, what exactly is the innovations policy?

**Mr AIRD** - In terms of innovation support, the innovation policy -

**Ms FORREST** - But what exactly do you mean by innovation?

**Mr AIRD** - A lot of people interpret innovation differently, but basically we are trying to promote a new way forward - in other words, some areas of activity that haven't otherwise been undertaken. Some of the headline issues are Antarctic Climate and Ecosystem Cooperative Research Centre, the Australian Innovation Research Centre - those areas of activity - the Innovation Grants program. I think that innovation is about the future and the innovation strategy that we have been putting forward is about a new direction that hasn't been taken before and that we need to capture the ideas that are about in terms of the future. We have indicated that water is part of the future. Broadband optic fibre has been another. We think that we are providing a way forward in terms of economic development.

**Ms FORREST** - Are there criteria that have to be satisfied for the Government to spend on an innovation policy - for instance, water? Is there a criterion that has to be met, along the lines of the public benefit test?

**Mr AIRD** - The innovation strategy, which is being developed by Jonathan West at the moment, will be put out for some discussion later this year. Following that discussion, we will make policy announcements as to how we go forward in the future.

**Ms FORREST** - For example with the water and the grand plan to make Tasmania the food bowl of Australia - or of the world - there was an idea that for an innovative project to get the tick there needs to have been some public benefits test done to ensure that you are not throwing good money after bad and that you couldn't get better value for money from a similar sort of innovative project. What test is done? What criteria have to be met before something gets the tick?

**Mr AIRD** - Are you talking about the allocation of money under the Innovations Grant Program? If it is terms of the criteria that should be up on the web site relating to some of those loan programs and stuff like that it should be all public. It is the same with the innovation grants.

**Ms FORREST** - Is there a public benefits test done then?

**Mr AIRD** - There are always 'Are you getting value for money' and 'Are you getting return' type tests. You would want to see a return, but in some of these areas the level of return will vary between being a total success to a partial success. I guess people will exercise judgments about whether it has been effective or not. In terms of some of the support for farmers, the idea behind the farm irrigation policy was - my view was and still is - there is no point in having a really good infrastructure program around water and then having farmers too capital constrained to be able to use it having finally got access to it. I know a number of farmers in my electorate were in that position: They were capital constrained and they could not access the water because they had invested so heavily into their crops of trees and therefore needed another source of access to capital.

**Ms FORREST** - How do you measure the outcomes of the project and how is it reported? Is this the sort of thing that you will be reporting in your annual reports? How will the outcomes of these particular projects and policies be measured?

**Mr AIRD** - I will ask Mr Kelleher to elaborate on the answer.

**Mr KELLEHER** - There are a couple of different things going on here. The public benefit test you are talking about is actually part of the Irrigation Development Board's process for proceeding with those 12 water irrigation projects, of which at one step of that they have to undertake a cost benefit analysis that has to pass an overall public benefit test. That is a different matter from the innovation strategy that the minister was referring to as the Jonathan West work, which is an innovative approach to identify the underlying core strengths that Tasmania has and that has the strongest potential to promote growth of the economy in the coming period. The minister was referring to water, the advantage being given by having the first rollout of the national broadband network here, the clean energy sector and those types of things. That is not at the stage of public benefit test or anything like that. That is a report commissioned by the Government to look at the key innovation sectors. The Government will be then reviewing that report and, as the minister said, having a consultation process over the coming months and coming back with the response to that report.

**Ms FORREST** - Further to that in looking at the reduction in funding to this line item which is associated with the Intelligent Island program, what does that say about the Premier's vision for progress in this area when you are seeing such a huge reduction to their funding coming down from \$4.2 million to \$1.9 million?

**Mr AIRD** - In terms of the allocations made to the Intelligent Island program, there was a finite time frame and it has run out of its allocations. That is what it means. The Intelligent Island money was a Commonwealth allocation. That is the reason why the line item has been reduced.

**Ms FORREST** - Now that everyone is intelligent we can just move on.

**Mr AIRD** - You would like to think we are improving our intelligence.

**Ms FORREST** - I want to drill down into the national broadband network rollout. Would you agree that this vitally important project has to be driven through a whole of government policy rather than an economic development focus to ensure the success of the project?

**Mr AIRD** - The response is yes, you do need a whole of government approach and we have ensured that that is undertaken. DPAC have been actively involved in the whole of government position that we have put forward and obviously Economic Development have a vital role to play in terms of leveraging off that. Everyone is working together to ensure that we can undertake the role. We have established the Digital Futures Advisory Committee. We have announced that before.

**Ms FORREST** - Who makes up that?

**Mr AIRD** - That is essentially would be DPAC and DED - so what we will be doing is that they will be -

**Ms FORREST** - Who is it?

**Mr AIRD** - DPAC and DED. It hasn't been finalised yet, but Aurora would be involved in that and there would be some outside stakeholders involved as well.

**Ms FORREST** - Shouldn't Health and Education be included in that too? They have a huge stake in this.

**Mr AIRD** - They could be. Certainly in terms of end users of what we are doing eHealth and eEducation are going to be really important.

**Ms FORREST** - How is the whole project to be coordinated? Who is going to be the lead in this?

**Mr AIRD** - The Digital Futures Advisory Committee.

**Ms FORREST** - Where do they sit?

**Mr AIRD** - They would be supported by a whole of government - DED is going to chair it.

**Ms FORREST** - What recruitment strategies are being employed to ensure an appropriate skilled and experienced team have carriage of this project - not the oversight of it but the project itself?

**Mr AIRD** - That goes to the Commonwealth Government and the State Government working together. Aurora have undertaken on behalf of the State to be the developer of the proposal. There will be a range of different organisations at the Tasmanian level. There will be the Tasmanian broadband network company - or some equivalent name - that will have a separate board to look after Tasmania's interests. Aligned with that we have to work with the Commonwealth. There may be some representation - it hasn't been finalised yet - in terms of the corporate relationship between the Commonwealth and the State, and there could be various levels of membership of those boards in terms of the Commonwealth and the State -

**Ms FORREST** - I am talking about the recruitment strategies. How are you going to recruit the people to actually drive this?

**Mr AIRD** - That will be a function of the company.

**Ms FORREST** - The company will be responsible for that?

**Mr AIRD** - Yes. There will be a company called the Tasmanian Broadband Network Company, the TBNCO, that will undertake the logistical aspects of recruiting people, the contracting and all the other things.

**Ms FORREST** - Will that be an international process, would you expect?

**Mr AIRD** - I would expect the TBNCO would be engaging in a range of activities. They would have to operate in a corporate environment; they have to undertake their activities in a corporate environment. How they actually go about doing their business, I do not know. But if you read national and international commentary, we in Tasmania are in the best position to roll out this network of anywhere certainly in Australia.

[5.30 p.m.]

It is a great compliment that is being paid to Tasmania that we do have the skills and expertise to understand how you roll out broadband to the premises and that by various activities we have built some expertise. The fact that we had a \$5 million bond - the only jurisdiction to do that - allowed us to develop a submission which gave comfort to the Commonwealth and to the expert panel that we were in a position to undertake this activity. Even though the national broadband network process was truncated, the fact that we had put together a bond and we had put in a submission allowed the Commonwealth to observe Tasmania and our expertise. Allied with that we have our own investment of \$30 million in optic fibre, which has put us in very good stead indeed. Others would have preferred to have sold it.

**Ms FORREST** - Just on that point, the current network has no intelligence within it. If you move down to the inclusion of smart grid technology then you can achieve that. Do you know if consideration is being given to move down that path?

**Mr AIRD** - I do not know all the aspects related to some of the detail of this. We are in the best position. I am sure that once we get the company up and running they will undertake their duties according to their corporate responsibilities. I do not know the detail of that.

**Ms FORREST** - Will the company's role also include securing anchor tenants to ensure there is enough take-up of it? It is a bit like the rollout of gas. Unless you have your anchor tenants, the cost to the individuals at their homes is most likely to be prohibitive.

**Mr AIRD** - Again, the pricing structures to the premises have not been sorted but there has to be some consideration about that in the pricing structure. A lot of this stuff needs to be sorted out on the way through. But are we in a better position than anywhere else in Australia? Yes, I am sure that we are in a better position than anywhere else by having this broadband to the premises roll out first in Tasmania, notwithstanding there will be issues about how it is all managed and how it is all organised. The take-up within the premises is an issue. Do you want to add anything?

**Mr KELLEHER** - We are having huge interest in the issue. There are dozens of calls coming through each day.

**Ms FORREST** - Some of the bigger anchor tenants you are talking about?

**Mr KELLEHER** - Bigger, smaller - in a way it is the light and the moths are flying towards it. They can see this as a demonstration site for being kitted up certainly better than anywhere else in Australia and better than most places in the world at the moment. The opportunities are going to be huge. It is the type of industry where the future is unknown but the capacity is going to enable it. We need as much diverse interest as we can and then leave it to the market to come up with the actual ideas. We need to put the strategy in place to provide maximum opportunity for that. Essentially the core activity of the task force is to get the cross-representation from education through arts, tourism and down to the nuts and bolts of the economic outcomes.

**CHAIR** - Thank you.

**Mr AIRD** - Certainly the interest in the level of investment here is going to be a major fillip to our economy.

## 1.4 Labour and employment -

**Mr MARTIN** - This line item has been slashed from \$4.2 million to \$1.9 million, which the footnote says reflects a change in funding for the Workforce Participation Program. Has that been moved somewhere else or?

**Mr AIRD** - What happened there is that this program was really to do with the long-term unemployed. Very early on -

**Mr MARTIN** - It should be more of a problem now.

**Mr AIRD** - Yes, but we have taken a different approach basically. That was in times of high employment, low unemployment. We had the long-term unemployment down to under 2 000 and it was a target area. We took a different approach to deal with the immediate issues and we decided to reinstate TTAIS, which is the Tasmanian Trainee and Apprentice Incentive Scheme, because we wanted to ensure that the skills base was maintained. The initial idea was okay in terms of getting rid of TTAIS and changing the focus, but then it became evident that we needed to take other avenues. We have now for instance allocated \$2.5 million under the Local Government Infrastructure Employment Program. There are things that we are doing now which I think are more important in terms of emphasis about what we need to do now than before.

**Mr MARTIN** - Has the Workforce Participation Program been axed?

**Mr AIRD** - No, it is just a one-off asset.

**Mr MARTIN** - But at \$2.3 million there cannot be much left. When the minister announced it on 12 June 2008, which was just over a year ago, there were three initiatives: the pilot workforce planning program, the research to more thoroughly understand the obstacles preventing workforce participation, and the grant programs. What of that is left?

**Mr WATSON** - Those commitments will be fulfilled, but this program received an extra \$2 million back prior to the 2008-09 budget year off the back of the cessation of TTAIS. Then with TTAIS coming back that \$2 million came back out and we have reverted to our baseline funding level for the workforce development and workforce participation.

**Mr MARTIN** - So it was just a one-off program or a one-year program?

**Mr AIRD** - The policy position was that we were not going to use TTAIS as a way of supporting employment and we were going to put \$2 million into this program which was going to target those areas of women who are over 35 and retirees going back into the workforce, because they were the areas we identified in terms of demographic change which needed support. Then it was deemed because of representations of industry and a concern that we were going to deny support to ensuring our skills base through our apprenticeship and trainee programs was not going to be diminished. In other words, when we abolished TTAIS the take-up was going to have an adverse effect in terms of apprentices and trainees. So we decided to go back and re-establish TTAIS and not pursue the objectives according to the original transfer of \$2 million into this program. That is effectively what happened.

**Mr MARTIN** - So how are the three initiatives going to be continued then?



**Mr AIRD** - Because there was already some existing funding.

**Mr MARTIN** - The \$1.9 million -

**Mr AIRD** - There was some existing funding. We added - was it \$2 million?

**Mr WATSON** - We have spent several millions to date which has gone into those initiatives. So that has been funded. We have a level of ongoing funding as well but not at that level.

**Mr MARTIN** - How much is the level of ongoing funding for the program?

**Mr WATSON** - I do not have that information with me.

**Mr MARTIN** - Is it possible to get that?

**Mr AIRD** - If the information is available, yes.

**Mr WATSON** - In addition there were two other fixed term funding items in there totalling around \$140 000 that also conclude in 2009-10. So that is also part of the reduction in the output.

**Mr MARTIN** - How many business that have been closed or downsized has the department helped in the past year?

**Mr AIRD** - I don't have that information readily available.

**Mr MARTIN** - Is it possible to get a list?

**Mr AIRD** - We'll do our best. It depends on the commercial sensitivity of some of that, but within that caveat, we'll do what we can.

**Mr MARTIN** - Are we on track to meet our target to create and retain 3 000 jobs in the past year?

**Mr AIRD** - Well, if that was taken as an average over the year I think we're pretty close to doing that, as I recall. I haven't seen the final figure but I think if you averaged it out over the year it would be pretty close to it. The figure of jobs created and retained is 2 368 - and that was at 31 March.

**CHAIR** - I am aware of the time, Treasurer, and the fact that we still have Racing and the Auditor-General sitting there as well, so we will be succinct and move along.

#### **1.6 - Film, TV and multimedia industry development**

**Mr MARTIN** - I understand this is a growth area nationally and it just seems that we could possible put more effort and money into it.

**Mr AIRD** - I reckon you could put more into everything but the fact is we can't. Again, this is another area of activity where I am seeking an independent review to see if we have the policy settings and the allocations right. I have only been in this job a short while but I can make some

observations about what's going on. I am a great film supporter and the greatest crime that Robin Gray perpetrated on this State was selling off the Tasmanian Film Corporation. That did a great deal of damage to the sector and the notion of a symbolic privatisation was very dumb - it wasn't the worst thing he did but it was one of them - and we are now trying to build up some capability in film. If you talk about a digital economy, should we be concentrating our niche in film? Is it going to be about the advent of broadband? Where are we going to take this? I want to do a review of what we've done. Screen Tasmania has been going for 10 years now, so let's make an assessment about what it has done. It has done some really good things.

**Mr MARTIN** - It is one of the few areas of the national economy that I understand is in growth mode.

**Mr AIRD** - It fluctuates from time to time and it really depends on the investment strategies and the attitude of the Commonwealth Government to provide support, whether it is via taxation or various other tools they have available. But I am very committed to film. I have been a member of the AFI for 20-odd years and I think it has an important role to play in Tasmania, but given the limited resources, how best do we use the resources we have? Are we targeting the right areas, and are we developing a capacity here to support aspects of the film industry that are going to allow it to further develop?

**Mr MARTIN** - You're not going to tell me you're also a member of Actors' Equity, are you?

**Mr AIRD** - No - do you think I ought to be?

**Mr MARTIN** - It could explain a lot!

**Mr AIRD** - I don't think I'd qualify; you've got to have some ability to act. I don't have any ability to act.

**Ms FORREST** - I've seen you act in here a few times.

**Mr AIRD** - I'm never acting in here - but that's another matter!

*Laughter.*

## 1.8 - Small business development

**CHAIR** - The funding goes down by about \$400 000 or so. That's not a huge amount over 2012-13. Can you break down the impact of the Business Online Service and the Enterprise Growth Program, as mentioned in footnote5?

**Mr WATSON** - The Business Online Service funding is Commonwealth funding but it is appropriated to us from Treasury. It is \$385 000 extra in 2009-10 and then over the next two years that drops back to zero, so it is fixed-term funding. The impact of the Enterprise Growth reduction means that by the time you get to 2011-12, \$1.3 million comes out of that year because there was an allocation of an extra funding under that program to make it \$4 million over four years, however that wasn't evenly distributed so it peaks in 2010-11 with an extra \$1.3 million from that four-year initiative, and then that comes out. That makes up the decrease between 2010-11 and 2011-12 of \$1.3 million, roughly returning us back to a baseline in 2011-12 and

onwards not greatly diminished, as you pointed out, from 2008-09. So Enterprise Growth and Business Online take us up for a length of time and then down again.

**Output group 5**  
**Racing policy and regulation**

**Mr WILKINSON** - I know the one-off capital payment of \$40 million to the racing industry is not in the Budget and obviously that's because as yet the TOTE has not been sold. Is that the reason for that?

**Mr AIRD** - This item is really pretty much limited to integrity and the activities but in terms of answering the question, depending upon the sale of TOTE we will be making an appropriation. You cannot spend it if you haven't got it, and we haven't got it.

**Mr WILKINSON** - Are we seeing any trends in terms of breaches of the relevant legislation and, if so, what are those trends and how are you coping with them?

**Mr MURRAY** - In the legislation itself, no, and there is the legislative responsibility that I have in terms of licences and registrations, but they are normal operational matters.

**Mr WILKINSON** - What have been the most serious incidents in the past year and how have they been dealt with?

**Mr MURRAY** - In terms of integrity, we have upped the ante and undertaken some proactive tasks such as stable inspections and surprise inspections at various places. We went into the jockeys' room at one stage and found a number of mobile phones illegally within the room. We have had a couple of positive swabs. There has been nothing major. I think there is general support in the industry for what we are doing. Those that are breaching the rules we are taking action against. No, there haven't been any major incidents at all in the last 12 months that I can recall.

**Mr WILKINSON** - Has there been an increase in breaches over the past year?

**Mr MURRAY** - Yes, there has. The performance measures within the budget papers state that suspensions, disqualifications and fines imposed by stewards increased from 250 actual last year to a projected 389 this year.

**Mr WILKINSON** - What has been the cause of that?

**Mr MURRAY** - As I said previously, we have been more proactive doing a lot of non-race day activities, going out to stables and doing surprise inspections, finding people undertaking training without appropriate protective equipment - without the vests, without the helmets. There has been a number of non-race day areas that we have targeted. We have gone to trials and taken swabs off jockeys and off drivers as well as the horses. There is a number of areas where it has increased.

**Mr WILKINSON** - What about on race day itself? Has it increased?

**Mr MURRAY** - Yes, it has. We are being more vigilant, if you like. The stewards have undertaken some formal training over the last 12 months attaining a certificate IV in steward

administration in Racing Victoria. No doubt their skills have improved and no doubt their ability to do their job has improved, as you would expect, with the formal training they have undertaken.

**Mr WILKINSON** - I suppose the conclusion might well be that all these breaches had been going on in the past but had not been identified but now as a result of the extra training they are being identified and they are being remedied. Is that a fair conclusion?

**Mr MURRAY** - Hypothetical. It is hard to say that they would have been going on in the past. One could assume that a percentage of them would. We cannot be everywhere at all times, and that is the difficulty. We obviously do the race day activities and we do them well. But as I have said we have branched out into non-race day activities such as stable inspections. For example, for the first time in the last 12 months we have inspected every thoroughbred trainers' stable in the State. The plan in the next 12 months is to make sure that we inspect harness trainers' stable and every greyhound trainers' kennels. So we are getting out there and we are doing more non-race day activities, and that is where we are finding breaches of the rules.

**CHAIR** - I have a couple of questions to the minister. Obviously there has been a fair bit of money spent at the racing centre in Launceston and at Tattersall's Park in Hobart. They have had substantial funds allocated to them over the last few years. The question is: What about the north-west coast? Is there likely to be some capital funding going down there?

**Mr AIRD** - That will be a decision of TasRacing Limited. They will have to make decisions about the level of spending. I think what has to occur there is that there needs to be a capital works program over a period of time. In the past I have indicated that I think there could be further work undertaken at Elwick in terms of having not an inside track and another track but to consolidate into one track and make it a decent track.

**Mr MARTIN** - Take out the inside track?

**Mr AIRD** - Yes, you just make it into one track. Basically that is a long-term view.

**Mr MARTIN** - Would there not be a problem for the pacing?

**Mr AIRD** - No, we are just talking about thoroughbred racing here.

**Mr MARTIN** - But for the topography -

**Mr AIRD** - I think you would be able to ensure that the track redevelopment is done in a way which would assist in the safety of thoroughbred racing. It would virtually end up a bit like Sandown. If you assume that is going to occur, then you have to develop at Spreyton in Devonport, because if you have rebuilding activity at Tattersall's Park you will need another track to go to other than Launceston. It makes sense. Tattersall's will be out of action so you need two tracks. Therefore, you would undertake a level of investment at Spreyton which would allow for racing to be undertaken there in a way which is safe, secure and sustainable.

**CHAIR** - What about the smaller tracks in the future such as the Longford, St Marys and the Burnie tracks? I suppose it is in the hands of the board.

**Mr AIRD** - It is in the hands of the board.

**CHAIR** - The Speaker will not be happy if you close Longford.

**Mr AIRD** - My view is that the smaller tracks need to be seen to provide - I have Kensington Park in New Norfolk which is for harness racing. These clubs are going to have to keep working at developing niche markets, niche race days and products which are going to attract interest. I hope the board gets out and supports the clubs to make sure they are viable into the longer term. There are some smaller clubs interstate which are doing remarkably well. At a one-day event they are getting crowds of 10 000 or 15 000 in small country towns and they do remarkably well.

**CHAIR** - Yes, the picnic-type races.

**Mr AIRD** - At Burrumbeet outside of Ballarat they have a New Year's Day meet which is growing every year. It is becoming very fashionable to go to Burrumbeet. People can take marquees. The accommodation and support of the tourism market is extended by having that level of activity.

**CHAIR** - Dare I say that was what Deloraine Easter Monday used to be like?

**Mr AIRD** - Yes, dare you say that.

**CHAIR** - There you go.

**Mr MARTIN** - Is that still going?

**CHAIR** - No, jumps racing has now been banned. That was a facetious question.

**Mr AIRD** - It was infra dig actually.

**CHAIR** - Yes. In regard to Sky Channel, does the board have a commitment that racing will retain its Sunday coverage or is it going to be forced into those less profitable mid-week slots?

**Mr AIRD** - This is out of the auspice of this committee. Sky Channel are still having negotiations about how best Sky can work in Tasmania. But the challenge for us is to develop a product which attracts interest in from Sky. This is a very serious issue. We have invested in infrastructure installing lights in Launceston which will potentially provide us with another 17 meets a year of night thoroughbred racing, which will add to our repertoire of attracting support from Sky. We have to do these things. We have to make sure it is attractive and that people are interested in watching what is going on.

**CHAIR** - Once again this is slightly outside the gambit of this committee, but these are the questions I have: What additional income do you think the racing board might expect to get to supplement the Government contributions to stakes over the next 20 years? How much does the board realistically expect from product fees? And what effect on this income stream would a move to midweek racing have on the industry? There are three questions in one there.

**Mr AIRD** - You answered the first part by your second part and that is product fees and race fields is going to provide a level of revenue to the board - and also sponsorship. I have been very clear that there is a great avenue for sponsorship to be increased. At the moment it is attracting about half a million dollars a year. I think we can do a lot better than that. The reason for the level of funding to be the way it is is to provide not only a level of base funding but also an

incentive for the board to get out and develop product and make sure their own sources of revenue go forward into the future. Basically race fields are going to provide their ongoing source of revenue for the board.

[6.00 p.m.]

**CHAIR** - In regard to training venues, we are very appreciative in Deloraine, I might say, and things are on course, if you like.

**Mr AIRD** - Good - on track?

**CHAIR** - With some of the other training venues, like Brighton, Spreyton and Longford, it would seem that all of them are in need of some capex and some work probably all at about the same time. With regard to the funding deed, do you think that is going to be sufficient to enable the upgrade of some of those training facilities in the short term?

**Mr AIRD** - I think an allocation of \$40 million capex is a pretty decent lump of capital to start out with and they won't be able to spend it all at once - or I don't think they will. It will also sharpen their corporate position to understand that they do have to have plans and they need to be clear about those plans. We didn't pluck \$40 million out of the air just because we thought it was a nice round number; it is based on a reasonable assessment about the future demands in terms of capital expenditure in the racing industry.

**Mr MARTIN** - I've got some questions about racing but given the time -

**Mr AIRD** - Well, as an individual you can write to me and I'll get you some answers.

#### **Tasmanian Audit Office**

#### **Output group 1 - Public sector management and accountability**

##### **1.1 - Public sector management and accountability -**

**CHAIR** - Thank you for being so patient, Mr Blake.

**Mr BLAKE** - I'll introduce David Strong, head of strategy and corporate.

**Mr WILKINSON** - I note when you look at the funding it has increased. It is one of the areas that has increased as a result of the extra work being done with the extra employee. Any other reasons why the output has increased?

**Mr BLAKE** - The main reason the numbers have gone up is because of audit fees and because we are able to fund most of our work through charging fees to clients to do the financial work for us, that's where the bulk of the costs are. The component that relates to the appropriation hasn't gone up dramatically because it is quite a small part of what we do, but neither has the number gone down so we are happy about that. The number of projects we plan to deal with in the performance audit area has remained constant.

## UNCORRECTED PROOF ISSUE

**Mr WILKINSON** - As we are all aware, there is plenty of pressure on you at the moment in relation to a number of requests that are being made. How are you coping with staff under these circumstances?

**Mr BLAKE** - We just have to be more careful about which ones we can do and which ones we can't, and if we decide to take on projects that means that something is going to have to slip on the work we have put into the work program. At this point I haven't had to do that. The performance audit folk have carried on doing the project that they are currently doing, and I have some of my financial audit staff doing the odd project. One of the good things about my office is that the financial audit staff are busy at peak periods of the year and not flat out all the time so when they're not too busy we can get them to do some work. For example, the two projects we're dealing with at the moment in the council area - council rating and council investments - are being done by financial audit staff.

**Mr WILKINSON** - The reporting time of eight months is within the time limits. Is it going to affect that at all?

**Mr BLAKE** - I'm already struggling with that particular KPI; we're not hitting it at the moment and that is because a couple of projects have not been what I would call time-critical. For example, the project we're doing on the Hydro hedges, that issue arose four or five years ago so to get a report out took us two years to do because I was deliberately pushing that back then to get other things done. But that affects the averages and my averages are well below the eight months but it is still a target that I think is important because we need to be timely. A couple of projects that are under way now will be done in a shorter time frame, so I still think eight months is a good indicator.

**CHAIR** - I notice that your salary and travel allowance in the A-G has increased by \$44 000 in 2009-10, \$23 000 in 2010-11, \$19 000 in 2011-12 and \$32 000 in 2012-13. That is not a criticism but do you think that reflects reviews that have been done in other States?

**Mr BLAKE** - The remuneration component is fixed, depending on what happens in Western Australia and South Australia, so my salary is the average of those two and those estimates were based on what has been happening in the past. The determination the gentleman on my right makes every year for next year is a zero increase, so that information is put together before we got the determination. In Western Australia now the Auditor-General has been told that his salary will remain fixed for 12 months so mine will equally remain fixed.

**CHAIR** - Is that included in your contract of employment?

**Mr BLAKE** - It's in my contract, which says that my salary is fixed by legislation. As to some of the other allowances, we often don't spend as much as is allowed for, so for example, I'm entitled to business class travel but I never do that so we save some money there.

**Mr HARRISS** - Mike, I've taken an interest in the matter of the police vessel - the boat - over a period of time and I have asked some questions about it and have been assured constantly that the boat was fit for the purpose. It came to light recently of course that evidence given to you in your inquiry about that had been misleading. Are you able to inform this committee who it was that gave you that misleading advice or evidence to your inquiry?

**Mr BLAKE** - No, I'm not. Once a year I meet with heads of agencies and I met with the commissioner earlier this year about some things I wanted to talk about, and at the end of that meeting he brought to my attention the fact that I was about to get a letter from Mark Millway's legal advisers outlining what you now know. That was simply advising me that I had been misinformed in certain areas. When I eventually got the letter I went back to my audit files to see what work we had done at the time and I was satisfied that the conclusions we reached and the recommendations we made were still valid.

What I said to the commissioner - and I have discussed this with him in more recent times - was that I was not going to jump up and down because I may have been misled. I told him that I was going to back there in about October this year to see what he has done about the issues that he brought to my attention and I would follow up that project a year earlier than planned. So in about October-November I will then ask him what I wasn't informed properly about, why and what he has done about it. I have also said to him that I want to understand better what the ultimate cost was, so my financial audit staff will, as part of the audit we're doing for June 2009, be asking questions about the original tender price for the boat and what it ultimately cost. When we do the follow-up we will ask questions around whether the vessel is doing the job it is supposed to do and so on, but at this point in time I have decided I am not going to rush in there boots and all.

**Mr HARRISS** - Certainly from where I sit I became aware through the media that you were given misinformation or were misled, at worst, and that raises a significant concern. You will investigate this matter, but the obvious concern to anyone - a committee like this - is what was the substance of the misinformation? Was it deliberate? Was there information withheld from you so that you could not in the most robust way inquire into the matter which you are tasked with? They are the sorts of concerns.

**Mr BLAKE** - I suppose when I got the letter, somebody said to me, 'Why do not you go in there like a policeman might,' and set my feet and so on. I decided that would not be the right thing to do. I would rather the commissioner made his own inquiries so that when I do go in there he has some answers rather than me trying to find them now. There are obvious things. For example, one of the people that has been referred to, Mr Home, gave advice. I spoke to him at the time and I disregarded his advice because I did not regard him as independent. I was not aware of the insurance matter that started to come up. The police have got some problems now because they are not insured for the advice they got from that individual. I will follow through those matters in October.

**Mr HARRISS** - The only other matter is an operational issue, I suppose. Just in my term in Parliament, the reports from the Auditor-General's office have always been most helpful and that continues to be the case. What would you say is the working environment - office facilities? The office has been there a while, so is it sufficient for purpose? It seems to me that the operations and the outcomes of your office have expanded in probably the last five or six years, just on my own personal observation. I might be wrong but just in the weight that I put on reports from the Auditor-General's office, so -

**Mr BLAKE** - Let me explain that in a couple of ways. The whole environment we are auditing is more complex than it was five years ago. Changes in accounting standards, for example, and the fact that the Hydro and Aurora operate on the National Energy Market has changed the way they do business. It has changed the way that I do business. So the number of staff that I have in my financial audits area has gone up. In addition at the same time I have



outsourced more work in that area. So the amount of work that I outsource to the private sector has grown from about 5 per cent to about 24 per cent in value terms since I have been there. That is because I have needed to get expertise from the private sector around those sorts of activities. That is paid for by the clients. My audit fee at Hydro has gone - I am guessing now - from some \$80 000 or \$90 000 a year to almost three times that in that time frame. The board of Hydro have accepted that because their own business has become more complex and they wanted that extra scrutiny. I have not had difficulty resourcing up to deal with the financial audit work that I do.

On the performance audit work I do, I have always had eight to nine people and I managed so far with that. The Premier announced two years ago there would be a review of the resourcing. That review has been conducted. That review suggested maybe one extra person would be a good idea but I withdrew the request and we are coping. It is not easy but it does mean sometimes we have to prioritise.

**Mr MARTIN** - Why did you withdraw that?

**Mr BLAKE** - I was deliberately conscious of what was going on around me. I felt if the whole of the public sector was being squeezed for cuts in the efficiency dividends and I was not, I was left outside of that exercise, then I should similarly be efficient.

**Mr MARTIN** - I think it is very generous of you but my concern would be that proper accountability of government is probably the most important activity. I would be concerned if by not having this extra resource your program was restricted in any way.

**Mr BLAKE** - It hasn't been restricted. All it means is that I have to deal with a growing number of requests for special projects that are coming through. All I am saying is that I am going to be more careful about what I am going to do and what I am not going to do. Sometimes that means that some projects that I had planned to do will be delayed, not put off altogether. So far I have not had to put off any projects that I wanted to do.

**CHAIR** - Just another quick one with the special report 81 that you released recently on the contract management, and particularly regarding rail. The minister is reported to have stated that incorrect conclusions were drawn with regard to that railway contract. Do you have any comment in regard to that?

**Mr BLAKE** - No, I do not. The minister has said he was going to write to me. I have spoken to the secretary of the department since then to offer to meet with him to see what the problem is. In the response to the report the secretary have provided a response and suggested there were some things we got wrong. For example, from reading the deed we suggested that the department has some role in terms of ensuring there was a safe network being operated by Pacific National. The deed does not specifically say that but I have interpreted the deed as saying somebody has to take responsibility for the fact that there is a safe and secure network. That is what I said in the report. That may be the issue that they have a specific concern about, but I do not know - I should not speculate. The minister hasn't written to me.

**CHAIR** - We will talk to the minister.

**Mr MARTIN** - Can I just clarify that? The secretary of the department wrote the response to the report.

**Mr AIRD** - That is normal.

**Mr BLAKE** - As they always do.

**Mr MARTIN** - Absolutely, but there is nothing in what the secretary has written that would justify the minister's comment?

**Mr BLAKE** - No, I will just refer to the actual response.

**Ms FORREST** - The criticism came later, didn't it, after the report was published? That is the sequence of events, isn't it? The criticism was after the publishing of the report.

**Mr BLAKE** - The final report, yes. In response to the deed in the response, which is under the heading of 'Agency Response' we noted that the minister did not provide a response but that is okay. He can rely on his department. The fundamental point of departure is the purpose of the rail management deed. The outcomes mentioned in 1.2 are lifted from the deed. That is where there is a reference to 'a safe and secure network'. 'Sometimes out of context' - well, I do not know how they are out of context. Until somebody tells me what that is, I cannot comment. So I have stuck by what I have said.

**Mr MARTIN** - The minister was referring to -

**Mr BLAKE** - I do not know.

**CHAIR** - Any more questions? If not, thank you very much for coming in. I think Treasurer that finishes off the day. Thank you for your forbearance.

**The committee adjourned at 6.17 p.m.**