

UNCORRECTED PROOF ISSUE

Tuesday 28 June 2011 - Estimates Committee A (Giddings) - Part 1

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Tuesday 28 June 2011

MEMBERS

Mrs Armitage
Ms Forrest
Mr Hall (Chair)
Mr Harriss
Mr Mulder
Mr Wilkinson

SUBSTITUTE MEMBERS

IN ATTENDANCE

Hon. Lara Giddings MP, Premier, Treasurer, Minister for the Arts

Department of Premier and Cabinet

Rhys Edwards, Secretary
Rebekah Burton, Deputy Secretary
Greg Johannes, Deputy Secretary
Philip Foulston, Director, Executive Division
Jeff Reeve, Director, Corporate Services
Louise Mills, Deputy Director, Corporate Services
Sean Green, Manager, Finance
Katrina Sage, Manager, Human Services
Tim Bullard, Director, Policy
John McCormick, Director, Policy
Mat Healey, Manager, Office of Security and Emergency Management
Mellissa Gray, Director, Social Inclusion
Frank Ogle, Director, Public Sector Management Office
Phillip Hoysted, Director, Tasmanian Together Progress Board
Piero Peroni, General Manager, TMD
Michael Mulley, Commercial Manager, TMD
Kathy Baker, Director, Service Tasmania Unit
Mitchell Knevett, Director, Office of the Government

Department of Treasury and Finance

Martin Wallace, Secretary

Tony Ferrall, Deputy Secretary, Budget and Finance

Craig Jeffery, Director, Government Finance and Accounting

Wendy Sawford, Deputy Secretary, Economic and Financial Policy

Jonathon Root, Director, Revenue, Gaming and Licensing

Joy Crane, Acting Director, Corporate Support

Tasmanian Audit Office

Mike Blake, Auditor-General

David Strong, General Manager, Strategy and Governance

DEDTA - Arts

Katherine Hough, Director, Arts Tasmania

Bill Bleathman, Director, Tasmanian Museum and Art Gallery

Karena Slaninka, Director, Screen Tasmania

Department of Economic Development

Mark Kelleher, Secretary, Department of Economic Development

Ros Harvey, Deputy Secretary, Strategy and Innovation

Craig Watson, Deputy Secretary, Corporate Support

Elizabeth Jack, Deputy Secretary, Culture, Recreation and Sport

House of Assembly

Peter Alcock, Clerk

Legislative Council

Nigel Pratt, Deputy Clerk

Miss Jan Chipman, Finance Officer

Legislature-General

Jason Hendy, Manager, Finance

Government House

Anne Parker, Official Secretary

Andrea Bull, Budget and Research Officer

Ministerial Office

Mark Sayer, Head of Office

Jessica Radford, Adviser

Richard Dowling, Adviser

Ross Smith, Adviser
Cam Crawford, Adviser
Margot Dawson, Adviser

The committee met at 9 a.m.

CHAIR (Mr Hall) - Good morning, Premier. Welcome to the Estimates hearing. Would you like to give a short overview?

Ms GIDDINGS - I am very happy to do that. I would appreciate the opportunity to have a couple of minutes of your time to do a short overview. Obviously this is a very tough budget and has some very difficult decisions within it and I think it is worthwhile taking a couple of steps back to ask why we ended up in this position. I think it is important to go back to when the GFC hit in October 2008. When we came into government we had a \$1.6 billion net debt problem. We paid off that net debt by 2004-05 and by 2008 we had put \$1 billion aside. Even though we had increased expenditure over that time, our revenue was running higher than our expenditure so we were able to save money. We were also able to invest in services that were critical services to the community - things such as the rehabilitation staff nurses at the LGH, a part of the LGH that has been calling out for extra staffing for many years and we were able to put the additional rehab nurses in. We also had - and you might be able to help me, Ruth - the nursing hours per patient around beds -

Ms FORREST - We used to have patient-day models.

Ms GIDDINGS - Yes, the model, but we had to look and see if we had sufficient nurses for theatres, the emergency department and the like. Every time we looked at whether or not we had sufficient nurses we were told we didn't, so we had to recruit more theatre nurses, for instance, at the LGH after they had done their review of staffing levels. A lot of our growth over that time was in Health and it was in more doctors, nurses and allied health staff. There was some growth in other areas as well and that was an opportunity for us to invest in some key social justice areas that are key to Labor, such as more funding for education, disability services, housing, child protection - there are a number of areas of government that benefited from the boom times of the 2000s.

Then the GFC hit in 2008 and our predictions of having the \$1 billion savings suddenly fell away. We had a reduction in State taxation of \$100 million per annum average, we had our GST falling and at that time we also had the decision around the Tamar Valley Power Station. We were in drought and there was a strong argument that we needed the Tamar Valley Power Station as a back-up energy source for the State. Once we made that decision, Murphy's law - it starts to rain. When we got to the 2009-10 Budget, State taxation had fallen further by another \$50 million and our GST had fallen by a further \$225 million. Because we had less of our savings available we had a reduction in interest income of some \$80 million. We also had a big hit on the Budget then of equity transfers for water infrastructure of some \$64 million over three years, and that was putting the funding behind the concept of the food bowl with irrigation.

Then it came to the midyear financial year report in 2009-10 and we saw a bounce-back and things looked healthier six months later than they had previously. We saw State taxation increasing by \$45 million, GST increasing by \$65 million and at that time we also had Tasrail sold, and we had a decision to make of either seeing Tasrail fall over completely or rescuing

Tasrail, and we decided to buy it and rescue it, and that cost some \$34 million per annum average. At that time, because the bottom line looked much better and healthier than we had anticipated in the 2009-10 Budget, there was a huge campaign from the community around land tax. I do not know if you recall that there were posters up in windows of offices and all around the place calling on the Government to reduce land tax so, rather than do what the Liberal Party were saying we should do, scrapping land tax completely, we just reduced land tax by \$28 million per annum average, and that was with the exemption brought in around holiday homes or shacks, and also a review of the actual land tax calculation numbers. Then post the election the situation seemed to improve further in the 2010-11 Budget with State taxation up some \$80 million and increased GST revenue of \$115 million per annum average. We felt very comfortable at that point with being able to start funding our election commitments and we did that by some \$73 million. But then the bottom fell out when we hit the midyear financial report of this year, and I think there is a number of reasons for that. We have had GST fall at that point by a further \$49 million per annum average, and I think this was at the time when the stimulus funding of the Commonwealth and the State was drying up, interest rates were starting to go up as well through the Reserve Bank's policies, and Australians as a whole were no longer spending as they were previously spending, so GST across the nation started to drop off. And of course also with the horizontal fiscal equalisation method that is used around GST our predictions of future GST have been clawed back a bit further than expected because Tasmania benefited out of the economic stimulus money a bit more than other States. In the HFE system that is always balanced out so you maintain equity across all the States.

The reality is that when you total up all of the GST and State taxation that we have lost, we have in fact lost \$1.7 billion since 2008 when the GFC began and the end of our forward Estimates. So we have a problem that we now need to deal with. We are spending more than we are earning, and we believe that there is now a structural problem in the Budget that there will not be a period of time that in fact we can go back to where we were. There is a deficit there now that needs to be dealt with, and if we do not do anything and we do not deal with it very quickly, we will have \$4 billion worth of net debt and having to spend \$300 million in interest alone, so there just is not a case for no change at all.

We believe that this is a responsible budget. It is a budget that sets a pathway for us. It is a difficult budget, and when we sat with the various departments we obviously tried to look at where we could make cuts that would cause the least pain, but the reality is that, even though not all cuts were achieved over the GFC period with the various agencies, cuts were made and when it came to an agency like Education, for instance, they just do not have anything left in the head offices in order to be able to cut. The magnitude of cuts that we require of Education, of Health, of all the departments are such that there is not a lot of fat left on the bones and we are at a point where we have to make tough decisions about removing certain services and just being open with the Tasmanian people that now is the time that we have to make these decisions.

That is just an overview in that sense. I am very happy to answer questions. At the table we have the Deputy Secretary of Treasury, Tony Ferrall, who has joined us now as well.

CHAIR - Thank you very much, Premier.

DIVISION 11
(Department of Treasury and Finance)

CHAIR - I might ask the first question on overview issues and the whole committee will have some input into those. In your budget speech you said that the latest estimate from Treasury is that savings you will make over the next four years will equate to some 1 700 full-time equivalent salaries, although you did say that does not mean you will sack 1 700 staff. Is that the latest estimate from Treasury?

Ms GIDDINGS - Yes, that is, over the period of the forward Estimates. We will need to make a significant number of those savings in this first financial year because those savings then flow on into the future years as well where they are of a recurrent nature. We have a very comprehensive number of tools to help manage our workforce because 50 per cent of our costs are salary costs and we do have to see the downsizing of our public service.

CHAIR - We have around 25 000 FTEs.

Ms GIDDINGS - Twenty-three thousand is closer. At the table is the Secretary of the Department of Treasury, Martin Wallace.

CHAIR - As we were saying, we have around 23 000 FTEs in the public service at the moment. What is your projection for the reduction in numbers of FTEs?

Ms GIDDINGS - Tony was just saying to me that probably 25 000 is closer to the mark. There are certain savings that we know we can achieve through non-salary areas and we are certainly continuing to pursue those non-salary savings. We anticipate that a fair amount of that will have to be found in salaries and we have said the equivalent of 1 700 jobs because it may well depend on who leads a system and how expensive that person is as to whether or not we get the quantum. It is the quantum of savings that is really what we are after.

CHAIR - You have to make those savings, and the clock is ticking right now. People are going to have to be put off or whatever, right from day one, otherwise the situation compounds itself down the track.

Ms GIDDINGS - That is right, and essentially the clock started ticking at the release of the midyear financial report. We immediately put in place very strict vacancy control across the public service and we will have a centralised process, fairly much there, to ensure that those vacancies are in fact maintained and that only those vital vacancies - for example, an emergency nurse or the like - will be filled, or a child protection officer, for instance, is also an example of a position that will be filled. Vacancy control is in place. The Education department has also had the early retirement scheme in place and we are now spreading that scheme across the public service as well. Of course, there are some other measures that will require some legislative changes to come through the Parliament, and I believe there is a piece of legislation before your House.

CHAIR - If I can go back to Education, Premier, that was \$20 000, I think, for a teacher in early retirement.

Ms GIDDINGS - An early retirement incentive.

CHAIR - Does that apply right across the whole -

[10.15 a.m.]

Ms GIDDINGS - Yes, it does. The next level is, if we do not deal with it through natural attrition and vacancy control, then we do the early retirement. The next step is redeployment in the first instance and if we cannot redeploy a person internally, within their agency, they then go on the broader government redeployment list and there is quite a structure program through PSMO, a public service office, that will try to do their best to get that person a job within the public service somewhere else. Should that not be available, they will be offered a voluntary redundancy package and there will be an incentive to take that voluntary redundancy early in that process. Otherwise we want to reduce the time period for redeployment from 12 months to six months because effectively if a person is put on a redeployment list they can be paid for that entire 12 months and not have a job to go to, and in these tough times we just do not have the ability to carry people for a 12-month period. Nowhere else in the public workforce would you have such a mechanism so we want to reduce that from a 12-month period to a six-month period because we believe that that is adequate time to try to find somebody another job within the public service. In New South Wales they have reduced it to three months, in South Australia they have just introduced 12 months, so there is a variety of -

Mr HARRISS - Just while the Premier is on that, Chair, if I might, are there any recent examples of the Government being confronted with that very dilemma where somebody has been paid for 12 months without a substantive position which has caused some financial difficulty?

Ms GIDDINGS - If I can hold that question until we get to DPAC and we have PFMO at the table. I would prefer to give you better advice than I know anecdotally, so we will hold that for then.

CHAIR - We will hold the question there. Premier, outside, despite what has happened with the GFC, the budget papers clearly show that since 1999-2000 the public sector employee costs have doubled from \$1.1 billion to \$2.2 billion and that is an annual growth rate of 7.2 per cent and the FTE employees have increased by something like 25 per cent. Do you accept now that that level of growth in the public sector has been unsustainable?

Ms GIDDINGS - It is unsustainable now. With the GFC and the damage that has been caused to our revenues it is unsustainable now. Prior to the GFC it was sustainable because our revenues were increasing faster than our expenditure. When people criticise it I say to them that firstly a lot of it is wages growth but in terms of the numbers point to the positions that were not worthwhile, and the vast majority of those positions were in the Health sector. For instance, when I became Health minister we had a shortage of doctors at the Royal Hobart Hospital. We needed to employ more doctors and there was a huge pressure to, so we did and doctors are expensive.

On the north-west we have a lot of locum doctors and the costs of locum doctors are very high. We have had to increase the number of nurses in the theatres at the LGH after they did their review of staffing and were found to have not enough nurses. We have had to open important services like rehab services at the LGH where, if someone has a stroke and you can give them proper rehab very quickly they are more likely to recover and be less cost on the public purse. If you do not have those services then people deteriorate and they become a more costly burden. I would ask those who like to criticise the growth in staffing to point to the roles that should not be there.

Certainly, in times like now where we have a structural issue where we are spending more than we are earning, we now have to revisit a number of roles across the public service and ask

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whether we can still afford to provide this. There will be roles that have a worthwhile reason for being that we will just have to say no to because we cannot afford them.

CHAIR - Yes, but surely not all of those extra jobs were taken up within the health sector. They were taken up over a range of areas and at every budget session members of this House quite consistently questioned whether a small jurisdiction such as this can afford to have a public sector ramping up like this on a continuing basis. The Treasurer of the time said that Tasmania is a decentralised State and that is why we have to have more public sector employees.

Ms GIDDINGS - Again, Chair, I put it to you, point to the roles that we should not have put in there; that is the question. You could put Health aside, which is where I believe the majority have happened, but look at Education. We have increased the number of support staff to schools to support children with autism - also psychologists to support children through our school system. We have decreased class sizes, we have put a lot of extra funding into education to try to lift the numeracy and literacy elements of our student population which is still behind national rates. So point to me and tell me where the extra staff we have put in education should not be. That is what is difficult. We get to a point where they are all valued people and they do a great job but can we afford to do it any more? The answer to that is, 'No, we can't'.

CHAIR - Just following on from that, can you provide the committee with a breakdown since 1999-2000 of the department's and the actual increases in -

Ms GIDDINGS - I suspect that is a question for PSMO who would look after the workforce issues. I am advised that it would be a difficult exercise because of the various restructures that have happened over that time. That is a long period that you are asking for. When PSMO are at the table with DPAC we can ask what further information they have available.

CHAIR - I appreciate that you have talked about the essential services and pointed to where the extra increases have been, but the committee would like to get some sort of breakdown so that we can evaluate that statement you have made.

Mr WILKINSON - I understand there are about 25 000 FTEs. Are we able to get the exact figure for FTEs?

Ms GIDDINGS - DPAC will have more of those figures. The information I have with me goes up to 2009-10. There were 23 781 FTEs in the State service, plus 1 220 police, which brought the number of employees to 25 001. That is from the CPE/OSSC annual report and Tasmania Police annual report.

Mr WILKINSON - When you were saying about the mid-year financials, that you have started already to make your savings, taking into account the savings measures, have the FTEs reduced from the midyear financials?

Ms GIDDINGS - We do not have that detail. It is where there is a bit of a crossover. The detail around the work force issues are DPAC and PSMO, they can go into more detail. The reason I have raised it here is in the formal context of the Budget.

CHAIR - If I could flag it then, Premier, I would still like to get by department what those incremental increases have been in the number of employees over a period of time.

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Mr MULDER - We might also like the breakdown on where the positions have been created, because not all of them are teachers and nurses.

Ms GIDDINGS - No, some are police. We have increased police by more than 120.

Mr MULDER - The point I am trying to make is we need to get at the level at which they were created. I am fairly familiar with what happened with policing over that time. We went from five commanders to nine and we went from one senior executive service officer to seven, so I think we probably need to focus our attention a little on the upper levels.

Ms GIDDINGS - For that level of detail you would need to talk to individual agencies. I do not think we would have that level of information available to us at the global level. You have an opportunity to ask all ministers that detail about their individual agencies.

CHAIR - We have flagged the matter and we will ask it again with DPAC. Premier, those levels have built up and you have explained the reasons why you think we seem to have this boom and bust cycle. Do you think we ought to have a legislative ceiling on the number of public sector employees?

Ms GIDDINGS - No, I do not. I do not think in that sense we should take on the role of determining how many public service employees there are. The Parliament has the role of examining budgets and governments have the role of making decisions about allocations, and also where they are going to put resources that would see increased staffing in that respect. I do not think there is a role for legislation to say you cannot go over 25 000 or something. I think that would be silly to have to come back to Parliament every time you needed to employ another person over the 25 000.

CHAIR - No, I mean you could have ceiling which is over and above what we have now, so I am saying there would be some flexibility in the system, but to try to stop this boom-and-bust cycle that we have had it ought to be a case whereby the Government of the day or the department should put a case as to why they need more employees and we should look at that.

Ms GIDDINGS - They certainly do put cases to budget committee as to why they need increased resources as well, and certainly a lot of it is driven by government policy that we want to see certain things happen. For instance, Parkinson's nurses: it was a government election promise to have Parkinson's nurses, which we have now implemented. So I think you just need to have flexibility within the system, but certainly, in a period like we are going through right now of serious restructuring, that message has to get out very clearly - and I understand what you are trying to say in that respect - to agencies that now is not the time to be taking people on. And I think through PSMO when we get to them they will be able to give you some comfort about the level of scrutiny that is being put on through the central program to ensure that there is not this blow-out in staffing.

CHAIR - Yes, and finally, if I might, before I hand over to other members for the overview, the former Treasurer, Mr Aird, when questioned several times in this Chamber always when he was questioned about how we were generally tracking as a State he said several times on *Hansard* that this Government has protected Tasmania from the effects of the GFC. How do you respond to that?

Ms GIDDINGS - That is exactly right. I absolutely agree with him. What we did was, when the GFC hit in 2008 and we had a collapse in our revenues, we started to use the savings that we had put aside, the billion dollars worth of savings, to help soften the blow of the GFC. So we worked with the Australian Government, with the stimulus package, that helped see money go into schools, money go into health infrastructure as well, that helped keep the broader economy going, and in fact to some extent you could argue that it went a little bit too far the other way, that it employed too many in the construction industry and now we are seeing the downturn in the construction industry as the stimulus money has dried up. But I believe that stimulus money has helped to protect Australia from the worst of the world recession or the potential depression for areas of Europe, for instance, that are really toughing it out now. I am a strong supporter in that respect - when you have times like that, governments have a duty to spend to try to help. What happened with the GFC was that banks stopped lending, so a lot of the private investment could not go ahead because there was not the lending happening. And of course the confidence dropped out of the private sector as well, so they were not investing at the same levels as they had pre-GFC. Now we are starting to see an underlying recovery occur, and that is what it is about. When you have the private sector falling off, the public sector increases its spending. Now we are seeing the public sector decrease its spending, and we are seeing the private sector taking off, so what we -

CHAIR - In this State?

Ms GIDDINGS - Yes, in this State. In the last quarter we have had a billion dollars' worth of private sector investment that is in the pipeline or underway. That is good news in that respect to say, yes, the private sector has started to come back. It is really positive, but now what this Budget tries to do is get our own backyard back in order. We have seen in tracking business confidence against State budget deficits that when States run deficits, business confidence goes down and when States start running surpluses, business confidence starts to go back up. So my hope with this Budget, as we start to see ourselves heading back to surplus, is that we will see what has been a pattern over decades; that they will start to rebuild their confidence too and that is where we will see the turnaround in the Tasmanian economy, is through the private sector.

[9.30 a.m.]

CHAIR - Thanks, Premier. You have mentioned a lot of other factors which we could debate.

Mr HARRISS - Premier, I want to go back to the matters that you were talking about with regard to the growth in the public sector and delivery of services et cetera. You would be familiar with Saul Eslake's commentary on the matter, the fact that we are 6 per cent higher than the national average per head of population and 14 per cent higher than Victoria et cetera. So he has made those comments and he has made those observations. He also constantly challenges State jurisdictions about whether the services delivered are at a higher level for those dollars than other States. His natural conclusion about all of that is that, while we cost more per head of population, we need to ask ourselves whether our services are better than anywhere else in the nation. What do you say to that, because it is a fundamental driver in terms of keeping a lid on unreasonable public sector growth in both employment and dollars and it simply needs to be a focus of any government?

Ms GIDDINGS - Absolutely, I could not agree with you more. Efficiency is a key part of what we are trying to drive here. Productivity measures that will increase efficiency levels particularly in areas like health, where we ask for substantial savings of some \$100 million from

Health and Human Services. About \$78 million of that we expect to be found through the national health reforms that are primarily in the hospital areas. We have to be able to meet the national, efficient price if we are going to be able to sustain our health system and keep up with the rest of Australia in terms of elective surgery and emergency department throughput and the like. A huge amount of work is required in health, to look at how we can drive those efficiencies and get to that efficient price that is a nationally accepted figure. But we do have other challenges, of course, which the previous Treasurer obviously raised with you too, that we do have a dispersed population and that does need to be taken into account in terms of where services are provided, and we have an ageing population as well which impacts on service delivery still. But, effectively, we do accept that we have an efficiency problem that has to be addressed.

Mr HARRISS - Those factors that you have mentioned, our decentralised nature because of the island State that we are and ageing and so on, do they, in the Government's view, contribute to the extent that we are 6 per cent higher than the national average in delivering public services in this State?

Ms GIDDINGS - I think there is an element of contribution to that, yes. But I also think that there is room for improvement and we have to drive those efficiencies, we have no choice.

Mr HARRISS - On the back of that then, if I can, in 2009 the expenditure review committee was established and you have already indicated to us that in 2008-09 we knew of the emerging global financial crisis. We were told then, and we understood then, that we looked like having a shortfall of \$302 million in the out-years in GST revenues alone. With the expenditure review committee having been established early 2009, I guess in response to the 2008-09 GFC, is that committee still in place? What role has it played since it was established two-and-a-half years ago? Are there any further details on its current status?

Ms GIDDINGS - My advice is that that committee was in existence under the former Treasurer and that it was like a subcommittee of the budget committee which is a subcommittee of Cabinet and when I became Treasurer I rolled that committee into the budget committee process. Remember, I became Treasurer in December and from the time I became Treasurer we were working on the midyear financial report. After the release of the midyear financial report I began a very thorough and intensive process with all agencies around how we were going to deal with the loss of GST revenue and how they were going to start having to create more savings. We met with Health three or four times, we met with Education about three times and with the other agencies twice. Of course we were also meeting on other issues so we have had quite a number of budget subcommittee meetings since the release of the midyear financial report. It is basically all in the one committee now.

Mr HARRISS - Who currently constitutes the budget subcommittee, please?

Ms GIDDINGS - There is myself, Rebecca White is now on it and David O'Byrne and then you have representatives of Treasury on it and representatives of the Department of Premier and Cabinet on it.

Mr HARRISS - Who was on the budget subcommittee when -

Ms GIDDINGS - Scott Bacon was on it during the development of the midyear financial report and the process. There were four meetings with Health, three with Education and two with the other departments.

Mr HARRISS - When Michael Aird established the expenditure review committee, which by its very title seemed a good idea; expenditure review - keep track of what is happening with expenditure - can you recall who was on the budget subcommittee at that time?

Ms GIDDINGS - No, because that was pre-me. I joined the budget subcommittee after the election and it must have been April or May.

Mr HARRISS - Last year?

Ms GIDDINGS - I was placed on the budget subcommittee last year and of course by then there was a very fast process for the Budget itself because of the election being in the way. It was not the normal process that you would go through. After we had gone through Budget the budget subcommittee does not tend to meet quite as frequently until you start leading up to the October period when you start to build up towards the midyear financial report and the new Budget. I do not know who was on the committee prior to that. We will go away and get details for you.

Mr HARRISS - Thanks. Given our really challenged landscape at the moment, would you not consider that an expenditure review committee, a specially tasked high-level group of people, would be a reasonable idea given that, in January 2009 I think that Michael Aird established the other one and that was at that emerging time of the GFC? Here we have the reality of the GFC and our declining revenues in conjunction with significant overspend by the Government in recent years. Why would you not re-establish such a committee at a high level to monitor expenditure?

Ms GIDDINGS - Because I value the budget subcommittee process very highly and I think that is an appropriate process to examine all those issues that otherwise would be examined in that smaller committee that you are speaking of. I think that having agencies come to that budget committee and have to front the Treasury officials, the DPAC officials and three members of the Government is a very worthwhile process. Perhaps it would help if I just let you know what we are planning to do now in terms of the budget subcommittee process to keep a very tight eye on what is happening. A number of central government program reviews are going to be happening as well that the budget committee has approved, and they are around government community grant programs to look at how we might be able to in fact consolidate a lot of those, services to industry, looking at emergency services, looking at the potential to provide central services and looking particularly at medical and pharmaceutical purchasing and also the community development functions. In terms of the monitoring process, it will be overseen by the budget committee. The agencies will provide the budget committee with regular monthly updates of progress towards the achievement of their budget saving strategies as detailed in the 2011-12 budget papers, and particularly the specific strategies that have already been agreed upon by Cabinet in its budget meeting. Commencing in the week beginning 18 July the budget committee will meet with all ministers and agencies to outline the budget saving strategies monitoring process and the reporting requirements. It is anticipated that budget committee will meet with the larger agencies - Education; Health and Human Services; Justice; Infrastructure, Energy and Resources; and Primary Industries, Parks, Water and the Environment - at least four times. We expect to meet with the smaller agencies at least twice - Economic Development, Tourism and the Arts; Ministerial and Parliamentary Support; and Treasury and Finance. That would be over the six-month period of July to December. While the monitoring process will be overseen by budget committee, responsibility for the achievement of the budget saving strategies still remain with the portfolio ministers and their agencies. The monitoring of the FTE reductions by agencies will be jointly overseen by Treasury and the Public Sector Management Office - PSMO - and monthly

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general government sector employment monitoring reports will be provided to the budget committee. Treasury will also provide to the budget committee regular progress reports in regard to those whole-of-government strategies I have already spoken of.

The other element to this is as to what public reporting we do. It is proposed that there be regular progress reports that will be made public. In particular, it is proposed that the budget saving strategies progress reports will be provided for the quarters ending on 30 September 2011, so that will be reported on in October; 31 December 2011, which will be reported in probably February - that is a midyear financial report; and 31 March 2012, which is likely to be reported in the next Budget. We haven't made a final decision but we are looking at bringing the Budget forward from June to May, which is where is used to be in the past but was changed, I think, when Michael Aird became Treasurer. There are pros and cons as to why you would have a budget prior to the Federal Budget, so we are talking through those elements now and I am quite happy to explore that with this committee if you would like to.

The other progress report would be an end-of-year report as at 30 June, which is also proposed. There will be four essential reports - the 30 September 2011 report released in October; the 31 December report released in February as part of the midyear financial report; the 31 March report released in May as part of the Budget; and then go back to 30 September report that will be released in October. We believe it is important to also have as much of that information as public as possible to keep pressure on everybody to drive those savings.

Ms FORREST - With regard to the savings in the reporting and monitoring, we had the Minister for Health here yesterday and in the next 12 months \$100.2 million has to be saved in Health. The minister was able to identify \$27 million of savings in the areas she had already earmarked, which was a broad-brush approach, but that leaves \$73 million that there appeared to be no answers for. How confident are you that these savings are going to be met?

[9.45 a.m.]

Ms GIDDINGS - Obviously Health is a very difficult place to find savings but a lot of those savings are being driven by national health reform and the efficient price that I mentioned earlier. They have to find ways of providing services in a more comparable cost sense to other States around the country. There is an absolute need to do that, or we will end up having to subsidise Commonwealth services with State money, which we do not want to have to do. What we have established in Health, and I would presume the minister spoke to you about it, is that there are two teams. There is a business control team that has been established. That is to ensure an appropriate governance framework is in place to guide savings and maintain safe quality care, and there is also a business process redesign team that has been established to systematically evaluate businesses' efficiency and productivity and identify opportunities for improvement. There are people from the within the agency who sit on those teams, but also people who have been brought from outside of the agency to work on at least one of those teams that help to give an outside view to where savings can be found within Health. There are some areas like procurement that she would have spoken to you about where I just think we have to grasp the nettle. Under the health plan we started to talk about the issue of procurement, and the fact is that, particularly now, we just cannot afford for individual surgeons to be ordering prostheses that they like, that there is going to have to be more generic use of artificial limbs, hips and knees and those sorts of things. We just cannot afford to use specialised ones for different surgeons, and I know that is not necessarily comfortable for them. They tend to like to use a certain product.

Ms FORREST - Good luck with that, but how confident are you? This is only the first year; there are significant savings in the out-years as well. What Treasury modelling has been done around not only savings in Health but savings across all areas? Whatever number of positions we end up equivalent to, if some of those positions or school closures or whatever it is are not achieved, at what point does that become a major issue? I would expect that Treasury have not modelled that all savings remain at 1 July. I am not only interested in your confidence in and the ability of the departments to do this but also the modelling, and what is required to meet those targets by the end of the year.

Ms GIDDINGS - We have a structure to put in place to keep a very tight rein on all agencies to ensure that they are making the savings they have to make, and Michelle O'Byrne as the Health minister has already made some of those decisions and they were not easy decisions. The closure of the LGH laundry is a prime example. We believe we can get that service provided externally at a reasonable cost which will not be an added cost burden on the Health budget. So those sorts of decisions will need to be made, and if we do not achieve the savings across the various agencies we will go into net debt, and I will be doing everything I can to avoid net debt, but we are running very close to the line of net debt, so the whip is out there in terms of ensuring our agencies respond appropriately and savings are found. To give Health credit, as soon as we released the midyear financial report they did put very strict controls on vacancies, and in fact it hit the media because they were very quick to write their e-mails to all of their staff explaining the decisions I had made in the midyear financial report and the implications of those decisions for that agency. I believe that the Acting Secretary, Alice Birchall, is taking this very seriously, and the thing is to make sure that in such a large agency that the dire straits that we are in is understood by every single person in that agency.

Ms FORREST - What Treasury modelling has been done? When do these savings need to be made to have any hope of coming in on meeting your targets?

Ms GIDDINGS - My advice is that we have modelled the Budget. That is what we have modelled. We have not modelled plan Bs and the like because what we have set here is a plan that has to be achieved. Over this next 12-month period there is \$100 million worth of savings that have to be found within the Health and Human Services budget. Those savings as recurrent savings of course build into the out-years but then there are additional savings on top of that, that will need to be found in the following on years. We obviously cannot get all the savings in the first year. We have had to spread those savings out over a longer period of time and that is where I think we have tried to structure this as a sensible budget. Yes, there is pain, but there could have been a lot more pain if we had made harder cuts now. We have tried to look at this over a longer period of time that gets us back to hitting surplus by the 2014-15 year and then we would hope, in the subsequent out years, that we will get back to the point where we start really building back up to the billion dollars.

Ms FORREST - I hear what you are saying but I think you are missing the point of the question.

Ms GIDDINGS - I think the point is, Ruth, there is no alternative. There is no plan B, there is no modelling.

Ms FORREST - I know there is no alternative. I am not talking about plan A, I am talking about the Budget. I am talking about at what point these savings have to be achieved if the school closures, for example, are going to create a saving - and that would have to be one of the reasons

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why we are doing it otherwise why would you do it - and other measures across all departments. If none of those are achieved until April next year, then what impact will that have on the Budget? This is the question. It is a compounding effect. That applies to the out years as well because if we do not make the savings in a reasonable time, the out years will have no hope either. If we do not meet it this year, the forward Estimates are blown out of the water.

Ms GIDDINGS - That is the importance of the budget monitoring process that we will put in place, where I will get those monthly updates as to how we are going, and if we are on target then we know we are doing well. If we are not on target, then we know we have a problem that we have to address.

Ms FORREST - How will you know if you are on target?

Ms GIDDINGS - The \$100 million has to be found over the whole financial year. So I would expect to start to see substantial savings coming through. But it is not the whole \$100 million on day one.

Ms FORREST - That is what I am saying, that is the question.

Ms GIDDINGS - It is not all of that on day one.

Ms FORREST - So if we save \$3 million in the first month in Health, for example, but we do not save any more until April next year, what impact will that have?

Ms GIDDINGS - They have to find their \$100 million in the financial year.

Ms FORREST - So it does not matter if they do not find it until June?

Ms GIDDINGS - We would certainly have real warning bells up if they had only found \$3 million by April of next year. They are not going to achieve their targets if that is what it is.

I am advised that the agencies will all be developing their own plans and there will be a set of metrics within that, that help us to know whether or not they are on target to achieving their savings. For instance, the savings around school closures, we know will not start until next year but there are other savings that Education have to find in this part of the calendar year - the first half of the financial year.

Ms FORREST - Will that detail be recorded in the quarterly reporting you are talking about now?

Ms GIDDINGS - It is proposed that there be regular progress reports and, in particular, budget saving strategies progress reports be provided. So you will certainly see in those quarterly reports how those savings are going.

Ms FORREST - So we will see a table a bit like agency saving strategies that outline where the various agencies are on that trajectory?

Ms GIDDINGS - We are in the process of working through how it will be presented. We will certainly be presenting that information.

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Ms FORREST - That is the question to be asked when the report is tabled in the Parliament.

Mr WILKINSON - I hear you say that a quarterly savings update will be supplied. In relation to your quarterly expenditure, though, will it be savings against expenditure to see where we are or just the savings that you have made? In other words, will you give us a balance sheet at the end of each quarter?

Ms GIDDINGS - Effectively, it is around the savings strategies. The midyear financial report looks at all of the elements. It takes a lot of work to do all of that level of detail. Essentially, you will still get your midyear financial report and your six-monthly budget that will have all the revenue and expenditure elements in it. The reports in between will just be around the savings and whether government departments are on target to achieve their savings. Of course, the other two reports will be talking about the savings as well. There will be four reports essentially that talk about the savings but only two will talk about revenue and expenditure.

Mr WILKINSON - Members of parliament would have a fair idea if it were not only the savings that you made but also the expenditure so we could see where you are in each group.

Ms GIDDINGS - I understand that unless you want to expand the size of Treasury when we are in a period of downsizing we just do not have the workforce to put that effort in.

Mr WILKINSON - It was done prior to 2004, was it not? I think up to 2003 we had quarterly reporting.

Mr FERRALL - On the Consolidated Fund, which was a lot different to the reporting we are doing now, as you would be well aware.

CHAIR - Premier, I certainly appreciate where the Government is and what you are trying to achieve with the Budget, but if I could just play the devil's advocate for a moment and say that the Government have had a philosophical position of not going into net debt. The question is, is there anything particularly wrong in this situation with going into a manageable net debt situation? As you know, in a lot of local government authorities, or in private enterprise, you have to go into debt. As long as that debt is a manageable situation, if this State had to do that to maintain our services, bearing in mind that we still have to be fiscally very responsible, is that an option?

Ms GIDDINGS - No, it is not. My throat is a bit sore -

CHAIR - Take another Strepsil.

Ms GIDDINGS - Yes, I will have another Strepsil in a minute - and I might get Martin Wallace to go through with you why you would not go into net debt. Just before I hand over to Martin, though, there is a difference with going into net debt on capital against going into net debt on recurrent, and we are looking at going into net debt on recurrent which means that you then have to borrow to actually pay for your bread and milk every day and we just cannot do that. The other element is that other State budgets - for instance, the Victorian State Budget - run a surplus on their net operating balance so they are able to service their net debt. We are running deficits on our net operating balance and we would not be able to service our debt. I will ask Martin to go through the detail with you.

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Mr WALLACE - The situation the State is in is a substantial recurrent cash deficit, so on our operating account we have a substantial deficit. A couple of years ago the State, as the Premier said, had \$1 billion worth of cash and zero net debt of \$1 billion. To fund the recurrent deficits over the last couple of years it has had to draw on those funds. This is not about debt for capital expenditure purposes, it is about the fact that the State cannot cover its operating costs through its revenue. So, any debt that is taken on you have to effectively capitalise the interest and borrow the interest as well. It is pretty easy to do the calculation. You have to reduce that cash operating deficit as quickly as possible.

In the actions the Government is taking it does that, and it eliminates the deficit over the period of the forward Estimates, and as a result of that it does not go back into net debt. The \$350 million or \$340 million that it currently has of negative net debt is used up until you get to the point where you are hitting an operating a cash surplus. The point is, if you go easier on this strategy and you go into net debt, basically then you are borrowing to fund the interest as well. For example, if you had a \$500 million deficit now and you did not do anything about it, the next year the deficit is \$560 million so you then have accumulated \$1.1 billion worth of debt and in about four or five years, it is easy to do the calculation, you have \$4 billion of debt and \$300 million in annual interest payments. Those interest payments therefore add to the budget task effectively so you have to cut your services much more.

This issue is really about a good debt and a bad debt. When you are borrowing to fund your expenses you cannot resort to any debt in this circumstance.

[10.00 a.m.]

CHAIR - Thank you for that explanation. I take it on board and I understand that. It was worth putting on *Hansard*. Premier, with savings we talk about school closures and Mr McKim said he was determined not to close any schools if he is convinced by them that they should stay open, and that he would then have to find savings elsewhere, whereas you have said some will have to close. The question is who is right and who is wrong?

Ms GIDDINGS - I believe, having talked with Education, that there is not much left in the system to cut, and that is why they have said that essentially we have to look at school closures. Schools do close in other States - in fact, I think in Victoria there is a school that closes every year - but you try to do it in a much more managed way. Unfortunately we are in a position where we do not have that luxury to allow a reshifting of the way we provide our education services to be over such a long period of time. Certainly no decisions have been made on the quantum of schools that need to close and up to 20 have come through the criteria that has been established that are being looked at. If Mr McKim decides not to close any schools, then he will have quite a problem, I believe, on his hands in terms of where he finds those savings.

CHAIR - That was the other question I was going to ask: is it possible that no schools may be closed?

Ms GIDDINGS - I do not know. I do not believe that we can go about without having any school closures. In my mind, too, there are benefits in that. I am aware of a district high school, for instance, that has about 12 kids in it, and they walk past empty classrooms. It is a ghost town. It is not a good environment. The teachers are fine, the teachers are good people, but the environment is not great. The options available to those 12 kids are not as wide as if they were in a bigger school.

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For student learning, I believe that pulling these things together - and remember we are not talking about kids having to travel more than 45 minutes either. I do not know what you travelled to school but the likes of my father travelled an hour-and-a-half to school every day, and then an hour-and-a-half home again, when he lived in country Victoria. We are not looking at more than 45 minutes. It increases the curriculum opportunities for students and the extracurricular activities as well. It also means that hopefully we can get teachers - science teachers come to my mind because we have a shortage of science teachers - and if you pull students together more, you will be able to have access to better qualified teachers in those specialised areas.

CHAIR - The debate belongs in another portfolio but something which may impact on our bottom line; as we have seen in the papers this morning, Labor MHR, Dick Adams and, I think, Julie Collins, and others, are calling for the BER money which has been spent to go back to the Commonwealth.

Ms GIDDINGS - Let us just get this straight. We worked with the Commonwealth, if you remember, at the beginning of the GFC and I quite rightly support their approach of spending, as I have said earlier today. They had a process of 'we need to get the money out the door, we need to do it really quickly and we need projects that schools need'. Well, every school needs improved infrastructure, so it was very easy to find new libraries, new school halls, whatever it might have been, for those school projects.

We responded to a request from the Commonwealth at that time to spend that funding, and spend it quickly, and Tasmania did it very well. Now we have a situation where we have a recurrent problem, and the Commonwealth does not fund our recurrent problem. It is very easy to put money into capital, it is very difficult then funding that capital. That is the issue we have; the recurrent funding. Even on the new buildings, it means more cleaning, more electricity - the recurrent costs of those buildings are on the shoulders of the State.

I understand the concerns of my Federal colleagues; they are representing their communities well. But the reality is that we have a State budget problem, we're not going to get any help from the Commonwealth to deal with it. In fact the Commonwealth just keeps giving us bad news about the GST continuing to go down. So we have to make the tough decisions. We are the ones responsible for our Budget, and I hear my colleagues and their views and I have sympathy for their views. It is not something we are taking easily. It is a very difficult decision and it causes me concern when I see parents night after night very concerned about their local school.

CHAIR - I certainly understand the issue that if you create a new asset you have a maintenance problem and recurrent expenses to maintain those, but the question remains as to what happens if that BER money that has been spent on some of those schools has to go back to the Commonwealth.

Ms GIDDINGS - It will not. It does not have to go back to the Commonwealth. Our advice is that there is not an issue there. If a school does close, we will obviously look at how best we utilise those buildings. It may well be that we can make those buildings community facilities, particularly the new buildings that are on site. We will have to look at it school by school.

CHAIR - A counter argument to that is that I do not think local government authorities will be keen to also take over assets which they then have to maintain.

Ms GIDDINGS - That is right, there is that concern, too.

Mr MULDER - I think local government is not keen to find itself in the same position you are talking about with the Commonwealth.

Ms GIDDINGS - That is right, so we all have our issues. A lot of this has been driven by demographic change. The reality is that in two years' time our schools, on average, are going to be filled less than 60 per cent. That means we still cover 100 per cent of the cost of running the school but at 60 per cent occupancy. That means that all the funding we have to spend on the other 40 per cent is funding that ought to be going to students and their education, but it is not. It is going on other costs that help keep that school functioning. I understand the concerns of people but there are some very good policy reasons underlying this decision. We did not take this decision willy-nilly; we took this decision after having in-depth conversations with the Education department and reference to material that shows that this sort of decision, while painful, can have positive outcomes.

Mr WILKINSON - In relation to the criteria that you are talking about, if these schools can show that they are meeting the criteria, which should allow them to remain open, I take it that those schools won't be earmarked for closure?

Ms GIDDINGS - If they meet the criteria, they will not be closed.

Ms FORREST - Premier, it seems that this decision may have been made in isolation because when you look at the budget in DIER, the school bus transport, there is no increase at all. I know that if schools in the electorate I represent close, the two that are earmarked there, those children would then have to travel on buses where they currently do not. If this is a decision made in isolation, how are you going to meet budgetary requirements within DIER, as well as Education?

Ms GIDDINGS - My advice is that there will be a relatively minor increase in the total cost of providing the services as an impact of this decision.

Ms FORREST - But there is no increase at all in the forward Estimates in that line item in the Budget.

Ms GIDDINGS - We will examine that as we work through the process, but the advice I have at this point is that it will not have a huge impact.

Ms FORREST - It appears it has been made in isolation without considering the impacts.

Ms GIDDINGS - No, I can assure you the impacts have been mentioned by other ministers. I think Nick McKim himself is the minister responsible for school buses. I have been advised that DIER had savings in that area but the two departments, Education and DIER, are meeting to work through that particular issue. It is the one minister who is responsible for both.

Ms FORREST - So school bus transport falls under -

Ms GIDDINGS - Through DIER, as the Minister for Sustainable Transport, Nick has responsibility for buses.

CHAIR - That is interesting. I thought that would have been under Infrastructure.

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Ms GIDDINGS - It is under the Department of Infrastructure, Energy and Resources, but Nick is one of the ministers who oversees that department. He has Sustainable Transport and buses and school buses are part of that.

Mr WILKINSON - There are a number of criteria in relation to school closures, are there not?

Ms GIDDINGS - There are. Here we go, school criteria. Do you want me to go through it with you?

Mr WILKINSON - No, just if you can give me the number, please, that is probably the easiest, the number of criteria that you are looking at in relation to how far you are away from the schools in relation to numbers of schools et cetera.

Ms GIDDINGS - Five.

Mr WILKINSON - So if a school meets four of those criteria for non-closure, but does not meet one, do I take it then that it does not meet all the criteria and therefore the school does not close? In other words, it has to tick all the boxes in those five criteria that you talk about for it to close?

Ms GIDDINGS - Obviously it would be better to ask the Education minister for the detail and the Education department, because they are their criteria.

Mr WILKINSON - Sure, but do you understand it as that?

Ms GIDDINGS - My understanding of it is that the first criterion they have to meet is that there is a threshold for primary schools of 150, and one for secondary schools combined of 300, and if you are less than that then you go to the next question - are current or predicted enrolments below the recommended minimum? So I presume if your predicted enrolments go over 150 in a primary school, for instance, the answer to that is no and you will not be recommended for closure. And then it is about access - is the school less than 45 minutes from the nearest available school? If the answer is no, you will not be recommended. But up to 20 schools have already been through these criteria. That is why they have been talked about as named, and these are the criteria that Cabinet signed off on. We did not sign off on the schools. We did not know until the week of the Budget effectively what the schools were. And then the next criterion is if there is another school at less than 45 minutes from your school, the question is, does that school have the physical capability or capacity to be able to take those students on and sufficient capacity in teaching and learning areas? Can they take more students, and if the answer is yes to that then it is the education provision - are there concerns about the school's capacity to provide a full curriculum taught by qualified teachers? So they are fairly in-depth criteria that have been used.

Mr WILKINSON - I understand that. In relation to primary, what you are talking about is K to 6, I take it.

Ms GIDDINGS - Yes.

Mr WILKINSON - Is that right?

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Ms GIDDINGS - I presume so. You would be better to clarify that with the Education minister, but that is my lay person's understanding of primary.

Mr HARRISS - Last year's Budget, Premier, of course set out some budget management strategies, just as there are strategies in this Budget. The expectation last year was to save around three-quarters of a billion dollars over the forward Estimates with about the equivalent of 800 positions moving out of the public sector to help deliver or start to deliver those budget savings of three-quarters of a billion over the forward Estimates as set out last year. How many of those savings have been achieved in the current year about to end?

Ms GIDDINGS - Are you talking about the 2010-11 or 2009-10 Budget? It was the 2008-09 Budget you are talking of.

Mr HARRISS - Yes, sorry, but the budget management strategies last year reported on that, continued to give us an update of where it was heading, so how many of those processes were met and how many separations were there to help achieve those savings?

Ms GIDDINGS - We do not have any figures for that here now.

Mr HARRISS - Can you get them, as I would have expected there would have been some reporting back to the Treasurer, and through Treasury, so that you could monitor what was happening, whether you were achieving the strategies?

Ms GIDDINGS - I am advised it is embedded in agency allocations, and again PSMO can talk to us in terms of the staffing elements of that when they come. But it is not easy to get that information for you. Obviously we have had problems in Education and Health, where we have had to put additional money into both of those departments.

Mr HARRISS - So while the staffing issues were fundamental or central to the delivery of savings because of the declining GST revenues, am I hearing that there is no reporting back to the central agency - Treasury - as to the achievement of those savings?

[10.15 a.m.]

Ms GIDDINGS - My advice is that the agencies other than Health and Education did deliver against their savings and that their savings was a quantum of funds again, not necessarily a specific numbers of jobs. It is an equivalent-of figure and not an actual figure. The other agencies, my understanding is, did provide their savings but Health and Education, for various demand pressure reasons and remembering that frontline service of teachers and nurses were protected during the GFC, their costs have blown out to the extent that we have had to find additional funding and I thank the upper House for supporting that appropriation bill that went through a couple of weeks back to assist with that. Again, a lot of that has been in Health with the employment of more nurses and allied health staff and they are difficult areas to stop.

Mr MULDER - The point though is, can we have confidence in your new reporting mechanism that you are putting on about your budget strategy if you have so much difficulty getting your report on the previous one?

Ms GIDDINGS - No, I just told you that the other agencies all delivered their saving strategies.

Mr MULDER - We need that as a central document and there were some difficulties in getting that rather than a report that says how we worked last year.

Ms GIDDINGS - I think, Tony, the issue was the question was very specific on jobs and things and the answer I have been able to provide from a Treasury perspective has been that there was a global allocation of savings provided to agencies and all bar Education and Health delivered those savings.

Mr MULDER - My question though is, in the new reporting regime that you have spoken about, will that be documented so that we do not have to ask and you do not have to get advice but it will be upfront; in other words, progress on the budget strategies is being monitored?

Ms GIDDINGS - Yes, and I have been through that already and I think you will find that I am probably the most open and transparent Treasurer you have ever seen before.

Mr MULDER - You are the only one I have known.

Ms GIDDINGS - That is for you, but in terms of the information that we are providing I do not think there has ever been a budget with the level of information that we have provided in this Budget. My experience as a minister has been, do not mention the cuts, wait for the members of parliament to ask you the questions and then you might have to admit to them.

Mr WILKINSON - You would not agree with that though, would you?

Ms GIDDINGS - That has certainly been the culture of the past and I think this Budget has been very upfront with where we have already made decisions around cuts. Every minister had a media release out on budget day which articulated where the cuts were in their budgets as well and with this almost a form of quarterly reporting, we will be making public what savings have been achieved and that has never been made public before either, other than the midyear report and the Budget, of course.

CHAIR - You would not mandate quarterly reporting?

Ms GIDDINGS - No, I am not going to mandate but it is our intention to provide that, as I have outlined today.

CHAIR - I think, as I understand, we used to have quarterly reporting.

Ms GIDDINGS - We already have mandated the post-June, end-of-financial-year report and that is a mandated report that comes out in October. The midyear financial report is a mandated report and obviously the Budget is a mandated report. They are virtually all mandated already, it is just that the reports that we will add in are the saving strategies.

Mr HARRISS - Notwithstanding, Treasurer, you indicate that it is a transparent Budget, and so it should be given the circumstances, but commentators in the past have indicated we have progressively got our budget papers into a really good state. People like Saul Eslake have said that we have more information year on year. That being the case, is it not true that there is one element missing from the Budget to make it abundantly clear of what a major problem is here and that is the over-expenditure? It is hardly mentioned.

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Ms GIDDINGS - I do not know that that is true and in all of the presentations that have been made, I do not know if the graph is in the budget paper or not, but we have been very open about the fact that we have been spending more than we are earning. In fact that graph there that we have had both in the midyear financial report and also in this Budget as well has been widely shown around. Umpteen presentations have been made showing that because that articulates the case for change. So it is a critical bit of information. It shows a structural problem too, of course.

Mr HARRISS - The budget papers, when drawn up, give us the estimated outcomes and that is on top of the midyear financial report. If, though, by the time, in two days, it is shown that departments exceed their budget by more than the estimated outcome, even though that was only a couple of weeks ago, will that require a greater level of savings to be made to make up for that? It might only be a modest amount per department but aggregated as against the estimated outcomes which are set out in the Budget.

Ms GIDDINGS - If we do not abide by our savings, we risk going into net debt.

Mr HARRISS - Yes, but I am suggesting there might be something coming on top of that.

Ms GIDDINGS - The message has to be very strong to all government departments that their budget is their budget and they have to stick to it.

Mr HARRISS - No, that is into next year. The estimated outcomes in the Budget are the best guess you can make in the Budget when it was being put together; the estimated outcomes for this year. If they creep over, so that when we get the Treasurer's annual financial report, we find that it was, in fact, worse than the estimated outcome, you have that compounding effect.

Ms GIDDINGS - There is that risk. GST could go down further.

Mr HARRISS - Or spending may have been exploded in the last few weeks. Not exploded, but sneak over?

Ms GIDDINGS - It is unlikely that would be an issue. But, as you say, budgets are projections, they are estimates we know that we have to stick closely to those estimates or we will end up in net debt and we just cannot afford to go there. We are only \$53 million away from going into net debt in the 2011-12 year. There is no flexibility to deal with blowouts.

Mr HARRISS - In addition to that then, the midyear financial report rang alarm bells for everybody. Have all the savings required from the midyear financial report process been fully met?

Ms GIDDINGS - The decisions that were made in the midyear financial report were followed through. Cuts were made to the IT area that was part of that. The other savings we found were the Cosgrove Specialist Sport School, the events attraction program was cut, helicopter emergency medical service has been followed through, in the ministerial restructure we found \$1.7 million worth of savings in the ministerial offices, the Renewable Energy Loan Fund was cut and we did not go ahead with withdrawal of police from prisoner transport and court security. In terms of the advised equity policy for government businesses, that is in progress. TasRail has been shifted across to Transend's balance books, so that has been applied. Those savings we anticipated to be around \$158.6 million and I would presume we have met them. They are all embedded, they are all there.

Ms FORREST - Premier, I noticed that in your agency savings strategies, Treasury and Finance have to save \$10.5 million over the forward Estimates period. I note also that Treasury and Finance is one of the agencies that did quite well as far as their expenditure goes and did not blow out too much. I am interested in how you are going to trim, which would appear to be a fairly lean machine anyway, how you are going to trim that extra money off it?

Ms GIDDINGS - Off Treasury? That is a very good question and Martin Wallace can tell you what has already happened and the cuts that have been made or will be made.

Mr WALLACE - Since the midyear financial report, we have used a range of measures to both create vacancies and also to identify roles that may or may not have a reduced level of service but are considered to be not absolutely essential. Since the midyear financial report we have reduced our budgeted FTE number by 21. In 2010-11, this year, we have funded FTEs of 332 and we are now down to funded FTEs for 2011-12 of 311. We have used a range of measures, including workplace incentives. As a vacancy has come up, we have said, 'Is that vacancy an essential position to be filled? Can we fill it at a lower level?' As well as that, we have looked at roles that exist in Treasury that are no longer essential and we have moved people with the right qualifications from the roles that have been abolished into other vacancies that have been created. We use things like the workforce incentive program to do that, so we have this reduction in FTEs of about 21.

Ms FORREST - How much has that saved?

Mr WALLACE - In a full year it is probably around the \$1.5 million mark. As well as that, we have taken a range of other non-salary changes. We have closed our library service, we have reduced subscriptions and cost of professional memberships. We funded professional memberships where we felt that was important for a person doing their job. Now, apart from things such as CPA qualifications, which is an essential part of the job, we basically require to fund those themselves. We have reduced consultancies where we use those for internal purposes. We have reduced our recruitment costs because obviously we are not going to be doing any recruiting. In our revenue in liquor and gaming areas we have looked at more efficient ways to provide the service or collect the tax and we encourage taxpayers to use the web-based services we have. We have been through, fairly thoroughly, the processes we use in those areas of the department, to drive efficiencies to allow these roles to be abolished without a reduction in service.

Ms FORREST - How much would you spend annually on consultancies?

Mr WALLACE - It really depends on each year.

Ms FORREST - Do you have those figures for the last couple of years and the budget for it for this year?

[10.30 a.m.]

Mr WALLACE - During 2010-11, until the end of May, we had engaged 12 consultants at a value of greater than \$10 000 at a cost of \$890 000 - that includes GST - and 38 contractors at a contract value of greater than \$10 000 at a total cost of \$1.6 million. I have a list of those, they are reported, as you know, in our annual report and we will report them again this year. Treasury basically runs the central process for the selection of directors for government companies,

statutory authorities et cetera. We have a consultancy firm which supports that through the executive search arrangements, that is almost \$200 000 per annum. On that particular one, we have put in a more streamlined process for that to save money. We have saved one FTE in Treasury through that. Other things were the consultancy we did in relation to the Brooke Street Pier development about what you could do with that and what benefits or costs were associated with that. We pay for actuarial services and in this financial year that was with Mercer. We made a contribution to the RACT fuel watch program. That was \$50 000. I am just picking out some of the major ones. In our economic regulation there was a very technical issue in the National Electricity Market around frequency control ancillary services where as a result of an ACCC investigation we were asked to look at that, so that was a \$100 000 consultancy to get technical advice on that issue. We have spent about \$159 000 on legal advice, mainly for these major projects we have - Parliament Square, et cetera - and they add up to around the \$890 000 mark for this financial year up to 31 May. Another one is our auditing services, which is one of the items that we have cut back next year to focus the internal audit activity on the high-value areas. So these are some of the things that we have looked at in terms of our cost savings.

Ms FORREST - Thank you.

Ms GIDDINGS - I will just give this information quickly in terms of Mr Harriss's request. The expenditure review committee comprised Michael Aird as Treasurer, and also Doug Parkinson as Leader of Government Business in the Legislative Council. I think he was sitting on a budget committee at that time as well. The ERC met 12 times between February 2009 and January 2010, which was before the State election of course, and after the election it did not meet, but its role has been embedded into the budget committee process, so all of those oversight issues are now within the context of what budget committees' responsibilities are.

The committee suspended from 10.32 to 10.48 a.m.

CHAIR - Regarding the forestry round-table process, could we have a breakdown, please, of what that process has cost so far?

Ms GIDDINGS - Can I suggest that you talk about that in the Department of Premier and Cabinet because it is much more in that portfolio area and my adviser on it will be here for that portfolio area?

CHAIR - Okay.

Ms GIDDINGS - I am happy if you have some questions but mostly it would be with Premier and Cabinet.

CHAIR - I was trying to get a breakdown of costs involved with Treasury.

Ms GIDDINGS - It is not a Treasury issue. In fact, I think DIER are the ones who have been carrying the cost and that cost was reported overnight.

Mr WILKINSON - Can I ask a question then, Premier, or it might be better asked in DPAC. Treasury have been in discussions with Gunns, I understand. Could we ascertain when that was?

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There are a couple of questions I wanted to ask, if I can, because it is a Treasury matter, I would argue, if they were entering into those discussions.

Ms GIDDINGS - There have certainly been some discussions and certainly Treasury, in this process around the funding for Triabunna woodchip mill, have been involved in providing advice to me around the TDB recommendation for a loan. Mostly, the forestry process has been run by the Forests minister and also with me, through DPAC.

Mr WILKINSON - Are you able to help us or do want me to ask the question of DPAC as to when Treasury first entered into discussions with Gunns?

Ms GIDDINGS - I do not know, Martin, if there is anything you particularly want to say or address but primarily it is, as I said, a responsibility for me in my DPAC Premier role and not in my Treasurer's role.

Mr WALLACE - There are issues around forestry including the possibility of Commonwealth funding which is a Treasury responsibility which come into play here. Yes, Treasury has been involved with other agencies because of the links with Treasury-type issues. Forestry has been a complex set of issues and there have been various discussions going on around what happens if the statement of principles gets agreed. That is all I was really intending to say, that of course Treasury is involved in those things because there are some financial implications.

Mr WILKINSON - Are you able to say when you first entered into negotiations with Gunns?

Mr WALLACE - It depends what you mean.

Mr WILKINSON - By Treasury.

Mr WALLACE - It depends on what you mean by negotiations.

Ms GIDDINGS - What negotiations are you referring to?

Mr WILKINSON - Negotiations with Gunns in relation to any payments that may be paid to them as a result of moving from native forests, for example.

Mr WALLACE - I would not call them negotiations. There was an involvement in a facilitation role to bring certain parties together but I think what you are referring to was not a negotiation between the State and Gunns. It was a facilitation of bringing that company together with another party. That is what it was about.

Mr WILKINSON - Are you able to say when you first started to discuss the prospect of buying back sawlog contracts from Gunns?

Ms GIDDINGS - It is not really his issue at all, it is more an issue around a very complex process that has involved the Premier and Cabinet and Infrastructure, Energy and Resources.

Mr WILKINSON - Do you want me to ask the question of Premier and Cabinet?

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Ms GIDDINGS - Yes, it is better to be asking those sorts of questions there because they are quite technical and also there are legal implications to a number of those questions that you have to be very cautious of.

Mr WILKINSON - Yes, even though it involved Treasury, you want me to ask it in DPAC as opposed to -

Ms GIDDINGS - Yes, because Treasury is more in terms of if this or that scenario occurs, what is the bottom-line impact on the State Budget. In discussions with the Commonwealth around the statement of principles of course is what they believe the State should be contributing, and where and what we believe we would have to have as almost a form of compensation and also recognition of the ongoing costs of managing further reserves if there are further reserves. They are very complex issues and at the moment nothing is finalised at all with anything because the statement of principles process only came to some conclusion - and it is not even clear yet if it is a final conclusion - last Thursday. While there have been preliminary discussions with the Commonwealth, a lot of it relies on this statement of principles.

Mr WILKINSON - I understand that and that flows from when the first conversation took place and at this stage I do not want to ask that question but -

Ms GIDDINGS - There have been conversations, Jim, with Gunns over all of this period. Gunns are a major player in forestry and therefore of course there have been continual conversations leading up to their decision to withdraw from native forests, post the decision to withdraw from native forests, through the statement of principles process because they are the domino trigger for all of these things happening.

Mr WILKINSON - I understand that and that is why I ask when Treasury first entered into discussions with Gunns in relation to the prospect of buying back sawlog contracts from Gunns.

Ms GIDDINGS - But they have not.

Mr WALLACE - I think the dilemma is not as your question implies. Basically there is a whole range of parties who have issues trying to come together - potential Commonwealth support if the statement of principles is agreed, so there are negotiations with the Commonwealth and the State - so what does that mean? What roles do the two levels of government have if the statement of principles is progressed? What needs to happen if they are to create the outcome that both governments want? The conversations that have occurred with various parties - and they have been going on, as the Premier said, for some considerable time; Treasury has always been involved through their Forestry Steering Committee - it is a continuum of conversations with the Commonwealth, Gunns, other industry players and various things. That is really all I can say on that.

Mr WILKINSON - All right. I might ask in DPAC and see how we go there. It may be the best way at the moment. Thank you.

Ms FORREST - Chair, I have a Treasury matter. What capacity does the State Budget have? We know it is an unknown quantity which way things are going to go here, but the Commonwealth, I imagine, would not want to stump up too much cash without the State having some scheme in the game too, so is there any capacity in the State Budget to provide significant or any financial compensation or support for the industry?

Ms GIDDINGS - Very limited, which is why the Commonwealth is absolutely critical in this whole process. And the issue here is that it is in that sense that the Commonwealth would be asking us to give up resource that is of an economic benefit to the State and, as has happened when previous decisions have been made around these things with Helsham or the RFA and the like, we have effectively received compensation for that economic loss. But we are not just concerned about the economic loss. We are also concerned about the ongoing maintenance. And then there is another complicating factor to all of these, which is the new carbon economy and how locking up more trees affects the carbon economy and who gets a benefit of that carbon as well.

Ms FORREST - And probably people who rely on employment in the forest industry.

Ms GIDDINGS - Yes, absolutely. The issue here is that you have Gunns themselves, who are a major player, pulling out here -

Ms FORREST - A commercial decision.

Ms GIDDINGS - a commercial decision to pull out. The existing industry players still have their resource available to them, and that is what we have wanted to protect and make sure through any statement of principles process that Ta Ann, the small sawmillers and so on still have access to their resource that they need to be sustainable. But the reality is the forest industries are not in a very strong state at the moment, and that is highlighted by the fact that Gunns have found it difficult selling their assets in the forest industry like Southwood, like the one at Scottsdale and elsewhere; there is not a major market out there at the moment in forestry.

Ms FORREST - Should we be compensating a private company for a commercial decision they make that has flow-on impacts on the rest of the industry?

Ms GIDDINGS - That is a hypothetical situation, so you can answer that yourself in that sense.

CHAIR - Okay. We will keep moving along in the overview, remembering that we do have a lot of outputs to get through as well, Premier. One matter that I would like to raise is on red tape reduction, and the budget papers talk about a new online portal for businesses, and further action in the Economic Development Plan. I contend that it is really only a tip of the iceberg, and I asked the previous Treasurer about this several times, and other States have made very significant savings in this area, in fact all other States. I suppose the question is why has the Government not taken the opportunity to do more to reduce that red tape given that there could be possible savings to the Budget?

[11.00 a.m.]

Ms GIDDINGS - We have, and in fact we worked through the COAG process. I cannot remember what the actual title of the COAG group is, business review or something, which is driving the reduction of red tape across the nation. We are a keen participant in that COAG group. These sorts of initiatives are trying to find other ways of making life easier for people in business. Obviously the Economic Development minister will be able to give you more detail on the business online portal. My understanding is that that now provides a one-stop shop for business people to enter through that portal. Any process they have to go through, regulations,

licensing, that will all be there and accessible to them through that portal. I believe there will also be a call centre attached to it, so you can speak to people in relation to it.

Cutting red tape is important where you can cut red tape and we are constantly looking for that. One of the central program reviews we are looking at in the community sector rather than the business sector is around community grants. We have umpteen community groups that are having to apply to umpteen different grants over the course of a year. If you go to a neighbourhood house they will tell you that every other week they are writing out another grant application. Because a lot of these grants are recurrent, they spend their time, 'This year we'll go for this one. Next year we'll go for that one', and 'The year after they might have forgotten they gave us a grant two years ago, so we'll apply for that one again'. It is just silly. One of the things we want to look at is what is happening in community grants and how we can cut red tape in the community sector as well as in the business sector. Unfortunately, I think ideas like we have seen from the Liberal Party of bringing in legislation that says for every regulation you bring in you have to cancel two regulations is ridiculous. You would get to a point where you had absolutely no regulation in the State. We might not like red tape, but we all understand the importance of regulation.

CHAIR - I wasn't aware of that.

Ms GIDDINGS - I doubt it will ever get up to your House, thank goodness, unless the Greens do something strange because we certainly won't be supporting it.

CHAIR - You never know.

Ms GIDDINGS - Unless you have a member here who wants to initiate it, I doubt you will ever debate it.

Mr WILKINSON - Are you suggesting they will do something strange?

Ms GIDDINGS - No, I don't believe they will because it is a ridiculous bill. It is just a bit of populism, saying 'We will cut red tape down to the point where you have nothing to ever worry about' and that is stupid.

CHAIR - That is an argument for another day, I suppose. I will be talking to the Minister for Economic Development about that on Thursday.

Premier, we are talking about the improved returns from government businesses and table 4.2 sets out how the Government is taking a significant amount extra from government businesses through the revised dividend policy. Given that the weight of extra cash is coming from Aurora and Hydro, and both these businesses have suffered some pretty serious financial issues in the not-to-distant past, are we not going to place them under significant pressure? How do you justify taking that extra cash out of those two businesses when they have their own cash flow issues as well?

Ms GIDDINGS - It is important to remember that it is an after-profit dividend, so they factor in their costs of business before that profit is calculated. We don't believe that this is going to cause any problems to the GBEs. Obviously they would prefer not to have to provide 70 per cent, as in the case of Hydro, but they accept that those are the policy parameters that Government has set them and they will work within those parameters. They have not said to me that it means, for

instance, that the Musselroe project has been put on hold or anything. I understand the Musselroe project is still going ahead.

CHAIR - You mentioned Hydro, but what about Aurora?

Ms GIDDINGS - Last year Aurora was not asked to pay a dividend, even though they did end up making a profit. We did not take a dividend deliberately. This year we are in a position where we need to take a dividend from their profits and I think we are right to do that. It is not going to damage them either. We are still not taking a dividend from the TT-Line and we do not intend to, but in our memory we do not remember government ever taking a dividend from TT-Line. TT-Line is not far off having paid off its debts, but it is not far off incurring new debt because of the need to either radically refurbish the current ships or purchase new ships, which they are looking at. In order to protect that business, we have not asked for any dividend. MAIB, we have a reduced dividend and that is in recognition of their business, that they need some support at this point in time. What we have done with all of this is, Martin has initially had consultations with the GBEs around the dividend policies. I have met with the GBEs in conversation around their corporate plan and at no time in those meeting have any of them said that our dividend policy is putting an unfair burden onto them that they cannot sustain.

CHAIR - Just on the MAIB, my recollection was, from the last Estimates, unless something has happened that I have not been across, that they were travelling pretty well and that they have been travelling well and they were probably the most secure of any of the GBEs.

Ms GIDDINGS - Yes, and they are still not, in that sense, in financial difficulty. But I think the downturn, the GFC and the impact on shares has had some impact.

CHAIR - Yes, they have quite a large portfolio.

Ms GIDDINGS - Yes, and the Public Trustee is in a similar situation in that respect. This is where we work on a case-by-case basis. If, during the course of the year any of our GBEs came to us and said, 'We have a serious problem here, we need to talk', of course we would have those conversations with them.

Mrs ARMITAGE - Under Treasury and under public service cuts are you able to provide the full-time equivalent employees of DHHS, not including medical and then including medical -

Ms GIDDINGS - I cannot through Treasury. Mostly that would be through Health. Ask the Health minister for that detail. PSMO may be able to help you.

Mrs ARMITAGE - No, that is all right, I can send an e-mail to Michelle. With the public service cuts and the \$100 million that you were talking about earlier, about skimming off, I wondered how heavy DHHS has become, particularly with the non-medical side of it.

Ms GIDDINGS - I think you also have to remember the context. With DHHS, you are talking now of a \$1.8 billion budget; \$100 million from the \$1.8 billion is reasonable, I think, in the circumstances.

Mrs ARMITAGE - I appreciate that.

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Ms GIDDINGS - But there will be positions that are not filled through job vacancies and there is the early retirement scheme that is available there too and there will be some jobs that go.

Mrs ARMITAGE - It was just where the \$100 million was coming from, whether it is coming from, perhaps, positions in the public service; as long as it is not affecting patient care, that was the issue there. I was just wondering about the cuts to do with the public service sector.

Ms GIDDINGS - Decisions will certainly be made with patient care at the forefront of our minds but we have not been able to protect front-line services like we did during the GFC, so there may well be some positions that go. Obviously, if an ICU nurse resigns, we need to replace an ICU nurse, otherwise that would damage critical care.

Mrs ARMITAGE - I am more concerned, though, with numbers in the department as opposed to in the hospitals.

Ms GIDDINGS - Of course the department will be looking at their own, but over the years, while Health has not necessarily achieved its budget savings, they have restructured and they have reduced the central agency as well, and part of that was also pushing some things out into hospitals' administration. That is, arguably, good and bad. People hate central agencies because central agencies put the screws on and they want to have their own control. But unless they have the discipline in that control then we may end up having to pull it back into central agencies at a time like now because we have to find those savings. But they are decisions for the minister to make with her agency.

Mr HARRISS - Chair, the Treasurer appreciates that the overview stuff encapsulates a hell of a lot of the line items and so if the Treasurer is happy to keep going down the track of the overarching stuff we could do so because, in essence, there is not a hell of a lot, by my judgment, in the line items.

CHAIR - You are right.

Mr HARRISS - The departments are being required to develop indicators of efficiency and quality. That is identified in budget paper 1 and they will be expected to report on those as to achievement, et cetera. Treasurer, will that reporting commence with the upcoming annual reports of departments or will it not happen this year in terms of reporting?

Ms GIDDINGS - The new process begins on 18 July, I think I mentioned. I think the first report that we put out is the September report that will be released in October, which will be talking about those process budget savings progress reports.

Mr HARRISS - Yes, that is those progress reports but the departments do have their annual reports.

Ms GIDDINGS - Not in the annual reports. We do not expect it to be in the annual reports.

Mr HARRISS - Would there be an intention to do that, say, next year in the annual report?

Ms GIDDINGS - My advice is that it is likely to be built into next year's annual reports in line with advice from the Auditor-General.

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Mr HARRISS - I think that would be productive, thank you. In line with that then, has the Government given any consideration at all to identifying or including agency staffing levels in the budget papers? Other jurisdictions do it, of course, so that at a grab, anybody can see what the agency staffing levels are at the time the Budget is brought down.

Ms GIDDINGS - We have not given any consideration to that at this point but we are happy to consider it. We have not considered to this point so I do not have any advice in relation to it but am happy to consider it.

Mr HARRISS - It is a possibility?

Ms GIDDINGS - A possibility.

Mr HARRISS - For next year's Budget?

Ms GIDDINGS - A possibility.

Mr HARRISS - I do not quite know, Chair, where wage agreements might fit in terms of -

Ms GIDDINGS - That is with PSMO.

Mr HARRISS - Yes, but the impact on the Budget - no, I was wanting to go down the track of wage agreements which are in the pipeline.

Ms GIDDINGS - It is all PSMO.

Mr HARRISS - Thank you, I appreciate that.

Ms GIDDINGS - We can tell you the quantum we expect to save but that is all in the budget papers.

Mr HARRISS - In terms of a policy then, from the Treasurer's point of view, given that there is the imperative for there to be staff separations one way or another, do you have any rules sitting around people who receive a redundancy?

Ms GIDDINGS - They are PSMO questions. All the details around workforce issues are really being handled by the PSMO and the central DPAC agency.

Mr HARRISS - With regard to the GST, because it impacts in a major way on where we track, when do we get the next assessment from the Australian Government as to the tracking of GST revenues, please?

Mr WALLACE - We get updates, I think it is every month or quarterly - I will just check with the secretary whether it is monthly or quarterly - on how the collection of GST in an Australia-wide sense has been in a particular month, compared to what the Commonwealth Budget was for that month. I have to say that those numbers jump over the place but it is very difficult to use that information. Officially, we get the latest picture of their estimate for the whole year and for the forward years at the time of their midyear report. That is when we officially get their view of what do these last few months mean and what is the outlook for the future.

[11.15 a.m.]

I think the ATO sends through information about how much GST was actually collected nationally in a particular month. Of course then there is the issue about Tasmania's share is of course a function of the relativity and the population, so that population change can impact on our share of that pool. We do have information we can look at to see how things are tracking, but it is not collected by us so it is very difficult. Most States use the Commonwealth estimates and projections of GST rather than trying to do their own, because they are the ones that are best placed to do it. At the end of the financial year, of course, they will know how much has been collected in the previous year, and then they make an adjustment to revenue in the next year, so in 2011-12 for unders or overs in that collection in 2010-11, and then I think the next official review of what the estimate looks like is in their midyear report.

Mr HARRISS - I go back to an earlier comment, Treasurer, when you were talking about emerging private sector investment. I then look at budget paper 1, which suggest that following the withdrawal of the Australian Government stimulus measures the future prospects for the construction sector are also uncertain, given the shortage of major new private investment projects in the State. How does that reconcile with your contention earlier that there were a number of major private sector investments emerging?

Ms GIDDINGS - It certainly has not got back to pre-GFC days, not by any stretch of the imagination. What I was talking about was that there are signs of an underlying recovery in the private sector, so in the last quarter, for instance, there has been a billion dollars of private sector investment, three consecutive quarters of growth in the private sector. So the indications are that there is in fact a rebounding occurring in the private sector, and we want to encourage that, of course, which is why it is disturbing when I hear the Opposition particularly talk the economy down on a regular basis. All of us should really be looking at where the positives are in the economy and talking about them and helping to build confidence, not destroying it.

Mr HARRISS - So what industry sectors specifically are indicating a resurgence or rebound?

Ms GIDDINGS - In agriculture there is certainly, even though we have had the closure of the likes of McCain on the north-west coast. In fact we are seeing investment in the vegetable industry and in dairy. I think the infrastructure projects in irrigation are helping to trigger the prospect of further investment. There are other things from walnut trees to hazelnut trees to blueberries. There is actually quite a bit. In mining, of course, we are seeing a rebound as well. We have seen one of the mines, the Hellyer mine, reopen in recent times. Of course forestry is in a difficult place at the moment, but our service industries are increasing as well. The NBN is absolutely important in terms of optic fibre in helping to promote further growth in that area, and the economic development plan certainly looks across the economy and where the growth potential is. I am advised here that Treasury only use confirmed projects in their forecasts, so it is not necessarily the full estimate of projects that are likely or could happen, whereas Economic Development tends to look at all of them, the confirmed and the possible, because they are working with these businesses looking to invest and trying to help them through that process. We are all aware of the likes of Wacker who have been hanging around in the silicon smelter area, and Wacker is not the only company that has been interested in that on the north-west coast. So there are some very good things, and here in the south in terms of construction there are a number of projects in construction that are going to take off, which will be very good for the southern area, including the redevelopment of the Royal Hobart Hospital, the redevelopment of the

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Tasmanian Museum and Art Gallery, as public projects. We also have the development of Parliament Square, which is a private development that benefits the public sector. We also have developers such as Ali Sultan talking about moving ahead with the Montpelier Retreat car park development. We have the Myer development that is likely to start towards the end of the year. Within the next 12 months there are a significant number of projects that will start in the south of the State.

Mr WILKINSON - How about the The Springs project?

Ms GIDDINGS - My understanding is that that has been a very difficult project and I don't know that it is going ahead at this point.

Mr WILKINSON - It would seem to me that if there was a project up at the The Springs then a lot of other projects may well bounce off that. If the negotiations were to fall over with Ali Sultan, are other people able to then enter into negotiations with the Government to proceed in the The Springs area?

Ms GIDDINGS - To be honest, I don't have that level of detail around that. I think that is more a local Hobart City Council issue. You might ask the Economic Development minister, he may have some more information at hand.

Mr WILKINSON - I am just bringing up the *Hansard* of yesterday in relation to those questions with Treasury, Forestry Tasmania and Gunns. There was a question relating to Treasury meeting with both FT and Gunns, and, as I understand it, your answer was, 'Yes, we've been doing that for some time'.

Mr WALLACE - The State has been doing that for some time. Treasury is involved, and it is not just those two companies. Our involvement has only been actively in the last few weeks.

Mr WILKINSON - There was an answer from Mr Rutherford:

'I think Treasury have had a conversation with FT about the view of the contractual situation. We don't have quotas that belong in the same way. It is not like -

Mr BOOTH - It is a crown allocation and answers to Crown. I am just trying to understand how far down the track we are with the Commonwealth and the discussions, with Treasury and FT and Gunns.

Mr RUTHERFORD - I do not know because those discussions have been going on with a view to resolution. My understanding is no resolution has at this time been reached.'

Which is what we have said -

'How long have these discussions been going on for?'

And that is what I am trying to find out.

Ms GIDDINGS - What was the answer to that?

Mr WILKINSON -

'Mr RUTHERFORD - Not very long, to my knowledge.'

I am wondering if Treasury can assist with that.

Mr WALLACE - Treasury has been involved with other agencies in various conversations to bring various things together. My understanding is that discussions with the Commonwealth and various industry parties have been happening for a while. I am happy to say that my personal involvement has been in the last three weeks, but whether that is an answer to the question about how long Treasury has been involved, I am not quite sure.

DIVISION 11

(Treasury and Finance)

Output group 1

Financial and resource management services

1.1 Budget development and management -

Ms FORREST - I would like to go through the new fiscal strategy. I note that the net operating surplus is being used as a measure there to determine budget sustainability but I question whether this is most appropriate measure being that the operating balance or surplus or deficit, whatever it turned out to be, incorporates specific purpose payments and national partnership payments, some of which have a capital expenditure aspect in that the outgoings do not reflect in the measurement of the net operating balance.

Ms GIDDINGS - That is right.

Ms FORREST - I noticed that the Auditor-General, when he reported it last year, he redid the cash flow statements to exclude the stimulus grants from the operating cash flow and included the capital grants as investing. I think he was probably making a point that the capital grants and operating cash flow can be misleading.

Ms GIDDINGS - Yes, and we agreed with that which is why we have also always reported the underlying net operating balance.

Ms FORREST - But the underlying net operating balance was only to exclude the grants from the Commonwealth under the economic stimulus package.

Ms GIDDINGS - No, it is any Commonwealth grants.

Mr WALLACE - The underlying takes out capital funding because that gets treated as revenue under accounting standards, so if you do not take it out, you get a misleading impression of operating revenue.

Ms GIDDINGS - But it is any capital the Commonwealth give us that is not linked to stimulus money.

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Mr WALLACE - That is right, it is any capital the Commonwealth give us.

Ms FORREST - Even though you have specific purpose payments and national partnership payments, some of which are for recurrent?

Mr WALLACE - Most of them are recurrent but in recent years it has been any amount of capital.

Ms FORREST - Do you then separate out the capital components of those grants?

Mr WALLACE - Yes.

Ms FORREST - So you take out all the Commonwealth funding?

Mr WALLACE - You take capital on what we would conclude is capital, which is major capital funding from the Commonwealth. The fiscal strategy target has been adjusted to reflect that. The reason for those targets is that that is what the headline number needs to be, given our projection of capital grants in order to achieve our fiscal strategy surplus expected to be taken into account in the determination of that actual target.

Ms FORREST - What was that, sorry, it is a bit hard to hear.

Mr WALLACE - The reason that the net operating surplus is a straight net operating balance number, rather than an adjusted one, in that table, is that it takes into account already this impact of Commonwealth capital grants. So it says, here is the net operating surplus we need to see, after that is adjusted to ensure a sustainable budget.

Ms FORREST - Are you telling me that every aspect of capital grant from the Commonwealth is removed?

Mr WALLACE - Sorry, what I am saying is, this is not an underlying measure.

Ms FORREST - No, in your underlying measure, though, are you saying that every aspect of it is and so then why wouldn't you use your underlying?

Mr WALLACE - No, because it is already taken into account. What we try to do is make sure we have a small number of good measures and I think the point you are making is, why isn't that underlying. It does not matter because in the target, we have a forward projection of what the capital grants from the Commonwealth are. So this is what the headline number needs to be to be a sustainable budget.

Ms FORREST - But the outgoings of capital grants do not, they are not affected.

Mr WALLACE - It does not matter. It just matters for what the target is because, so long as you take this effect into account in your target, you do not need to have underlying as a fiscal strategy measure. Do you see what I mean?

Ms GIDDINGS - I think the important point too, Ruth, is that while the fiscal strategy table only talks about the net operating balance, the actual underlying net operating balance information is there, as published. In budget paper 1 on page 3.5, there is a table which shows the major

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capital projects funded by the Commonwealth that have been taken out to get that underlying balance. Of course, in this year's paper in the fiscal strategy we have also put the interim fiscal strategy's targets there.

[11.30 a.m.]

Ms FORREST - I appreciate that but this table that you are referring to at 3.5, the way it reads, to me, does not include the specific purpose payments or national partnership payments. It talks about the Nation Building payments and the Royal Hobart Hospital and Water for the Future but it does not include any specific purpose payments or national partnerships.

Mr WALLACE - The capital element of most Commonwealth payments is not very significant, it is pretty minor, and it could be argued that it is occurring because of the materiality issues. As I said before, this takes into account what is really major capital.

Ms FORREST - What purpose would the Auditor-General have in redoing the cash flow statement? The Government has a cash operation to some extent because you have revenue coming in for a variety of reasons; you have Commonwealth and State revenue coming in and you have payments going out. If you do not have a sustainable cash position - or should that be reported as well as the net operating balance?

Mr FERRALL - When the Auditor-General did his underlying position he took exactly the same figures as we did.

Ms FORREST - Yes, I am acknowledging that but he did it on the cash flow.

Mr WALLACE - I think the important thing here is that in the fiscal strategy target the reason that we have the number we had is that it is a publishable number under the uniform reporting so people can say that is an actual number. Every year, though, we publish the underlying position and the underlying position impacts on the cash position so it is the same thing for, say, transparency but one of the key features of the target needs to be something where you can go to an audited or a uniform reporting framework and say that is the number to add a transparency so it enhances transparency to do it that way.

Ms GIDDINGS - Am I right in saying though, too, that where you have NP money that is recurrent that is built into the -

Ms FORREST - I am not talking about the recurrent funding, I am talking about the capital aspects of that.

Ms GIDDINGS - The capital has been clearly flagged - the major ones.

Ms FORREST - They are but I think they are not included, though, potentially. They are not listed in that table anyway on point 3.5.

Ms GIDDINGS - What is the one you are talking about?

Ms FORREST - It is any of these specific purpose payments or national partnership payments that have capital components within them. The secretary has indicated that there is not a lot of that.

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Ms GIDDINGS - Most of that would be recurrent like for the Health department and that sort of thing.

Ms FORREST - One of the other fiscal strategies that you have there is the capital expenditure in excess of depreciation. The target only has to be graded on \$1 effectively by this measure and I am just wondering what sort of value that is. If you are not exceeding your investment capital expenditure by more than \$1 in excess of depreciation you are hardly investing much in capital expenditure, are you? I am just wondering why the target is set so low.

Mr WALLACE - It is in excess of depreciation. Depreciation is at least \$200 million a year and if you get the number that is issued, \$250 million a year. Traditionally, the capital program or prior to the GFC it was about - I cannot remember the actual details - \$170 million to \$200 million. I would have to have a look at the depreciation numbers but I think that is well in excess of \$200 million so a target that says you have to spend at least this much on capital expenditure, I would have thought, is a pretty reasonable target. It is a measure of sustainability of private sector infrastructure because with economic depreciation that is how it is calculated in the accounts and that should take into account effectively the real terms diminution in the value of your stock, so saying greater than the depreciation allowance should be giving you a sustainable level of public infrastructure investment.

Ms FORREST - My point is, if it is only \$1 above depreciation - and I understand what you are saying, that the entire stock has a level of depreciation - that is not a very ambitious target.

Mr WALLACE - As you know, we are spending in the last couple of years and in the next couple of years much greater than that and as the Government goes forward - this is just a floor, this is saying no less than. That is what they are saying, no less than that amount, and the amount I think is \$231 million increasing to \$274 million depreciation charge, so it is a significant amount of money. It is not a dollar.

Ms FORREST - But then forward Estimates do drop away from \$286 million down to \$272 million.

Mr WALLACE - Yes, they drop back more because the last few years have been abnormal because of the Commonwealth stimulus and the matching State contributions et cetera. It just falls back to a more normal, sustainable level. That is all it is saying.

Ms FORREST - This may be a Finance-General question as well, but it does relate to this issue - the retirement of the unfunded superannuation liability was included in the interim fiscal strategy and the fiscal strategy previously. It has been taken out. As far as the extinguishment of this by 2035, what is the plan or situation there?

Ms GIDDINGS - That basically still remains as a target in that respect, but superannuation is quite - we had an interesting discussion yesterday about it, because basically the key to superannuation is that you can actually at any given time meet your liabilities in regard to that unfunded scheme or the defined benefits scheme, and we believe that we can meet at any given time the demand on that scheme, that it is in effect generational debt which, to ask this generation to pay faster or the like would be in that sense unfair. It is a debt that can be carried across, and it is being carried across.

Ms FORREST - So there is a debt?

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Ms GIDDINGS - Well, in that sense it is a liability more than a debt, and the issue is can we meet that liability and, yes, we can. But in a sense that target remains there in that way, but the issue really is about what you can do now, and we can meet our liabilities.

Ms FORREST - But you are on a knife edge as far as that goes.

Ms GIDDINGS - No, we are not on any knife edge.

Ms FORREST - The interest forgone is a cost to the Budget, is it not?

Ms GIDDINGS - No. This gets down to the complex discussion which Mr Gutwein failed to understand yesterday about the difference between, I think, the SPA itself being a provision account against being a sinking account. It is not a sinking account in the terms of an account that you place money in and you keep saving it up in that account. In accounting terms it is merely a provision account, so our savings in that sense are across our entire Budget in that way. Yes, we have lost interest on that billion dollars' worth of savings that we had, now that we have had to spend that saving, but those savings were not held in the SPA.

Ms FORREST - I am not suggesting they were, but the interest forgone is still a cost.

Ms GIDDINGS - Absolutely, and that is why -

Mr FERRALL - And you can see that in the Budget. You can see it in interest revenue as well.

Ms FORREST - Yes, so the Temporary Debt Repayment Account is not really mentioned - in a footnote I think on Finance-General - but do you want me to ask about that more when we get to Finance-General?

Ms GIDDINGS - It does not really matter. Are you going to have time to get to Finance-General?

Ms FORREST - Well, I will ask it now. The former Treasurer provided a balance back in November. What is the current balance in the TDRA?

Mr FERRALL - As at 31 May it was \$1.44 billion.

Ms FORREST - It was \$1.7 billion previously, from memory.

Mr FERRALL - No.

Mr HARRISS - I am referring to budget paper 1 where there is a whole range of things set out about the new fiscal strategy. There is a note there to the effect:

'As the State's financial position continues to improve, we will see work towards achieving the 2035 extinguishment date of the unfunded superannuation liability.'

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That suggests that right at the moment, with where we are at, we will not meet 2035 but that we have to take some measures to get back on track for 2035.

Ms GIDDINGS - That remains a target for us.

Mr HARRISS - A moving target.

Ms GIDDINGS - It remains a target.

Mr HARRISS - Treasurer, we already moved the target out a couple of years ago when the economic circumstances were pretty dire. Do you foresee in the next 12 months that the target will be moved out past 2035?

Ms GIDDINGS - No, I think the target is there but the real issue in relation to this is making sure that at any given time we are able to meet our liabilities on that superannuation, and we can. It is a target but it is not absolutely critical in what you need to be able to do in meeting that target. You use various elements in your budget to help manage your cash flows and strategies at any given time and we do that, but that target remains in place.

Mr HARRISS - For a few budgets now we have understood that the superannuation provisions are not fully cash backed - I do not know how many - and again we find ourselves in that position. Budget paper 1 suggests that with cash surpluses re-emerging, financial assets will rebuild et cetera and that the superannuation provisions will get back to a fully cash backed situation. Do you have any modelling to give you at least an indication of when that might be?

Ms GIDDINGS - We start heading back into surplus in 2014-15. That is sustainable surplus. The surplus we hit in 2012-13 is not a real surplus in terms of the underlying issues. Once you look at the underlying surplus, we start getting that in 2014-15 and the aim would be to see that surplus continue to grow in the out-years beyond that. This highlights again the reason that we have to take action now, so we can start rebuilding our cash.

Mr WALLACE - In terms of modelling, the critical issue here is not the size of the unfunded liability, it is the shape of the emerging cost curve because it is a bell-shaped curve. The critical issue is a budget management issue, which is to keep, as far as you can, the contributions from the Budget fairly regular so you do not have large increases and large reductions in the amount. One of the things we are going to look at, given the decisions in this Budget, is the new wages policy and, for example, the need to reduce the public sector over time. They will both benefit the future emerging cost stream over the next 50 years. What impact those have - they are the sorts of things we will look at. The emerging cost is the issue with superannuation and it is important and something we will look at. The target to keep financial liabilities under control is in the budget fiscal strategy, which is a net financial liability ratio, which is largely government business debt and the superannuation liability because, as you know, general government net debt is still negative. That is an important thing for rating agencies, to look at the total net financial liabilities, not just one component of it such as superannuation.

Ms FORREST - Won't there need to be not just getting into a surplus but into a position where there is significant surplus to cash back some of these accounts? We have the SPA, the Tasmanian Risk Management Fund and the special capital investment funds. If they are going to be cash backed, it is not just a matter of getting past the zero point.

[11.45 a.m.]

Mr WALLACE - That is why I made the point that I don't think it is cash-backing that is the issue. With super in particular, it is the emerging costs, so it is what the profile of pensions and lump sums looks like over the next 50 or 60 years. That is what the issue is because it is a budget management issue.

Ms FORREST - We have figures for the SPA, but are you able to provide current balances in the forward Estimates for the next three years?

Mr WALLACE - That is one of the things we will be looking at. As you know, these numbers can move around a fair bit depending on what the actuary's view of the future is. At the moment what he has a view about is what has happened over the last five years, which is not necessarily the picture of the future particularly with the wage increases.

Ms FORREST - I didn't finish my question. It was the balances related to the Tas Risk Management Fund and the TDRA. Can you give me a balance for that on 31 May, and the forward Estimates as well for those two accounts?

Mr WALLACE - Yes, we can give you that.

Mr FERRALL - The State Service Risk Management Account is \$181 million at 31 May.

Ms FORREST - And the forward Estimates for that one?

Mr FERRALL - As at June 2012, \$176.1 million; 2013, \$184 million; 2014, \$191.7 million; and 2015, \$199.8 million.

Ms FORREST - And the TDRA?

Mr FERRALL - As at 30 June 2012, \$2.137 million; 30 June 2013, \$2.115 million; 2014, \$2.045 million; and 2015, \$1.979 million.

Ms FORREST - There is a big jump - I accept we have not completed this year, but there is a fair jump up to the next financial year of \$2.13 million.

1.2 Financial management and accounting services -

Mr HARRISS - Treasurer, given the really difficult circumstances we have before us, why wouldn't you establish a high-level group to oversee all government saving strategies rather than just department by department and then reporting to a group that you mentioned earlier, and then require that disciplined monthly reporting by departments?

Ms GIDDINGS - It is an efficiency measure, Mr Harriss, you would be duplicating work that we are doing at the budget committee. As an efficiency measure, I don't think it is worthwhile. Budget committee is high level, we are a subcommittee of Cabinet and we will be undertaking this rigorous control. In terms of the workforce issues, PSMO has a rigorous process in place, which we will go through when they come through. You want to get that right balance between having the checks and balances in place but not duplicating, and I think we have that balance right.

1.3 Shareholder advice on government businesses -

CHAIR - Premier, I notice that the forward Estimates stayed just about the same. Will there be any impact on the savings measures in this area?

Ms GIDDINGS - Which area?

CHAIR - On shareholder advice on government businesses.

Ms GIDDINGS - Just to add to my last question, the benefit of budget committee is that you drag your ministers and agencies in and they are accountable to budget committee. We had a high-level ERC committee re-established. You don't have the ability to do that. You want to make these ministers accountable to you.

Mr WALLACE - This is a particular area of Treasury where the work is very complex and there is a lot of it, and in our budget savings strategy I think we are only taking one or two people out of that area in the next few years. Of the 22 that we have achieved, reduction in FTE levels for 2011-12, there might be one or part of one FTE, but it is an area where there is quite a big and complex workload, so I do not imagine resourcing in this area would actually reduce significantly.

CHAIR - Okay. Thanks for that.

1.4 Government property and accommodation services -

Mrs ARMITAGE - With the tight budget for this financial year, what measures are taken to reduce the cost of maintenance and amenities, and can you advise of any crown properties that are earmarked for sale?

Ms GIDDINGS - One of the things that we are trying to get across with this Budget is building sustainability into the Budget, so some of the easy cuts that have been done in the past, for instance, have been just not to pass on indexation to agencies, but that does not build sustainability. It does not assist with correcting a structural problem that has existed in the budget, so things like non-salary indexation are still there in place. What we do not want to do is make a decision on maintenance that actually cuts maintenance back, that means that you are not investing in your asset and then you have a longer-term problem in the future. So we are trying to maintain funding as best we can in these areas to keep it all sustainable.

Mrs ARMITAGE - Are there any properties apart from schools that are planned for disposal?

Ms GIDDINGS - Currently I am conscious that I have signed off on schools and police houses. I thought I had signed off on a couple that are no longer required by the Police Department, but there is Lot 1 of the Huon Highway, Huonville.

Mr WILKINSON - That is your house, Paul, isn't it?

Laughter.

Ms GIDDINGS - There is part C and part D of Cemetery Road, George Town. There is Lot 1, Hansens Road, Grove. There is 31 York Street, Latrobe; 115-119 Havelock Street,

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Smithton; Charles Street, Currie; 17 Main Road, Ringarooma; 139 Percival Street, Latrobe; 6 Panton Court, Penguin; 2 Long Street, Penguin; part of Port Dalrymple School; 147-185 Agnes Street, George Town; Lot 2, Alma Street, Bellerive; 13 Cranwell Street, Park Grove; 10 Howe Street, Park Road; 2 Flinders Drive, Somerset; and Rocherlea Primary School, Lilydale Road, Rocherlea.

Mrs ARMITAGE - What would the total saving be there? Do you have an estimated amount?

Ms GIDDINGS - We do not put values out while we have properties on the market. Obviously that can undermine your power in the market. We have worked with agencies so with regard to the schools, for instance, the Education minister is very keen to try to retain as much as he can of the savings or the equity that is realised in sales of schools so he can reinvest back in schools. We also make sure that our properties are all valued by the Valuer-General and we ensure we sell them above that valuation.

Mrs ARMITAGE - The other question I have is regarding 10 Murray Street. What would the current situation be there now and what is planned for 10 Murray Street in the current fiscal situation?

Ms GIDDINGS - That is to do with the Parliament Square development, and right now we are waiting for the Supreme Court to hand down a decision, which should be in July, around the planning matters that were taken by the Save 10 Murray Group. I understand that the Save 10 Murray Group have decided that, should they lose the Supreme Court action, they will not go through any further appeals in relation to that. We, of course, are hopeful that will go ahead.

The arrangement is with Citta who is a private developer. They will, as I understand it, develop this at their cost as well. In the arrangement with the historic buildings on site there is that measure of what we have put into the development around our ownership of those properties that Citta will end up owning - that block. On the basis of that, though, Citta have had to invest; it is a \$100 million development that they are undertaking. They will build a new parliamentary annexe to the building and provide office accommodation there, but also it helps to save the old St Mary's Hospital, which we have struggled for decades to find a role for and someone to develop and maintain that bit of history.

This has been a very exciting project. I know that there are some who believe that that architectural style ought to be conserved but the feeling from the Government has been that it is far better that we get some modern development and development that also saves the important history that is on that block.

Mrs ARMITAGE - Thank you.

Mr MULDER - I was going to ask this question under Property Management but now that it has come up it is in relation to the Parliament Square building - the whole precinct. I understood that we have sold that to private enterprise -

Ms GIDDINGS - Citta.

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Mr MULDER - To Citta, thank you. If you look at the budget papers, table 4.6, you will see that it was selling off assets for a one-off gain but there is a \$9 million per annum increase going forward in this line item of the Budget.

Ms GIDDINGS - That is Parliament Square?

Mr MULDER - Yes. We talked earlier on about the idea of selling assets, trying to stop this recurrent increase and trying to get the recurrent back under control. It seems to me that this might be a classic case where perhaps we should not sell the farm. Perhaps we should just wait for a while and not put \$9 million onto this line item going forward?

Ms GIDDINGS - This is a farm that nobody has wanted for many, many years, particularly the old St Mary's Hospital, and we have been desperate to try to save that building. Every year it is left empty is another year it deteriorates even further. This particular issue for us is that yes, there is a recurrent impost on Government around this but we have a recurrent impost even when we own buildings, because we still have the overheads that come with buildings. In relation to the Citta development we will be paying rent on that site and we also have fit-out costs that will be at our cost when we are ready to fit the office buildings out.

Mr MULDER - We noticed that little spike two years out and then it levels back. The \$9 million I am talking about is the difference between what this line item in the Budget is costing today and what it is going to cost in four year's time and forward. To me, that seems to be a fairly large \$9 million hole. It is the forward Estimates so whatever it is for it is being paid by the taxpayers. This is a classic case, I think, of selling assets and turning your asset into a recurrent expenditure.

Mr FERRALL - I think you are starting slightly from the wrong premise because it is not an asset, it is a liability to the Crown at the moment.

Ms GIDDINGS - A big liability.

Mr FERRALL - A big liability. The point, is what we are doing is facilitating a major redevelopment of Parliament Square. Once the new building is completed we will be paying rent on it and that is what you see going forward in terms of a rental cost. I guess you can make judgments as to whether that is sensible or not, long term, and it really depends on the position you want to take, but from all the analysis we did, this was the most sensible approach to get a long-term redevelopment of the site, particularly with the heritage buildings on the site, which were and are currently in a very dilapidated state. Without some form of development on the site, there was really going to be no way that they would be redeveloped or preserved long term.

There was an extensive open tender process that we went through in terms of looking at how this whole site could be redeveloped and the Citta property group proposal was the most cost-effective and the best development that could be obtained at the time.

Ms GIDDINGS - It will help to enhance, particularly, the public open space elements around Salamanca and this waterfront area as well. So it will really help lift the area and I think it is a bit like the red awnings, we need some lift around the place.

Mr MULDER - I do not mind that. Fortunately for the red awnings, they do not put \$9 million on this line item in perpetuity. That is the point I am making. Is this the right time to

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be starting to load up our recurrent expenditure going forward, when we have had such a wonderful brief about how that is exactly what we should not be doing if we which sustain a good budget into the future?

Mr FERRALL - There is effectively 700 government employees in the building at the moment. Not only do we have issues with the heritage building, we have issues with 10 Murray Street. So you would be seeing additional costs in the Budget, going forward, if you retained 10 Murray Street, for maintenance and support of that building. A lot of the building services are at a point where they need replacement so you would see further costs going forward.

I think the other point to be put on the record is that when the tender was submitted - it was an open tender process, it was conducted effectively within the Treasurer's instructions and in accordance with the Crown Lands Act - the sale price and the development was put to the Director-General of Lands and it was based on advice from the Valuer-General. So, effectively, the Valuer General took into account the fact that the Government would be paying rent to satisfy himself that it was an appropriate price for the sale of the property as well. So it is, in a complete development sense, a sensible proposition.

Mr MULDER - So you are saying that if we did not sell this property and develop it the way that we are doing, the forward Estimates would have roughly what they are anyway?

Mr FERRALL - I cannot say what they would have been, that is hypothetical, but I can put on the record, there would be significant maintenance.

Mr MULDER - Last year's Estimates did not factor any of those things in.

Mr FERRALL - But the contract had already been sold last year. We had already entered into the arrangement.

Mr MULDER - I will have to check from the year before then, won't I?

1.5 Government procurement services -

Ms FORREST - This output group is to provide advice on government procurement. It has been said, particularly in health, there is going to be a shake-up in that area. I assume that will mean a fair degree more work for this department, for this area?

Ms GIDDINGS - Health procurement will be doing their own procurement, in that sense.

Mr FERRALL - It is whole-of-government procurement that is dealt with through this.

Ms FORREST - Are you providing advice to Health?

Mr FERRALL - We will be involved with Health in a concentration and advisory sense. But the body of work that has to occur in terms of improving health procurement will be conducted within Health.

Ms FORREST - Will that put an extra burden on Treasury?

Mr FERRALL - Not a significant burden but we will be involved with it.

Ms GIDDINGS - There is that central review of procurement.

Ms FORREST - The Tasmanian Risk Management Fund also falls under this area - I think I read the figures somewhere. My concern is that the forward Estimates are reducing, particularly in the financial position in regard to property, and when we look at the recent flood damage, for example, and we have had a couple of unfortunate incidents with some people who like to light fires in schools, if we close a number of schools they could be subject to vandalism while they still remain the property of the State. Would that not have a fairly serious impact on the potential drawings on this?

Mr FERRALL - I guess the agency contributions are established by the fund's actuary and we work through that. The actuary takes into account issues such as fires that have occurred, valuations going forward. We have seen a decrease in the contributions between 2010-11 and 2011-12 - about a million dollars, and that is based on the actuary's advice. In answer to your question, some of those factors may impact as we go forward but the actuary takes those into account in establishing the agency contributions.

Ms FORREST - Do you believe there is enough cash backing for this to meet the emerging or actual demands on it?

Mr FERRALL - The TRMF has sufficient capacity to meet forward demands.

Ms GIDDINGS - There is the issue of the Commonwealth potentially forcing us to take on private insurance that has come out of the Queensland flood situation, which -

Ms FORREST - Nick Xenophon wanted that, didn't he?

Ms GIDDINGS - Yes, and personally I think it is the best simplistic approach to a problem that emerged from the Queensland floods and it will be interesting to see how long it takes to get the private insurers to pay out in Queensland. The problem with the private insurance is that government is no different to individuals. Insurance agencies are notoriously slow to pay out but this risk fund has so far managed to deal with any problems that have emerged.

Ms FORREST - So basically you are saying that the forward projections are based on actuarial advice, that is how the actuary sees it. So he is not expecting any school fires, floods or pestilence?

Mr FERRALL - They are built in in terms of the history of contributions. An actuary cannot predict a particular school fire, and so they work off the history of the fund to strike an appropriate level of contributions going forward. They are reviewed every year in light of the changes that have occurred and, as I indicated, during 2010-11 and 2011-12 the actuary actually reduced contributions in some areas. When you go across the different areas, some have gone up and some down; while property went up between 2011 and 2012 - and that was for the reasons you have outlined in those factors - some of the other areas have gone down.

Ms FORREST - Between 2010-11 and 2010-12?

Mr FERRALL - Between 2010-11 and 2011-12 - the fund companies arrange it.

Ms FORREST - Yes, sorry.

Mr WILKINSON - In response to the GFC, the Government announced some changes to government procurement to give greater priority to Tassie businesses. Can you provide an outline of the changes that were made and identify how much this increased the amount of work going to Tasmanian businesses?

Ms GIDDINGS - Certainly, we try to support Tasmanian businesses as much as we can without breaching free trade, literally, across State borders. Our procurement policy aims to maximise the opportunities for our local businesses and we continue to very competitive with respect to winning government business.

During the 2010-11 financial year to date, which was the 31 May, Tasmanian businesses have been successful in approximately 82 per cent of the open procurements and this equates to approximately 86 per cent of the total value of those contracts.

Mr WILKINSON - Has there been any change to the number of government-wide contracts for goods and services, as opposed to agency contracts? In other words, the Government's procurement over a number of agencies as opposed to each agency.

Mr FERRALL - The 13 common use contracts are still the same as they have been; they have not changed.

Mr WILKINSON - Thank you.

Output group 3

Revenue and regulatory management services

3.2 Regulation and administration of liquor and gaming -

Mr WILKINSON - What work has the State Government done in relation to the national gaming reform issues? What are the implications for Tasmania?

Ms GIDDINGS - It has been an interesting process being involved with the gaming area and the reform that is being driven largely by Andrew Wilkie and Nick Xenophon around poker machines. The Australian Government has accepted that agenda in light of the situation they find themselves in, being in minority government and the power that independents have in that scenario. I have attended a number of COAG meetings - I couldn't make it to the last ministerial council meeting on gambling - and the issue has been that the Australian Government has the constitutional power to do whatever it wants in relation to poker machines. So rather than try to resist it, we have been trying to work through it and say, 'How do we make this work?' If it is going to happen, how do you make it work? We have also been trying to work with industry, so when the Australian Government, for instance, asked whether Tasmania would have a pre-commitment trial I approached the industry here and said, 'Would you be interested? This is an opportunity for you to get Commonwealth investment in new technology that will help to transfer your existing machines across to pre-commitment machines and have that done virtually for nothing as part of the trial'. Other compensation was going to be built into that trial for any loss of revenue while the trial was on, but the industry said no, it wasn't interested in participating in that trial. There is no point trying to force an industry to do something it doesn't want to do. I had to go back to the Australian Government and say, 'I have raised it, I have tried but they're not

cooperative', so that trial is not going ahead in Tasmania. I am not sure if there is any other location where it can go ahead. There has been some change in the position of Andrew Wilkie in that time anyway with his Senate report which has accepted that you can have low-intensity machines that do not require pre-commitment against high-intensity machines that will require pre-commitment. My understanding is that the majority of players who play poker machines play at low intensity. They are not big gamblers so that will not affect them. For those who have a gambling addiction and play at higher levels, the pre-commitment would provide another way of getting people to think about what they are doing. You may not stop them but at least it is another mechanism of making them think about their behaviour.

Mr WILKINSON - So, in summary, it would seem that Andrew Wilkie has gone back from his original comments and he is only now looking at the high-intensity machines as opposed to the low-intensity machines.

Ms GIDDINGS - That's right. I would have to check because he may be talking about low intensity for a period of years and then moving all machines across. I am not entirely sure about that.

Mr WILKINSON - That would be the ideal time to have this trial, wouldn't it, because you could see in some ways that it is a trial because of what is occurring now. You have one of low-intensity, no pre-commitment and another of high-intensity, pre-commitment, so you could see how they are working.

Ms GIDDINGS - The problem is that so far in Queensland they have had a pre-commitment trial but it has been voluntary, so you don't get a good database to know whether, firstly, pre-commitment works or, secondly, whether you are targeting the right people with it. In some respects I understand the frustration of the Commonwealth in not being able to so far get a trial of compulsory pre-commitment up.

[12.15 p.m.]

CHAIR - These independents can be a dashed nuisance at times.

3.3 Economic regulation -

Mr MULDER - I refer to the report of the Economic Regulator in which an 11 per cent tariff increase was approved for Aurora. It is the one that has only just come out - I think there was one in May and a subsequent one in June. The only material that the Economic Regulator seems to have taken into account in that one was the submission of Aurora itself and I am just wondering whether there is any capacity to start to require the Economic Regulator to require these organisations to take account of efficiencies in their own area, like their own management structures or the way they do their business. I ask that because everyone else with the cost of living impacts has to look at their management and organisational structures but there seems to be an exception here.

Mr WALLACE - What you describe is not what happens. Aurora as the retailer, as you know, is responsible for providing accounts to people but the calculation of what the regulated prices are is a combination of the energy price, the transmission price, the distribution price and the retail margin and the retail cost to serve. The retail margin and retail costs to serve are largely consistent with national numbers. The distribution and transmission are determined by the national regulator and the energy price was determined under the long-run marginal cost basis and

that was determined last year. All Auora is doing is combining those known events which actually come out of other processes and putting that forward to the regulator to approve the prices. It is not them saying, for example, that their own costs have gone up by x and you need to fund it, basically they are simply saying that their pass-through costs, which have been determined through other regulatory processes, have amounted to x and they are asking the final retail price to cover those.

Mr MULDER - I have no difficulty with that because that is exactly what I picked up inside the Economic Regulator's report, that that is what he is doing. What I am asking, though, is that there is more to the cost of electricity than simply buying it and moving it down the line and selling it. There is your own organisational, as we heard yesterday and we have heard again today, back costs that are not directly related to supply but have to be captured by the retail price. I am asking why the Economic Regulator is not seeking to capture those.

Mr WALLACE - Because they are determined by national benchmarks. The two retail components cost to serve, which is a calculation referenced to the national benchmarks and not to Aurora's own costs and the retail margin, which is again by reference to national benchmarks. So this is policy neutral in the sense that it does not matter what Aurora spends or does not spend, the calculation has regard for what is appropriate in the national market.

Mr MULDER - So it is driving efficiencies.

Mr WALLACE - Yes, so it drives efficiencies through that mechanism.

Mr MULDER - My real point is that the Premier has had a couple of shots at a party that I am a member of -

Ms GIDDINGS - Are you a member again? I thought you were elected as an independent.

Mr MULDER - I have never ceased to be a member -

Ms GIDDINGS - Oh, right!

Mr MULDER - and you can pass that on to Mr Downer, if he did not read it in the *Mercury* for himself.

Ms GIDDINGS - Are you an independent Liberal or are you a Liberal now?

Mr MULDER - I am an independent and I am Liberal.

Ms GIDDINGS - You are both?

Mr MULDER - Yes.

Ms GIDDINGS - Interesting. That is not what you told the people.

Mr MULDER - Yes, it is.

Ms GIDDINGS - In that sense of being a member of the Liberal Party here in the upper House.

Mr MULDER - I suggest, Premier, you read the *Mercury*.

Ms GIDDINGS - I remember you sticking stickers on your posters that showed you were independent. You did not get pre-selection for the Liberal Party, Tony?

Mr MULDER - Exactly.

Mr WILKINSON - Can we move on to the line items because we are running short of time?

Mr MULDER - In short I think my question is, are Mr Harkins, the Electrical Trades Union and the CMFEU correct when they identify the real reason for high electricity prices is the failure of Aurora, Transend and Hydro to look at their executive management status?

Ms GIDDINGS - I think you would need to ask those questions of Aurora when they come to their GBE hearings at the end of the year. I do have some little things you might want to look at. In newspaper articles we are told that bills will soar, according to the *Herald Sun* on Sunday, States cash in as electricity and water prices rise across the whole country, and power bills are to rise 30 per cent in two years. As well, these things are being felt all across the nation. The electricity industry is a very complex industry to be involved in. The retail arm of electricity is only 10 per cent of the total cost, so there is a lot of concentration that is put on Aurora because they are the company at the end of the process. But it is a lot more than that and a lot of it is within a regulated environment and when the Liberal Party, your party, goes on about bringing in legislation that will bring in competition for households and small business, not once has the Liberal Party been able to produce evidence to show that would drive prices down. In fact, in Tasmania's regulated environment, our electricity prices are still in the mid range, even against other States that have competition.

So it is a very complex area. It is not as simple as Matt Groom might like to tell you and I suggest you do your own homework and not rely on Matt Groom or Will Hodgman, for that matter.

Mr MULDER - Premier, I can assure you that I have done my own homework which is what I am doing here which is probably why you received a different question from me than others. What I really am about though, is that I think that we need to look at these GBEs and you are quite right, we will take it down there. This question was why the Economic Regulator, when setting those prices that do affect everyone, does not look to see what Aurora is doing to get its own house in order.

**Output group 4
Community assistance**

4.1 Bass Strait islands community service obligation -

Ms FORREST - Will the ongoing increases in power costs and things like that meet the need?

Ms GIDDINGS - We continue to have the concessions in place and our concessions are indexed.

DIVISION 3

(Finance-General)

Output group 2

Employee related costs

2.2 Targeted voluntary redundancy program -

Ms GIDDINGS - It might be just worth making the point that there is a provision within the Treasury budget for departments to be able to borrow from Treasury to help fund some redundancies. But the fact there is only \$10 million, I think it is, per year, so \$20 million over two years, shows that this is not going to be a mass redundancy program. In the Michael Field days where they did have a mass redundancy program, the Commonwealth stepped in and funded it but it was over \$100 million worth of redundancies.

Mr WILKINSON - I was going to mention that because when redundancies were last spoken about to the extent that they have been spoken about now, it was back in about 1991.

Ms GIDDINGS - I think the Rundle Government had a number of redundancies in their time as well and, in fact, we had redundancies right from 1991 right through to 1998 which is why Jim Bacon, when he came in, perceived there would be no more redundancies. I think the public service had just had its gutful of redundancies at that point. He was also wise in regard to the new State Service Act, which we can go into more with PSMO, putting that clause in about redeployment of the 12 months, also allowing a redundancy to be provided at the end of the 12 months should the circumstances change for the State - and those circumstances have changed.

Mr WILKINSON - If my memory treats me correctly, we are looking at around 24 500 FTEs approximately in 1991, reduced to about 19 800 in 1998, and now it is 25 001. I think that is a fair whistlestop tour of where we have gone with employees and redundancies.

Ms GIDDINGS - I will trust you on those numbers; I don't have them with me.

Output group 3

Government Businesses

3.2 State Fire Commission -

Mr MULDER - I notice there is a \$1 million drop but the budget papers do not really say what impact that is going to have on the State Fire Commission. Can you explain whether they are not going to do something they used to do or how they are going to accommodate that shortfall in funds, or didn't they need them in the first place?

Ms GIDDINGS - It is their share of the efficiency dividends that have been put across all agencies and they will use the same measures that other agencies are using to find their savings - vacancy control, reducing expenditure on mobile phones, consultants, travel - in the first instance. They did not mention that it would be a dramatic problem for them finding that \$1 million, but there will have to be restraint to achieve that.

Mr MULDER - I will address my question to the relevant minister later in the week.

Ms GIDDINGS - Yes, you certainly can.

3.4 Government Businesses -

Mrs ARMITAGE - I notice that most of it has already been addressed, particularly regarding Aurora and Hydro. Minister, in regard to the percentage increases for Hydro and Aurora, do you feel that while we are increasing the government coffers on one hand that the money will be taken from the public on the other hand by increased power charges?

Ms GIDDINGS - No, this is after-tax profit.

Mrs ARMITAGE - So there won't be any way that they will be able to manage it?

Ms GIDDINGS - They can manage it but it is out of their profits that they otherwise might reinvest back into the business. In our discussions with them there has been no indication that there is going to be an adverse effect.

Mrs ARMITAGE - So in order to have the larger profits that they now losing, are there guarantees they will not increase -

Ms GIDDINGS - They can't. It is an independent regulator who sets it so they have no ability to up their power charges on their own.

Mrs ARMITAGE - I guess the other figures that are there are indicative of the increases for Tasracing over the years?

Ms GIDDINGS - Yes, their \$40 million loan.

Ms FORREST - Just on that, Tasracing got a \$40 loan when it failed to sell TOTE. It seems there has been no intention or capacity to pay the principal or interest - we have forward Estimates reflecting an increase here - is it your view that the taxpayers of Tasmania will pay the entire cost of this loan over the foreseeable future?

Ms GIDDINGS - No. My view would be that in time they will start to pay it back. The Racing minister is the best person to give you the detail around the business of Tasracing. There are elements to do with race fields and there has been a bit of a hiatus - there is legislation to enable that, race fields day has been delayed, which has caused a minor problem for Tasracing in having the income stream.

Ms FORREST - In spite of that Tasracing still claims they cannot afford to pay the interest or principal on this loan and in the foreseeable future it appears that the Tasmanian taxpayer will be paying for this loan, as well as the \$27 million we give them each year.

Ms GIDDINGS - My understanding is that once this legislation progresses through the Parliament and they get their income, they will be in a better position to start repaying. The minister who is responsible for Tasracing will be the one to speak about it in more depth.

Output group 4 Miscellaneous

4.2 Treasurer's Reserve -

[12.30 p.m.]

Ms FORREST - I have just one question about the financial management framework review: \$20 million each year goes into the Treasurer's Reserve at this stage and obviously that might change under the review.

Mr FERRALL - Possibly, yes.

Ms FORREST - That may change in the future depending on the outcome of that review and the legislation we get. Any comment?

Ms GIDDINGS - I think we believe that \$20 million is about the minimum that you would have in it.

Mr FERRALL - We are looking at it as part of the review, whether it is more appropriate to have a percentage or some other mechanism for establishing the actual quantum of the Treasurer's Reserve, but all of that is really a matter for consultation as we go forward.

Ms GIDDINGS - There is certainly a point where you can go too far, and we have concerns with the Liberals' alternative budget that by cutting it in half and only having \$10 million in it you just do not have enough provision set aside in order to deal with those unexpected issues that might arise, such as floods.

4.3 Miscellaneous -

Ms FORREST - The water and sewerage reform falls under local government transition; I notice there are payments to Southern Water. Are they the only corporation that got assistance?

Ms GIDDINGS - No. The assistance to the corporations is primarily to help pay for their concessions. The only corporation to get money in addition to the concessions has been Cradle Mountain Water, which required an equity injection to keep it sustainable.

Ms FORREST - And what quantum is that?

Ms GIDDINGS - We do have it. We can take that on notice and get back to you.

Mr WALLACE - I have a number, sorry, \$4.275 million to Cradle Mountain Water over three years.

4.5 Tasmanian Risk Management Fund -

Mr HARRISS - We have had a fair whack at risk management, but if we can have some indication please, Treasurer, on notice of the expenditures claimed against or payments from the Risk Management Fund over the past 12 months.

Ms GIDDINGS - Yes.

4.6 Fleet management services -

UNCORRECTED PROOF ISSUE

Mr WILKINSON - We are running short of time. Can you just give us a general update as to how the new plan, or whatever you want to call it, is coming into action in relation to the management of the cars?

Ms GIDDINGS - We have immediately put in place the change in terms of prestige vehicles that are no longer available.

Mr WILKINSON - What are the prestige vehicles?

Ms GIDDINGS - They are effectively Audis, BMWs, Lexus, Mercedeses and Volvos that were on the list and considered prestige, so they have been removed off the list. The reason they were put on the list in the first place was that they had lower carbon emissions in terms of greenhouse emissions, and part of the reason for that was also to help put pressure on the Australian car industry to clean up its act. Over the years since the prestige cars were put on the list, Australian cars and other cars have cleaned up their carbon emissions, so we have been able to remove them off the list now. That has happened immediately. There may well have been already a couple of orders that were in the pipeline that have to be followed through, but certainly from the point that we announced it there are no new orders.

We have created two new lists of vehicles now that will be available to heads of agency, SES officers and agency equivalents and other equivalents and this will take a bit further time. We will be reducing the size or cost of our vehicle fleets by up to 10 per cent. We have enacted - and again it might be a grandfathering clause but I am not sure about this - the extension in the vehicle lease terms from the current 24 months/40 000 kilometres to 36 months/60 000 kilometres. I am not sure, is there a grandfathering element to that?

Mr FERRALL - We are managing it so that you do not end up with a step change. Some vehicles will be extended and some will turn over.

Ms GIDDINGS - Okay. Also we are talking to agencies about looking at how they can cut their fringe benefits tax costs by putting their vehicles into government garages rather than allowing people to take them home. That is not always possible. I am aware that in some instances it would in fact cost more to drive a car back to a government garage than allow it to be housed in somebody's private home. They are issues that we are asking them to look at.

In terms of that question from Mr Harriss, rather than take it on notice, if I can just refer you to table 7.9 in budget paper 1, page 7.20. That has that information there for you.

Mr HARRISS - Thank you.

4.8 Infrastructure investment project planning -

Mrs ARMITAGE - Are there any major infrastructure projects planned at this stage?

Ms GIDDINGS - One of the biggest, of course, is the redevelopment of the Royal Hobart Hospital and that will start in the next financial year. We are finalising the redevelopment of the LGH with the new theatres and car park there. We have TMAG - the Tasmanian Museum and Art Gallery - a \$30 million investment which starts this next financial year as well. Basically, table 8.3 on page 8.11 lists all of the projects there.

Mrs ARMITAGE - Thank you.

CHAIR - Thank you, Premier.

The Committee suspended from 12.38 p.m. to 2 p.m.

Tuesday 28 June 2011 - Estimates Committee A (Giddings) - Part 2

DIVISION 4

(Legislature-General)

Output group 2

Parliamentary Library Service

Ms FORREST - The Premier would be aware we made some significant changes in the Library recently with the staffing arrangements. Are they to be threatened in any way under the budget cuts that we are seeing?

Mr HENDY - No, they are not. Our funding for the Library has increased by about 2.7 FTEs, so we now have a total of 7.05 allocated in our budget at the moment, which is enough to cover everyone.

Ms FORREST - Is the Library expected to make cuts across their budget, as other areas of government have been required to?

Ms GIDDINGS - The Legislature-General was not asked to make any cuts at all in the end. I do not think the Legislative Council was either and I seem to recall the House of Assembly may have made a couple of small areas of cuts but, generally speaking, the Parliament is not being touched.

DIVISION 8

(Tasmanian Audit Office)

Output group 1

Public sector management and accountability -

Ms FORREST - Mike, obviously the Audit Office is pretty important to the Parliament. Are you required to make cuts to your budget and do you believe that there is adequate funding to undertake the task that you have already set for yourselves and those that often come up at short notice at the request of a member of parliament or the Houses of Parliament?

Mr BLAKE - We have been asked to take a cut in our budget and I was happy to take on board the proposed reduction in the budget. That primarily affects the appropriation component of my budget and the cuts start next year with \$100 000 which I can manage with. It effectively represents the one person that I was provided with as an additional FTE last year. I was halfway through the recruitment process when I saw the wind and decided to cancel the process, so I do not have to do a lot next year. It will become more difficult in the second, third and fourth years

because that is going to then start to affect the reporting component of my work, but I have time to deal with that.

Ms FORREST - In what way will it affect the reporting requirement?

Mr BLAKE - In the first year, it is \$100 000; the second year, it is \$130 000; the year after that it is \$190 000 so when I get to the third year, the one FTE saving does not cater for \$190 000 so I am going to have to look at the way that I put my reports together. We have already started a process in the office whereby we are looking at the report production process, which is quite expensive for us. We are looking at, for example, not giving every member of parliament a hard copy report, so we will look at other ways that we can distribute the information.

Ms FORREST - Are there any other areas? It will not affect your capacity to produce the output, it will be the way you present it?

Mr BLAKE - It might. I suppose I am confident sitting here today that between now and 2013-14 when the effect of that starts to happen I will have developed some strategies to deal with it. It may result in less sizeable reports. Most of the time that goes into preparing the report is the people time to write them and to do the work associated with that, so I am going to have a look at how we can reduce that time and still provide you with the information that I currently give you. As I say, I have time to find a way to deal with that.

Ms FORREST - As key stakeholders, as members of parliament are, do you think in the short term we will notice any difference in the output from your office?

Mr BLAKE - You will not notice any change in the output, certainly for 2011-12 and I think for most of 2012-13. It is the third year that I am focusing on.

CHAIR - Thank you very much. We appreciate your time.

DIVISION 7

(Ministerial and parliamentary support)

Output group 1

Support for members of parliament -

1.1 Support for ministers -

1.2 Support for other members of parliament -

Ms GIDDINGS - I have here the Secretary of the Department of Premier and Cabinet, Mr Rhys Edwards, the Director of the Executive Division, Mr Phil Foulston, and also my Chief of Staff, Mr Mark Sayer.

CHAIR - Thank you, Premier, and welcome to the table, gentlemen. In regard to this one, in both these line items, there is probably not a lot to comment on. There is a slight downward trend over time in the forward Estimates.

Ms GIDDINGS - Effectively, there has been a trimming of the budget for support for ministers and so the Greens and the Liberals are taking their share of the trimming of that budget.

UNCORRECTED PROOF ISSUE

It is fair to say that the government side of the Budget has not been managed as effectively in that it has blown out and we have already made savings of \$1.7 million but we have further savings that need to be found to be brought back within our allocated budget for government ministers.

CHAIR - With regard to those savings, what measures have been taken?

Ms GIDDINGS - We are using the same measures that are available to the wider, broader public service. Of course, most of our costs are salary costs so we have put in vacancy control and also some of our staff are retiring. We have already downsized by 16 positions across the ministerial offices since I have been Premier and I think there are a further 10 we expect to go over the new financial year, and of course we also have a tight rein on travel and other expenses associated with ministerial offices.

Ms FORREST - Through you, Mr Chairman - part of that saving would have been the reduction in the number of ministers. That would have been incorporated into this too, would it not?

Ms GIDDINGS - There is some saving in having eight ministers rather than nine ministers. From memory, there was just on \$200 000 savings. Some of the staff that Lin Thorp had have been absorbed by other ministerial offices, some have gone back to the public service and some have left completely from the service. But some of her advisers, for instance, the Police adviser, has moved across to the Police minister. Her Education adviser has moved across to the Education minister. So those critical roles have been absorbed by other ministers. But there have also been others who worked for Lin who have now left and they are part of the 16 that have been reduced since I have become Premier.

We are determined to get the budget back within the parameters it should be operating within.

[2.15 p.m.]

Ms FORREST - How many of those Legislative Council staff left as a result of Lin's leaving?

Ms GIDDINGS - I can go through what has happened. In Minister Thorp's office, one adviser and one departmental liaison officer have been redeployed to the new Education and Skills minister and one part-time adviser redeployed to the Health minister. Of the remaining staff in Lin's office, one staff member returned to their department, one retired and another returned to the Legislative Council and one part-time position has been terminated. The changes arising from the reduction of this one ministerial office represent a saving of approximately \$240 000 annually in salaries.

There have also been other changes. After David Bartlett's resignation one person who worked for David was redeployed to the new Attorney-General's office, two staff members returned to their departments, one officer has resigned to take up a job outside the public sector and one officer's position will be terminated on 1 July. The changes to David Bartlett's office will represent a saving of approximately \$390 000 annually in salaries. A member of my own staff was redeployed to head up Tourism minister Scott Bacon's office and another position was filled using vacancy control and another position will finish in July. We have also abolished three positions in the government communications unit. These changes represent savings of just over \$400 000 annually. The portfolio reshuffle also allowed for other salary savings to be made

through vacancy control of approximately \$160 000 annually. We have seen a reduction of 16.5 full-time equivalents and annual savings of more than \$1.7 million.

I think that is a really important point. I was disappointed with media coverage overnight which said that the Government keeps spending wildly and that we are not making any effort, that we are expecting everybody else to make the effort to pull their belt in but we are not. There could be nothing further from the truth. I was very angry when I heard that report last night on the news and I heard it again this morning in the news, on both TV and radio. It is just so untrue. We have been making some significant savings and trying to lead the way in what we expect the public service to do. I think \$1.7 million in a small budget is not an insignificant amount of money.

CHAIR - Premier, the forward Estimates probably don't allow for any potential increase in the number of MPs.

Ms GIDDINGS - No, and that is why I have been clear in saying that until we see a turnaround in our Budget we will not be pursuing the larger Parliament. My hope is that over the next three years we will see a turnaround in our Budget and we might have a better idea as to what the next forward Estimates will look like to give us flexibility around that decision. That decision will be very dependent on the state of the Budget.

Ms FORREST - I hear your comments about the savings, Premier, but I note in the Auditor-General's Report last year he stated that over the previous two years staff numbers have been down from 473 to 466, a fall of 1.4 per cent - this was around the time that the first lot of cuts were being suggested - but, at the same time, the average staff costs are up from \$77 000 to \$89 000, a significant increase. Is there a reason that we are paying more or is it just related to wage costs?

Ms GIDDINGS - None of it is wage growth. Some of it is because of people who have been promoted within the ministerial officers as they have gained experience and taken on more responsibility and there has been recognition of that. There have been a couple of specialist advisers who have been employed. In fact, I had one in Health. I had a doctor employed early on and had that specialist advice, but generally speaking those increases have been in line with increases in the public sector.

Mr HARRISS - Premier, you have just given a snapshot of people who have been redeployed, people who left ministerial offices and the like. What criteria do you apply in terms of qualification and assessment for specific and specialist knowledge, which might be available to ministers in staffing arrangements?

Ms GIDDINGS - Obviously when you have a role become vacant you assess what the role is and what qualifications are required for that role. So, for instance, my Treasury adviser is someone who comes from Treasury, who has experience and knowledge and understanding of Treasury. My economics adviser is someone who has a background in economics. My water and sewerage adviser and forestry adviser is someone who has a background in the water corporations and obviously has the ability to have wider knowledge across other areas. There is a range. There are some advisers who have excellent expertise in terms of being able to pick up the knowledge that they require in areas and are very flexible. You move them around according to your needs, so I have in that sense generalist advisers who do exactly that, and do an excellent job, I must say.

Mr HARRISS - I guess on the back of that, there is no secret about the angst which surrounded some departures from David Bartlett's office when he became -

Ms GIDDINGS - When he resigned as Premier.

Mr HARRISS - Yes, when he resigned as Premier.

Ms GIDDINGS - And that was a difficulty in the sense my staff were coming with me, and a number of his staff went with him. One particular role was the executive assistant/secretary/PA to the Premier, and I already had my PA, and in that role I wanted to keep my PA with me. There is no role in any ministerial office that sticks with a ministerial office per se or portfolio. I think the expectation that a PA stays in a premier's office, regardless of who the Premier is, is wrong, and there should not have been that expectation. Unfortunately it did cause heartbreak for that person when they were told that they were no longer required, that I had two people for the one position and one had to go.

Mr HARRISS - For a number of people, I guess. I do not know to whom you are referring when you say 'that' person, but there was a number.

Ms GIDDINGS - There was another person within the media office whose role was not required any longer, therefore that person was terminated and that role no longer exists, and that is true of a third role in that case as well, in the media office. So we have used the tools available to us under crown prerogative contracts to pull our budget in, because our budget was overspent.

Mr HARRISS - You would be aware of the letter which Mark Sayer wrote to Tom Lynch, I presume, and it specifically related to the termination of Dr Lindley, and the specific words used there are, 'Ms (Dr) Lindley did not possess the specialist knowledge and expertise required for the role'.

Ms GIDDINGS - Can I just say that I never talk about individuals in these circumstances. I think it is very unfair for those people to even be named publicly in a forum like this, and I do not think it is appropriate to be discussing personal details of that nature, particularly when people may well have a claim or believe they have a claim against the Government. So you have to work through processes, and I think it is far better, if individuals have concerns - at least two of those individuals I have spoken of so far have indeed commenced legal action - that legal action be allowed to take its normal and natural course.

Mr HARRISS - Indeed. So in a generic sense then is one of your criteria the fact that people, as this letter suggests, should possess specialist knowledge and expertise for their various roles?

Ms GIDDINGS - A number of roles require specialist knowledge and expertise in ministerial offices, yes, but not all roles. As I have said, I have some roles that are generalist in nature. The fact is we have had to make cuts to our budget, and we have had to remove people from the ministerial offices in that sense, and those roles have not been replaced by anybody.

DIVISION 9

(Department of Premier and Cabinet)

UNCORRECTED PROOF ISSUE

Ms GIDDINGS - Would you like me to start with a bit of an overview?

CHAIR - Yes, and then we might have a little bit of an overview as well.

Ms GIDDINGS - Not a problem.

CHAIR - It is tit for tat, Premier.

Ms GIDDINGS - Not a problem. I expected you would want to spend a fair bit of time in overview anyway.

In the Department of Premier and Cabinet, of course, I am only responsible for elements of it, there are other ministers who are also part of this portfolio. Climate change is the responsibility of Cassy O'Connor as is community development and Aboriginal affairs. Cassy O'Connor is the minister responsible. Local government is the responsibility of Minister Green and I am responsible for the other output groups.

As I said earlier in the Treasury discussions, we have tried to build sustainability into our budgets and as a result of that, all government departments have received indexation of 2 per cent which has been applied to the funding of employee entitlements and non-salary operational expenditures or expenses and DPAC has that 2 per cent built in as well.

There have been a number of cuts to the department which I will go through, but there has been some additional funding provided under the cost-of-living area in terms of emergency relief and we have provided \$2 million over two years to the Social Inclusion Unit to assist with the cost of living. Pleasingly, the Australian Government also put additional money in this Budget for emergency relief and I think, from memory, it has taken that money up to over \$5 million that has gone into emergency relief. There is a fair bit of support out there for low-income Tasmanians or those living off a Health Care Card or pension. \$1.5 million of that will go to emergency relief providers to assist more Tasmanians to meet increases in the cost of essential goods and services such as electricity, rent, clothing and transport; \$300 000 over the two years will be provided to the SecondBite food bank and Produce to the People to expand their provision of food relief and \$180 000 over two years is there to help provide assistance to enable Tasmanians on low incomes to purchase more energy efficient appliances. I am very conscious that there are many low income earners or pensioners who have the most expensive heating because it is the cheapest to buy up-front. If we can assist them to buy more expensive heaters up-front which are cheaper over the longer term, we will all be far better off.

There is also the possibility of \$20 000 over two years being provided as micro-emergency financial assistance. The Tasmanian Food Security Fund was a \$1 million fund. \$730 000 of that has been spent and the remainder has now been taken back as savings. That has been an important fund and I would hope that with the turnaround in future years we will be able to go back to some of the programs that have fallen out of that fund such as school gardens, community gardens, working with Eat Well Tasmania and the like that help build a culture of knowing how to grow your own food rather than depending on more expensive varieties that you get in shops.

CHAIR - Cannot rob the farmers.

Ms GIDDINGS - No, that is right but in terms of cost of living some of us have lost the ability to grow our own vegetables so it is a good way of doing that.

The cars for community strategy, of course we had funded 30 vehicles and just recently I signed off on the last vehicle which was going to Mathinna under that program. The 30 vehicles have been at a cost of about \$1.1 million but we have had to trim back now on that and defer any further cars for the foreseeable future.

[2.30 p.m.]

There have also been grants that have been reduced in the general community capacity building grants program of \$530 000 and staffing. Under staffing, there was previous funding of \$65 000, used to second a person from the ABS to the Social Inclusion Unit and that is not going to be available in this next financial year.

I have made some changes to sundry grants. In fact, I am thinking about changing the title, sundry grants, to another title that is a little more reflective as to what that is -

Mr HARRISS - Speakers' grants or something like that.

Ms GIDDINGS - Just go for Polley grants. It fits all of us, doesn't it?

Laughter.

Mr MULDER - As long as there is sufficient allowance for whiteboards.

Ms GIDDINGS - That grants program has been reduced by \$160 000 and will now have a \$480 000 budget limit to it. We have used that fund in the past to filter our election promises through which I have not particularly felt was the most appropriate way of doing it. But it was a clean and easy and transparent way of funding election promises that people expect, of course, governments to follow through with. But I think there is a different way we ought to be considering in the future around that.

The other aspect is that sundry grants start to, over a period of time, become recurrent for certain organisations and they should not be. So every now and again, there seems to be a clear-out of sundry grants and we get back to being non-recurrent. I currently have things like the \$50 000 annual Red Shield Appeal that sits in sundry grants which really ought to sit with Health and Human Services, for instance. You are not getting rid of the grant that is an important part of some of these NGOs' fundraising but you just do not have it in the Premier's fund.

What I am also doing is putting a limit on that fund of \$10 000, and of course it is open to any members of parliament. I have signed off on some just recently from Legislative Councillors as well, and it is open. I do not agree with the Auditor-General in terms of how that should be administered. He believes that because it is a grant program of some sort, it ought to go through a formal grant process like other grants do, which would mean having official opening of a grant process and then closing it, assessing and then giving out grants after that. What I tried to explain to the Auditor-General was that this is a bit like the electorate allowance that we members of parliament get where we constantly have constituents in our electorates contacting us, wanting us to donate and support them to, for instance, go to a United Nations youth conference or to support them in buying a fridge for their neighbourhood centre or support them in putting on a barbecue event for some community event. It tends to be small amounts of money that help progress community activities and if we start asking every neighbourhood house and every kid who writes

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to us asking for support to start filling out grant forms and applying in a structured way, three or four times a year, it is not what it is set up for.

The Premier has an expectation from the community across all electorates, that the Premier will be able to support community activities and community events. I see it very much in line with the electoral allowance that we all have individual control over in our own salaries and electoral allowance budgets.

Ms FORREST - Can I take it from that, Premier, that you are suggesting that election promises not be fielded through that process anymore, that there will be individual -

Ms GIDDINGS - Yes, I think there has to be a better way of doing it, Ruth. It is about the timing of getting things out the door as well. The problem is in Sport and Recreation, for instance, you have promises of doing up a bowls centre, for instance or the Kingborough Twin Ovals project, a prime example. Both major parties make that promise. Whoever is in government then has to implement the promise and where do you implement it through because sport and recreation have a set grant program that has very strict criteria that you have to go through a process to get, and yet we have made an election promise to provide funding for that community infrastructure. So there is an issue as to how you deliver your promise when you do not have a grant fund in Sport and Recreation that assists you to do that. It was far easier to say we could put it through the Premier's sundry grants, because that is an appropriate fund and it is still open and transparent; there is no problem with it, so that is what happened. In my view I think there has to be a better way of us following through. This current financial year I have put a limit of \$5 000 maximum on that fund. In the new financial year I have put a limit of \$10 000 on that fund but it will be difficult to get the full \$10 000. On average, most asks are in the vicinity of \$2 000 or less.

CHAIR - Sorry, what was the quantum of that again?

Ms GIDDINGS - It was \$48 000, so it won't go very far if they are all \$10 000 asks. I will be fairly strict with it and not everyone will get their applications up, but I will be fair and reasonable in assessing those applications.

The Frank McDonald Prize is continuing but it will no longer go to Gallipoli. We consulted with the RSL about this and they were most concerned that France was not touched. To them France was a more particularly important part of the Frank McDonald trip and Gallipoli, while it is a very romantic part of the trip and a part that I think a lot of Australians want to have their pilgrimage to, it is an expensive, overcrowded, difficult part of the trip and no longer are our schoolchildren treated as they were in the early years. Where they were taken into the official areas, they are now in the general area. There was a feeling that we could trim that back and just go to France.

There has also been a cut of \$20 000 to Agfest. We are not going to have a whole-of-government exhibit at Agfest. We are keeping out whole-of-government show exhibits at the other shows - the Royal Hobart Show, Launceston Show and Burnie Show - because we know if we pulled the funding from those agricultural shows they would fall over. That investment is important to keep those shows going but Agfest can well survive without the Government.

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Through the Department of Premier and Cabinet we have had to fund the electricity supply industry review panel process. There is a whole lot of other information that no doubt we will go through as we continue so I won't take any more time now.

Mr HARRISS - Premier, you went to the notion of the sundry grants.

Ms GIDDINGS - I haven't decided what to rename that.

Mr HARRISS - No, can you table the current year's sundry grants? We usually ask for that.

Ms GIDDINGS - Yes, we can.

Ms FORREST - Is it broken down to members' names on it this time?

Ms GIDDINGS - Yes, I think so. We have additional information since the original list was tabled so in the spirit of openness and transparency I will table the updated list.

Ms FORREST - Premier, I took your attention to this table previously, the revised expenditure by agency expenditure chart in budget paper 1 which shows that Premier and Cabinet had an increase of \$11.4 million last year, which was a 21 per cent increase. There are some notes here that say that it primarily affects the transfer to the Tas Community Fund and from Finance-General to Premier and Cabinet, as well as a couple of other matters. Can you give some more detail about the rationale behind that transfer and why it was deemed not appropriate to stay with Finance General?

Mr EDWARDS - The Department of Treasury had the administration of the fund, and there are two staff members associated with it that support the board that sits on the top of the fund, and in discussions with Treasury that function seemed a more natural function with the Department of Premier and Cabinet, because we also run the Community Development Grants Programs and have a Community Development Division, and also have other functions a bit like the TCF, for example the Early Years Foundation, which has staff members supporting an advisory board around grants money. So the position was simply that this would be a more appropriate agency to house it. It was a fairly different sort of business from Treasury's normal business, so we agreed to transfer it at the appropriate end of financial year.

Ms FORREST - Is it likely to become politicised through that process, or be named something else?

Mr EDWARDS - All of the apparatus around it remains exactly the same.

Ms GIDDINGS - The Tas Community Fund is under legislation, isn't it?

Ms FORREST - It came about from the money that came out of the sale of the Trust Bank.

Mr EDWARDS - Nothing has changed except the administration has moved and the staff have moved from Treasury.

Ms FORREST - There are only two staff, is that what you are saying?

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Ms GIDDINGS - That was my point, that it cannot be politicised because it is under legislation and has this independent board that makes all the decisions around the grants, so the fact it sits with us does not really make any difference.

Mr EDWARDS - I would hope there would not be a difference of views about the Department of Treasury versus the Department of Premier and Cabinet.

Ms GIDDINGS - One being more political than the other?

Mr EDWARDS - Yes.

Ms FORREST - That takes us back to the point that the over-expenditure of \$11.4 million would not account for two staff members.

Mr EDWARDS - No, but they have the funding, so the money that comes with them, which I think is about \$7 million a year -

Ms FORREST - So you have those and the two staff members?

Mr EDWARDS - Yes.

Ms GIDDINGS - Plus the money they distribute, I take it.

Mr EDWARDS - They get I think \$5.7 million, \$6 million the next year, and \$6.2 million, so as well as staff the funds come across as well, so that is why the increase is reflected in our budget.

Mr HARRISS - The provision for targeted voluntary redundancies - I just want to understand whether DPAC has up to now applied for any funding to facilitate those voluntary redundancies; this loan business between Treasury and each department and paying back and so on, the \$10 million.

Ms GIDDINGS - On the whole we expect departments to carry it within their own budgets, and it is only if they really cannot that they will go to Treasury for a loan, and DPAC has done that.

Mr EDWARDS - The year before last I think we borrowed approximately \$300 000. We borrowed \$900 000 and did not use \$600 000 of it, so we have used about \$300 000 for that mechanism and obviously have been paying back Treasury as the savings accrue.

Mr HARRISS - Premier, we talked earlier about the review of the motor vehicle fleet. I just want to understand what impact that has had and the application of that policy, because the budget paper says it is being implemented currently by agencies. Has it had any impact on your department?

Ms GIDDINGS - There are people who cannot apply for prestige vehicles anymore, but not really, as DPAC does not have a car fleet as such against what is part of salary packages. We have SES and others within the department who have a car as part of their salary, and they are not like Health or Police that have a fleet of cars that I am aware of.

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Mr EDWARDS - So the immediate impacts would be the change to this; the prestige vehicles are not available, so anyone who was due to order a new car would have a restricted list. Then the other elements of the package were changing the nature of the cars available on the list, so what used to be in the say SES 3/4 and head of agency list is now on the A List and then there is a B List, so there are only two levels of vehicles to choose from. We would be extending the leases to 36 months as per the direction, so any car that we would be taking we would be extending the distance of vehicles and then any new car would be on that new 36-month lease process. Then, like all agencies, we have been asked to look at the FBT implications of vehicle use and, as the Premier said, primarily for our agency, which only has a small number of G-plated cars, three I think, so it is a relatively small issue for DPAC.

[2.45 p.m.]

Mr HARRISS - Thank you. I was going to ask earlier, Premier, and I think we were looking at any wages negotiations which might be emerging and that they would then have to fit within the new policy of 2 per cent or 2.5 per cent capping; can I get an idea of which ones are currently emerging?

Ms GIDDINGS - Are you going to go into a whole lot of PSMO questions in the overview? I am just wondering if you want Frank to come to the table.

Mr HARRISS - Yes, thanks.

Ms GIDDINGS - I will bring Frank Ogle, the Director of the Public Sector Management Office, to the table.

Mr HARRISS - Sorry, we get to that later on.

Mr WILKINSON - Whilst it is good to see Frank, I would like to very quickly get on to the midyear financial reporting savings. Have all the savings required from the midyear financial report been fully met and can you provide any details?

Ms GIDDINGS - I have provided that in the Treasury Estimates. I went through all of those savings and yes, they have been met. There was \$158 million of them.

Mr WILKINSON - Has DPAC exceeded any of its budgets this financial year and, if so, what is going to happen in relation to that?

Mr EDWARDS - My expectation is that we will meet our budget task at the end of the financial year.

Mr WILKINSON - It would seem on the face it that really only Health and Education are the problem areas.

Ms GIDDINGS - Health and Education are the two very difficult areas, absolutely.

Mr WILKINSON - Other than that, am I right in saying that all other agencies have pretty well come in on budget?

Ms GIDDINGS - Pretty well. Health and Education are also the two areas with the highest demand so they have the pressure, particularly Health.

Mr WILKINSON - I understand that.

Ms GIDDINGS - Education is different in that they actually have a shrinking demographic, which is what I was saying in the Treasury Estimates, that within two years our schools will be filled with less than 60 per cent capacity. But the costs in Education have been growing and some of that has been about the support that we have needed to provide children with as well - the Early Years programs - they are intensive programs, autism programs, school psychologists and all of those that are important have certainly contributed and of course wages costs and the salary nexus for teachers have been a big part of that.

Mr WILKINSON - Has DPAC made any requests for additional expenditure in the last year? I take it from what you are telling me that it has not.

Mr EDWARDS - In the normal business there are events that come up through the year that are not anticipated and the traditional funding mechanism for that is by requests for additional funding, for example, contribution to the Pakistan flood relief, State funerals and those sort of things. There is an element of DPAC's business that is not predictable in the normal way that you would make an appropriation so they are the sorts of issues that get handled by requests for additional funding.

Mr WILKINSON - There have been some this year?

Mr EDWARDS - There have been some this year and there are some every year.

Mr WILKINSON - Are you able to give us a rundown of those? I do not mind putting it on notice if it is easier.

Mr EDWARDS - We can take that on notice.

Mr WILKINSON - Can you provide some further details on the Voice Strategy Project, I think it is?

Ms GIDDINGS - Rebekah Burton, the Deputy Secretary, will come to the table.

Mr WILKINSON - Rebekah tells me she is all over it.

Ms BURTON - All over it but we are facing it. Many of you will be aware of the grey phones, the Tasinet phones that have sat on desks for I think the last 20 years. I have my colleagues over there in the corner who will be running the Voice Strategy Project. Tasinet has been providing a fantastic service for government over the last couple of decades. The technology that runs Tasinet's spectrum is about to be decommissioned by our friends at Telstra. We currently service around 28 000 phone lines; 25 per cent of those are outside government - so around 22 000 phones. The voice strategy is looking at what the future holds for the Tasmanian Government in relation to voice services. I am not aware exactly what services you have available to yourselves in the Legislative Council but DPAC has been using a Microsoft productivity suite product called OCS, where you can use a VoIP phone - and I know Ms Forrest will be fully aware of what I am talking about - a voice-over-internet-protocol phone connected to your computer. That productivity suite allows you to make a meeting booking, to tell whether Mr Harriss is at his workstation or not and ring him up if he is. You can instant message

someone. This is the future of telephony. That grey phone - as I call it the Bulgarian Tractor Company phone - that came in the many thousands, we are going to have to get rid of. It is a massive task, as you can imagine. Getting rid of 22 000 phones, just the fact of where they are going to go. We do not want to send them to Africa, we want to be environmentally friendly in the way we get rid of them but we are going to have to bring in new devices and not every agency will want the same device. Police will not necessarily want a replacement phone; they may go mobile. There is the classic case where people have a fixed phone line and a mobile phone and there are many stories of people's phone ringing on their desk and they wait until it then rings on their mobile. At the moment the costs can be prohibitive around these many devices.

Mr WILKINSON - Will there be a saving as a result of this?

Ms BURTON - That is what is anticipated, Mr Wilkinson, and we will be working hard to get the very best outcome for the Tasmanian Government. We have been operating in a monopoly situation to date - Telstra and us. We are hoping to introduce some competition - fingers and toes crossed - and that is what the team is working on. You will not see a one size fits all solution, what you will see is a series of tenders, breaking that contract up into various parts, and we are hoping to get Optus, NEC and Telstra all competing madly for whole-of-government business to get the best possible outcomes for teachers, police and desk-bound public servants. It will be a niche solution across the whole service.

Mr WILKINSON - Is the NBN playing any particular role in it?

Ms BURTON - Not necessarily in our thinking at this stage, but for NBN just think 'broadband' and the VoIP service that I was talking about. Everyone is going to have a VoIP service with NBN eventually because you are not going to have the copper wire into your property and have that old phone. You are going to have your computer and your phone will probably run off your computer line. There is a whole range of issues around that. You need battery backup and a whole range of other things. This is more about government purchasing and using our government purchasing power to get the best possible deal, financially but also in terms of public sector productivity.

Mr WILKINSON - As I understand it, as a result of what you believe to be competition in the workplace, you believe we are going to get a better result than we have in the past?

Ms BURTON - That is what we will be working hard to achieve. Telecom companies are notoriously difficult; even in your own personal circumstances they sometimes can be quite difficult to deal with. We will be dealing in large numbers; in the tens of millions of dollars.

CHAIR - That scenario you just painted may not apply in rural and regional areas - towns, but not in rural areas themselves.

Ms BURTON - We will be providing services to police stations and the fire service, so it will apply. Remember, this is not to the household, this is to a government business unit, whether it is a health centre, a police station or a fire station. We will use that purchasing power to make sure that that service is 99.99 per cent reliable.

Mr WILKINSON - In relation to market research, has DPAC carried out any market research over the past 12 months? If so, can you provide some details of the nature of it, please?

Mr EDWARDS - Not market research as such, but we undertake community-based surveys and we did do some, so we have a list of them somewhere.

Ms GIDDINGS - The Tas Together Board, for instance, has done a community survey in relation to their 10-year update on the progress of the Tas Together indicators. Service Tasmania ran a survey.

Mr EDWARDS - The Early Years Foundation. We do have a list of them.

Mr WILKINSON - If we can put that on the backburner. If you can provide it, terrific. If you cannot, maybe later on.

Ms GIDDINGS - We can. We provided it yesterday, so we can provide it.

Mr WILKINSON - Thank you.

CHAIR - Premier, your patch facilitates the Climate Change Office.

Ms GIDDINGS - Yes, but I am not responsible for it. The Minister for Climate Change now is Cassy O'Connor.

CHAIR - You may not be able to answer the question I had then. What have we learned today about the impact of climate change on Tasmania's key agricultural sectors?

Ms GIDDINGS - Ask Cassy.

CHAIR - We do not have Cassy, so I will send it to somebody else.

DIVISION 9

(Department of Premier and Cabinet)

Output group 1

Support for executive decision making

1.1 Strategic policy and advice -

Mr HARRISS - Premier, I want to try to get a grab on the key issues that are being managed with regard to intergovernmental relations, COAG and the other matters which are set out under this particular item. Just the key positions, please.

Ms GIDDINGS - Of COAG in this area?

Mr HARRISS - Yes.

Ms GIDDINGS - We will bring Greg Johannes, Deputy Secretary, who helps assist with COAG issues. But, primarily, we have issues of health reform that have been coming through. There has been a major reform of the COAG groups that exist now, as well. There has been a major restructure and there is a limited number of COAG ministerial council meetings that exist now. I do not know if we have a list of those at all.

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Mr HARRISS - I do not know that they would be particularly relevant, I was just after the key issues that fit within those areas identified in the output.

Ms GIDDINGS - We assist all government agencies with their COAG roles. That is the reason why, I guess, when you are talking about key issues, there would be key issues that fall out of all of those various ministerial councils that are being pursued in that respect. In terms of the COAG issues that we have been dealing with as well -

Mr EDWARDS - National health reform has been, by far, the largest. There was the continuation of the COAG productivity agenda. So there is a range of things around harmonisation and occupational licensing and so on. As the Premier said, the reform of the ministerial councils. There is a range of issues around housing reform and affordability that were from the earlier stages of COAG before Premier Giddings became Premier. There has been a whole new early years agenda, nationally that has been through the COAG process. There are hundred, literally, of these sorts of issues and the role of DPAC is to provide coordination for the Premier and Cabinet so that all of these issues are considered by line agencies and that coordinated advice is provided to the Government in order to respond to the new national programs.

Mr HARRISS - Are there any international treaties which specifically impact Tasmania?

Ms GIDDINGS - All treaties that Australia signs up to impact on Tasmania in terms of trade and so on. So, in that sense, there would be but I do not know that we would have that level of detail here. A lot of those trade issues or international treaty issues are dealt with through the Economic Development minister, as Trade minister. I am not aware of other ones that have affected us outside of trade.

Mr EDWARDS - I do not have that specific details, but we did, around submissions, including the consideration of 157 inquires and the development of 14 whole-of-government submissions. We do have a treaty liaison function in the policy division of the Department of Premier and Cabinet and they work with agencies to provide responses to treaties. We generally would put in a level of investment in our submissions or responses commensurate with the importance of the issue for Tasmania. Not every international treaty has huge implications for Tasmania and given we are a very small policy unit we have to be mindful of making sure we are responding to the ones that really are important.

[3.00 p.m.]

Ms FORREST - Can you tell us how many people are employed in this area?

Mr EDWARDS - There are 16.5 FTEs.

Ms FORREST - Is there a reduction? Is this one area where staff cuts have been made?

Mr EDWARDS - Since the post-GFC budget and vacancy control we have been having to manage positions very carefully. It was 18 last May and 16.6 now, so there has been a slight reduction.

Mr WILKINSON - Policy and advice seems to be an important area. Do we have any consultancies in this area?

Mr EDWARDS - We generally don't employ consultants in this area because we have quite a specialised workforce with the knowledge and skills we need to respond to that work environment. From time to time we will have a very specialised project - a good example is the forest carbon study where we don't have internal capacity so we would go out to tender for expertise on that.

Mr WILKINSON - Were there any consultancies last year? Are you envisaging any this year?

Mr EDWARDS - We do have consultancies, but is this in the policy area or generally across the entire department?

Mr WILKINSON - No, just in the policy and advice area.

Mr JOHANNES - We shared the cost nationally with other States and Territories and the Commonwealth on a standard charter of accounts for government subject to a COAG agreement. Our contribution to that was \$7 920.

1.3 Social inclusion -

Mrs ARMITAGE - This is a reasonable budget but it has been cut slightly, particularly to do with the community cars. You mentioned earlier, Premier, that 30 cars had been given out into the community and that there weren't any more for the time being. Who do the cars go to? Do they belong to them or do they still belong to government?

Ms GIDDINGS - No, they become the property of the recipient and the responsibility of the recipient then to run and maintain.

Mrs ARMITAGE - Do we know who the 30 cars went to?

Ms GIDDINGS - In round 1A a car went to the Brighton Council, Circular Head Child Care Centre, Clarendon Vale Neighbourhood Centre, Eastern Shore Community House in Devonport, Fingal Valley Neighbourhood House, Goodwood Community Centre, Jordan River Services at Gagebrook, Northern Newpin Association at Ravenswood, Penguin High School Association, Ravenswood Neighbourhood House, Salvation Army at New Norfolk, St Helens Neighbourhood House.

In round 1B there was one to Bicheno Community Health Group, Central Coast Council Opt-In Youth Program, Go Highlands, King Island Council, the Migrant Resource Centre in the south, Northern Suburbs Community Centre at Mowbray.

In round 2 there was Centacare Community Housing in Hobart, Derwent Valley Community House, Goodwood Community Centre, Launceston Community Legal Centre, Migrant Resource Centre Northern Tasmania, North West Environment Centre, Palawa Aboriginal Corporation, Paraquod Association of Tasmania, Risdon Vale Neighbourhood Centre, West Winds Community Centre, Wise Employment, Youth and Family Focus and the last one - in round 3 there was only the one car and that went to the Community Landcare Group at Mathinna.

Mrs ARMITAGE - How do you see the Community Building and Grants Program impacting, given that that has also been cut?

Ms GIDDINGS - Obviously, we would prefer not to cut these grant programs because they do have a valuable role, but we have to find savings. You would need to speak to the Community Development minister about the details of that program.

Mrs ARMITAGE - Thank you.

Mr MULDER - The Social Inclusion Unit has taken a bit of a hit, as we can see from the grants program. The Social Inclusion Unit being fairly innovative and new, with its own commissioner, I just wonder how many staff we have there and whether we actually looked at this as a potential area to cut back on some government programs. I am sure there are some essential ones in there but maybe it is possible to transfer those to relevant departments.

Ms GIDDINGS - The unit is allocated \$730 000 for salaries including a commissioner, director, four policy officers and two administrative assistants, which is what we have there. That has been a very innovative unit and, as you have said, it has helped drive programs across government. For instance, the Common Ground program in housing has come out of that. They have helped administer the Cars for Communities program, the Tasmanian Food Security Fund has come out of that area and a Community Capacity Building Grants Program. They have also had the Family Assistance Program through that area. The Supporting Tasmanian Volunteers Program that has always been in DPAC has just been brought under this umbrella. The Tasmanian Government Concessions Guide, of course, has also been a long-term initiative of DPAC. There are the NILS Network of Tasmania for administration of the Community Development Finance Fund, and micro-finance loans. The Returned and Services League of Australia (Tasmania Branch) is also supported to address the needs of isolated and socially excluded veterans, war widows and their dependents and there has also been support through this program for the food vans - Louie's Van, Mission Beat and Gran's Van - one in each region.

It has been undertaking some very important work. As part of our whole-of-government strategy I think you will recall that we were looking at the community grants program aspect as part of the review through Treasury and budget committee DPAC in that sense, and we can certainly look at where is the best place to have various different grant programs.

Mr MULDER - I am not questioning the good work that has been done. Given our budgetary situation I am just wondering whether this is a unit that might be more of a nice-to-have that has possibly done 80 per cent of the initial work that it needs to do and whether the remnants can be now pushed off somewhere because, as you can see from your own staffing table, this is quite a significant unit in terms of staffing. I am not for one moment criticising the work that it has done. I am just wondering whether that work is better done in other agencies that are actually in the habit of service delivery.

Mr EDWARDS - I would have to say they have done some fabulous work.

Mr MULDER - Correct.

Mr EDWARDS - I would not get the sense that the work is done. There is a whole range of issues around the social inclusion agenda that continue to need to be responded to. They have built up a very good core of expert policy advice and I would hate to see that lost to Government and governments in the future.

Obviously we do have some budget pressures in DPAC and some savings targets to realise in the future years so one of the things we are working on actively at the moment is how will we drive those savings from our budget into the out years. One of the options is around further amalgamation of our policy functions in DPAC. That is work that is underway over the next couple of months in our own organisation to look at how we can continue to preserve the core of the policy expertise that we have to provide advice to the Premier and Cabinet, but meanwhile look at the most cost-effective way of doing so in a budget environment which is under pressure.

Output group 2 - Government processes and services

2.1 Management of executive government processes -

Mr MULDER - Thank you very much, Madam Premier, for stealing 90 per cent of my thunder by giving the answers before I had even asked the questions, because quite clearly you have very perceptively seen that the Sundry Grants Program was something I was keen to have a look at, particularly the Auditor-General's comment. There are a couple of points of further clarification. The first thing is the documentation, and you talked about transparency in Budget Papers earlier today. I was having great trouble, going through the budget papers and even your annual report, finding out where these sundry grants were going and how they were being dished out. What was the budget before you trimmed it back to \$480 000? What is the process by which people know about them, apply for them and write letters? What are the assessment criteria, and what sort of reporting arrangements can we look forward to in the future so that there is transparency around the issuing of these grants?

Ms GIDDINGS - That is where I think the name change is important. It is not actually a grants program, and as I went through my discussion with you earlier it would be like me saying to you with your electorate allowance, 'I want you to report to me exactly who you are donating to and I want you to tell me how you are letting the constituents of Rumney know of the fact that they can apply to you for assistance, and -

Mr MULDER - I am happy to do so, by the way, Premier, since I have to deal with the Taxation Office anyway.

Ms GIDDINGS - what sort of publishing you are going to do and what criteria do you use to assess it', because effectively that program is the same as an electoral allowance that individual members get for their electorate. The difference is with the Premier there is an expectation across the entire State for you to be able to support individuals and community groups, so there is no strict criteria in that sense but, as you will see from the sundry grants that have been provided, they tend to be for things like a new stove for a neighbourhood house, or to sponsor a multicultural festival for a one-off, or enable a community group to put on a barbecue as part of a fun day that the community is doing. There are various examples of the sorts of things that are funded through that program and, as I have also said, we have also funded election commitments through there. We have already tabled the list of all of the sundry grants, so you will see -

Mr HARRISS - Oh, sundry grants, Premier. They are funny things. Look who turns up.

Laughter.

Ms GIDDINGS - It is called the 'Polley Fund'.

UNCORRECTED PROOF ISSUE

Mr MULDER - His name is in the wrong column, Premier. I think he keeps turning up under the requestor rather than the recipient column.

Ms GIDDINGS - Of course the Auditor-General did clear my colleague's name. I would just like to say that very clearly.

Mr WILKINSON - You still looked shocked when suddenly Mr Harriss said, 'Sundry grants'.

Ms GIDDINGS - I was. I was thinking, 'What's going on here?'

Mr MULDER - Thank you. We do not need to read them all out.

Ms GIDDINGS - No, but you asked what was the fund before. We reduced it by \$160 000 to \$480 000.

Mr MULDER - The process for applying is simply a letter to the Premier?

Ms GIDDINGS - The letter has to be in writing. There has to be a paper trail, so it is in writing, and that is received by a staff member in my office who then does an initial assessment and looks through the history of those applications to check whether or not that group has had funding in the past or not, then makes a recommendation to me, which I either agree with or disagree with and put forward an alternative recommendation.

[3.15 p.m.]

Mr MULDER - Thank you for providing this list, I had not seen it before. I am wondering whether it has been published or whether it has just been produced for us?

Ms GIDDINGS - No, it is a public document. In fact, I think it was released through RTI originally.

Mr JOHANNES - We always produce it in the DPAC annual report and we always table it at Estimates.

Mr MULDER - Perhaps you could find it for me in the DPAC annual report. Thank you. Such a voluminous document, I must admit, I had not been right through it. But if it is there, that is fine because that is the transparency which you were talking about.

Ms GIDDINGS - We are very open and very transparent. Thank you for agreeing with me, I am pleased you do.

Mr MULDER - We will not get into the party affiliation again this time, how is that?

Ms GIDDINGS - It is nice to have a Liberal agree.

Mr MULDER - We are very agreeable.

Another organisation within your area is the Security Emergency Management Office and I noticed there has been some change in personnel there. It has been some time since I have had

any dealings with it. Has that also had a good look at, as to whether those functions are appropriate for your office?

Ms GIDDINGS - That is led through the COAG process, as I understand, and every Premier and Cabinet or Prime Minister and Cabinet is the group who do the whole-of-government security issues. Matthew Healey who is the director of that office is now at the table as well. It is a standard practice across Australia.

Mr MULDER - I do appreciate that and the detail of the office I am quite familiar with. I was asking in the global context of having a look at all of these particular agencies, all these new offices that have sprung up over time in response to particular needs and whether we are seriously looking at, do we need a separate office, do we need separate staff who are doing complementary work with associated agencies?

Ms GIDDINGS - Mr Healey basically lives with police, as I understand it. So it is very complementary.

Mr MULDER - With some police, not all of us.

Ms GIDDINGS - Of course, all the vacancy control measures and the like apply to every part of DPAC. There has to be a very rigorous process that you have to go through before a vacancy will be filled.

Mr MULDER - The last little issue - I do not want to get into personalities and I am sure you will not either - but I do notice that one of the people feted last year in the annual report was the retiring fire commissioner and I have no qualms with that. But I think the question is, is this a standard thing for a head of an agency or someone to receive a premier's reception at the end of their tenure when they retire after many years devoted to service?

Ms GIDDINGS - It can happen. In fact, we do have retirement functions quite regularly for different people. That does not necessarily mean that I attend them. But often I walk past my reception room and there is a group of unknown people in there, having another function of some sort.

Mr FOULSTON - We have recently had a retirement function for a chair of agency who just retired.

Mr MULDER - I was just a bit concerned because, as may know, without getting into personalities there was a notable exception in the last annual report but I will just make that point and leave it at that.

2.2 Principal and subordinate legislation -

Ms FORREST - I note in the line item here there is an increase next year but then it follows a decrease over a couple of years in the funding for this area. We know that OPC is under the pump at times, getting legislation done or so it seems and they have just produced a massive document for the Mental Health Act, which was presented yesterday, for one. But this reduction, how are they going to manage that and still maintain the same level of output?

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Mr EDWARDS - They have had an increase in 2011-12 which includes additional salary and non-salary indexation. There has been a redistribution of the corporate overheads which is probably one of the things that is impacting on those out years. The resourcing should be such that we are not cutting the drafting capacity of the office as part of our budget strategies.

Ms FORREST - Where are they making the savings? They obviously must be making some savings.

Mr EDWARDS - I do not know. The budget in 2011-12 is \$3.4 million and the budget in 2014-15 is \$3.4 million and \$50 000 or so.

Ms FORREST - There would be expected to be some wage pressures if you are going back from \$3.4 million to \$3.3 million and then \$3.33 million and then it starts to go up a little bit again.

Mr EDWARDS - That is right. There is a fair amount of non-employee related expenses in there and they are for things like the cost of the printing the legislation in the *Gazette* so there would be variations in those non-salary costs. In fact we are out at tender at the moment and we are fairly close to concluding a tender which is for a major part of the costs. I suspect the variations are in those things as opposed to the salary profiles.

Ms FORREST - When does the current contract for the printing of the *Gazette* expire?

Mr EDWARDS - It has expired and we extended it while we undertake a tender for a new contract.

Ms FORREST - One of the issues around this is getting it available online.

Mr FOULSTON - The contract for the *Gazette*, parliamentary papers and the printing of legislation was let back in March and we are running the process now to assess those tenders and the secretary of this committee is a member of the evaluation team. We have basically finished that evaluation and we are about to get final approval to move on with negotiations with the successful contractor. One of your questions is about the online *Gazette* and part of the tender was for the online *Gazette* to become one of the products that will be available and that will be negotiated with the contractor once they realise that they have the contract and we will move forward. That is going to be one of the products that will be available - the *Gazette* online.

Ms FORREST - What time line is there?

Mr FOULSTON - We are about to get approval to sign off on the tender now and then we will move into contract negotiations and when those are finished, that will probably take a couple of months, and then we are ready to start the new contract. Certainly between now and the end of this year we should have online *Gazette*.

Ms FORREST - Will there be a charge for accessing that?

Mr FOULSTON - No, it will be online. It will be via the DPAC website, I think.

Ms FORREST - There will be less printing then and that will reduce your cost?

Mr FOULSTON - Yes. That will probably apply to all agencies that are receiving printed copies of the *Gazette* at the moment and they should be able to reduce some costs by just accessing it online.

2.3 Tasmanian Government courier -

Ms FORREST - The courier still does not know where Wynyard is.

DEPUTY CHAIR - It is a long walk.

Ms FORREST - It is a long walk, but it does say 'regional offices' here and it still does not come to Wynyard.

DEPUTY CHAIR - Have there been any areas within the courier's office that need another look at or have been complained about that is in need of airing?

Mr REEVE - It is one of those areas that is always subject to increasing demand but the courier service is only resourced to a certain amount.

Ms GIDDINGS - Can I just interrupt to say that this Jeff Reeve, who is the Director of Corporate Services.

Mr REEVE - Basically they do the best they can with the resources they have. They do not go to some of the more regional areas like Wynyard, for example, because it is too far from the core areas that they service.

Ms FORREST - It is only 15 minutes from Burnie.

Mr REEVE - The main area of their service is the core areas like Launceston, Burnie, Hobart and Devonport. For them to expand out into those areas would mean that some other part of the service would suffer as a result.

Ms GIDDINGS - And then Stanley would say, 'But we're only 15 minutes or something from Wynyard', or whatever.

Ms FORREST - No, it is further than that. It is a good 45 minutes from Wynyard.

Mr REEVE - There are only two people based in the north who would have to service the whole northern area.

DEPUTY CHAIR - Do you want to ask any questions on it, Ruth?

Ms FORREST - It does create increased costs for those offices that aren't serviced. There is a cost to the offices for not having that service - I don't think that is considered in this discussion. I know we are not going to see an increase at this time either.

Mr WILKINSON - It looks like the budget with the forward Estimates is reducing after this year. It jumps by \$30 000-odd this year and then levels out by coming back to 622 000, 619 000, 626 000 - there is nothing untoward that I can see.

2.4 Corporate support to ministerial and parliamentary offices and the Office of the Governor -

DEPUTY CHAIR - Footnote 2 refers to the redistribution of corporate overheads. Can you provide some further advice as to what has occurred here?

Mr REEVE - Essentially the overheads have been reallocated across all the outputs in the department as a bit of a catch-up exercise. There is no bottom-line effect on the budget. Some outputs obviously have gone up and some have gone down by a corresponding amount. The overheads are based on an FTE basis and it picks up the additions that occurred in DPAC or the variations to the DPAC budget over the last five or 10 years.

Mr WILKINSON - Are there any savings initiatives in this area that you have identified over the last couple of months?

Mr REEVE - There have been quite a few savings in corporate expenses across the department, particularly in vehicle expenses, mobile phones and travel. We will be reviewing more opportunities to save corporate expenses over the next 12 months or so.

2.5 Administration of Electricity Industry Review Panel -

Mr HARRISS - The only issue there is when the report is expected.

Ms GIDDINGS - At the end of the year, I believe, about December. They did ask for an extension and we granted them that. They have just recently issued an issues paper and that has been circulated for people's comments. There were a couple of errors in that issues paper and people will be able to correct those errors through that process.

Mr HARRISS - So this appropriation embraces both the administrative side and also the panel that has been established, that is, their remuneration?

Ms GIDDINGS - Yes.

The committee suspended from 3.29 p.m. to 3.47 p.m.

Output group 3

Electronic services for government agencies and the community

3.1 Information and communications technology (ICT) policy development and implementation -

Ms FORREST - Mr Chairman, in the interests of the Premier's health and unless Rebekah wants to add any more on the voice phone system, is there anything else to add in this area?

Ms BURTON - If I may, two things. The allocation goes down because of the cessation of funding for the TECC after 2011-12. The other key thing to mention is that there has been a major innovation within DPAC in that currently Rhys heads up what we call the ICT Policy Board, and for those members who have listened to me speak in previous years, working around

government over the silos to get better outcomes in ICT has been a bit of a crusade, and we finally have a governance arrangement where the head of the public sector chairs a group of secretaries and that is looking at an IT strategy for Government but also looking at investment in ICT. I do not want to speak for Rhys but -

Mr EDWARDS - No, please, you are doing a good job.

Ms BURTON - it has taken a long time and I think, Ms Forrest, you have often asked questions about IT within government, and it is about breaking down the silos, and some of the things that come up under 3.3 are initiatives that will provide across-government services rather than one agency going one way and another agency going another way.

Ms FORREST - So this goes across all three sections in this output group, Mr Chairman, I think. Will that actually create greater efficiencies and cost savings and will DPAC effectively be dealing with IT for the whole of government? We are not going to see an IT department in Health and an IT department in Education and every other place?

Ms BURTON - Piero Peroni, who is sitting over there, is the General Manager of TMD, and he uses a very good example that, unlike Woolworths, which has one e-mail system, we have 12, so under 3.3 the major project is to develop one e-mail system across government and, as you can probably imagine, if you have 12 different systems you have 12 different approaches, 12 different people with different expertise, skills sets et cetera, so you have duplication and extra costs, 12 different sets of problems too. So the issue for us is that commodity services such as e-mail should be the same across government. Value-added services in the Health area should be dealt with by the agency. So we are certainly not aspiring to do what some other governments have done and just have a shared service, one great big beast that looks after everything, because if you have ever seen any of the Auditor-General's reports there tend to be lots of problems. Queensland Health payroll comes to mind. We do not want to go down that path, so we are doing it in an incremental way, but TMD, which sits under output 3.3, will be basically the place in government that deals with commodity services and also acts as purchaser for government, so the voice services, data storage. E-mail consolidation is being run out of TMD.

Ms FORREST - What level of savings do you expect? I know there probably won't be savings right at the minute because of the work being done to achieve it, but what level of savings are we talking about?

Ms BURTON - We have a business case that is being developed and I think Piero has a chart

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Mr PERONI - The benefits of consolidating are fairly simple from a technological point of view for a product like e-mail over a 10-year period compared to the do-nothing option, which is continue down the same path we have today, duplication right across government, lack of functionality. We can expect a saving of around \$10 million over a 10-year period, so that is about consolidating and providing the service centrally from TMD. Down the track we may even go to the market to see if the market can do it more cost effectively.

Ms FORREST - The former Premier might have a business that could help you by then.

3.2 Management and ongoing development of Service Tasmania -

CHAIR - I noticed the forward Estimates are pretty constant in that respect. Have we any new Service Tasmania shops that may be opened?

Ms GIDDINGS - No.

CHAIR - None at all?

Ms GIDDINGS - No closures, no openings.

CHAIR - There is an old perennial that comes up in Launceston, and the Launceston members have raised on various occasions, that there are long queues. Has that matter been addressed and, if not, why not? I think the push was always to try to put something out in the northern suburbs as well to take the pressure off the Launceston office.

Ms BAKER - You are quite right. The Launceston Service Tasmania shop is the busiest shop we have throughout the State, but it does have a higher FTE level than the Hobart shop to compensate for that additional business. There are more staff there to serve the increased traffic at the Launceston shop. The FTE level at Hobart as at 13 May was 17.73 and at Launceston it is 21.13. There have been 278 967 transactions performed at the Launceston shop from July 2010 until April 2011, and \$26.79 million in government revenue has been collected through that outlet. It has been problematic for us but we have implemented a number of business process improvements over the last couple of years. Most recently the Department of Infrastructure, Energy and Resources has shifted its motor dealer traders work to online so there has been a reduction in the level of back-office work that has been performed for that business in the Launceston shop, which has resulted in increased availability of client service officers at the front counter to meet that increased demand at Launceston.

Mrs ARMITAGE - It didn't look any different last week when I was there. There were lines and lines right out through the door.

Ms BAKER - It is a busy outlet, there is no question about that.

CHAIR - Through you, Premier - could the committee have a tabled report of how many transactions go through each Service Tasmania shop? Do you have that information available?

Ms BAKER - I don't have that with me today but we can provide it.

Output group 4 State Service management

4.1 State Service employment and management -

CHAIR - Premier, I think that you indicated to me before that you might like to make some comments on 4.1.

Ms GIDDINGS - Yes, I think it is better that we just explore the issues and if members do not touch on everything then I will supplement it. But I think it is important. What I might ask Frank to do is to go through the step by step process that we will be treating employees through so that there is a comprehensive understanding of how we are managing the workforce first and then if you have questions around that.

CHAIR - Okay.

Ms GIDDINGS - Frank has copies that he that he can hand around to the committee of the process that has been followed.

Mr OGLE - I will just take you through the vacancy control system that we have developed. It incorporates redundancy but the focus is really on matching vacancies against surplus people. Really it is a matter for the agency up the top identifying the programs that cease and particularly the people in those jobs who will be surplus. Then they embark on an internal vacancy management process, and I think the Premier has already mentioned how that happens. You look at the job, whether it is needed, whether there are alternatives, does it need to be at that classification, can there be a restructure or can there be amalgamation. The Premier wrote to each of the agencies early in April and directed those who did not have vacancy management to establish vacancy management processes, and that is occurring. It is only after that internal vacancy management process that a head of agency is able to recommend that an employee be declared surplus. That then goes to the State Service Commissioner who has the statutory responsibility to accept that that person is eligible for redeployment.

CHAIR - Frank, when did the clock start ticking with that process? Was it when the Premier wrote to the agency?

Mr OGLE - A number of the agencies have had vacancy control in process since the GFC and only a couple of agencies needed to be reminded of the need for vacancy control. I think it is fair to say that even those agencies that had vacancy control, lifted their intensity up a level to ensure that every job was looked at. One of the key criteria that we imposed on the head of agency was a personal responsibility to look at vacancy control. It was being looked at at an executive level and probably in some agencies before that it might have been the HR director's responsibility, but it lifted it to that executive level.

CHAIR - Sorry, I interrupted your flow; keep going.

Mr OGLE - It is after that that under section 47 the State Service Commissioner can accept that. That is really his statutory responsibility and without talking for the State Service Commissioner, I think it is fair to say that he would need to be satisfied there had been either genuine attempts to redeploy the person or there is just simply not a suitable vacancy to which that person can be redeployed within the agency.

Then we have established a central vacancy management group within the Public Sector Management Office and with that goes what we call ministerial direction 25, which is a very detailed direction that is still in draft form because we are still in negotiations about the processes associated with the central management.

Ms FORREST - Are the people in this area who undertake this role new people who have been put on to undertake the task or are they people who have been redeployed within it?

Mr OGLE - They are all people, I have one person there at the moment and one lined up, that we will manage within DPAC, and I also have two people who have put their names forward from the Department of Health who are potentially surplus to requirement. So I think the answer

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to your question is, they will be people who identified themselves or redeployed from within DPAC.

Ms FORREST - So we are not putting on people who are employed within the government sector somewhere, trying to take this job?

[4.00 p.m.]

Mr OGLE - No, they are people from within the State sector. At the moment we are looking at three people. Really the focus of that group is simply to look at the vacancies, so every vacancy is cleared by that group before it can be advertised and then we have a list of surplus people who have been declared; the issue then is to match the surplus people with the vacancies and then it is a matter of assessing at level the suitability of the surplus person as to whether they can undertake the duties and that will be centrally managed. That is the first big step and it is three months to look at that process and match people against vacancies or surplus people against vacancies.

At the three-month mark we have indicated that if we have not found anything, it is at that point we can offer or will offer targeted voluntary redundancy. The reason we have done that is that our first step is to try to redeploy the person. That is our primary focus. The second point that I would make there is that only those in declared situations are eligible at that stage for voluntary redundancy. I think in the past we have had situations where people put up their hand through other voluntary redundancy exercises going back as far back as the early 1990s and one of the problems with that sort of exercises was that we lost good people. People put up their hands and basically those who expressed interest got redundancies but this is around the targeting of positions, the targeting of duties and people held against those.

Ms FORREST - No-one will be offered a voluntary redundancy unless their position is no longer required. Is that what you are saying?

Mr OGLE - That is correct. There is an entitlement at that three-month mark. The dotted line there describes the ability and the discretion to offer a redundancy before that, and that would be on the basis that there is a decision about the person who is surplus that the likelihood of their redeployment is negligible. It would be silly to go through three months of redeployment for the sake of going through three months of redeployment if we knew fundamentally that there was going to be difficulty in redeploying and we would offer a targeted redundancy anyway. What we have adopted there is an incentive that is currently being negotiated with the unions, that we are able to go earlier than that with the redundancy package plus an incentive but that is based on not having to pay three months' salary and that requires the approval of the secretary of DPAC.

It is after that process, if the person does not take the voluntary package there is another three months to try to redeploy and it is at the six-month mark that the central group would advise the State Service Commission that we are unable to redeploy the person and at that point the State Service Commission advises the head of agency of that and the head of agency may then recommend to the minister for termination.

The State Service Act, under section 47, as you are probably aware, has presently a 12-month redeployment period. This process is based on the bill that has passed the House of Assembly to come before the Legislative Council to make that period six months.

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The other point I would make is that it was unclear or debatable whether at the end of the 12 months there was a redundancy package available. It just talked about termination. The Government has decided that at the end of that process there is, if you like, an involuntary redundancy package that will be offered. The quantum of that package is still open to negotiation but one of the things we are trying to avoid is making the package so attractive that people stay in the involuntary situation for the sake of the money, so it is a matter of finding that balance between the voluntary package and the involuntary package.

The other thing you will notice in that diagram are the diamonds and those diamonds indicate the requirement to have discussions with the employee concerned to explore options or alternatives about what their options might be and I think that is important during all steps of that process and also to offer employee support. What I mean by that is that it might be RBF advice, it might be financial advice, it might be just assistance, because all agencies have employee assistance programs, but it can be a difficult period for employees, so it is one of those things where they can be supported through the process. That is a pretty quick summary of what this process is.

Ms GIDDINGS - Just to add a bit to it in that sense, we made the comment earlier that we do not expect or want a huge redundancy program, that in vacancy control there is a natural turnover of staff across the public service, and we would hope that a lot of our savings will be found through that natural attrition, but there are some roles that you have to replace. So that is where these other tools become important to us, but I know the unions are worried that we just have a vendetta out and that we just want to get rid of people, and that we will go straight to the involuntary redundancies, but that is not what we want to do.

CHAIR - Two questions arise there. One is, what is the average attrition on an annual basis in the public sector? Do you have a figure on that?

Mr OGLE - Yes. Like all the figures I have, it depends what you count, but on average natural attrition I account for the people in the permanent positions. There are a whole lot of people in fixed-term roles that are either replacing other people or for set periods, so really they are not the replaceable people. So the answer to your question is: the number in a headcount sense is about 1 200 per annum. That tends to be the average of what I call true wastage, but the problem with true wastage is that it is not always in the positions that are targeted. If you think of the State Service, I divide it into three categories, Health, Education and the rest, and if you add Health and Education up, that is nearly two-thirds of the State Service. So if you look at the 1 200, a lot of the wastage occurs in areas that are marketable health professionals, nurses, medical people, so that really reduces it. You cannot redeploy a clerical person into a medical job, for instance. If you asked me about the average of true wastage to which you can then redeploy in the general stream, I would estimate around half that, so you are starting to get the number of true wastage in which you can use natural attrition forward down to a pretty low number, and you have to also build into the head count that 40 per cent of the State Service is part-time. I think it is as high as 47 per cent at the moment. And if you think of the State Service also there are 4 000 nurses, 5 000 teachers - if you add people such as ambulance officers and other emergency service workers, that number adds up to about 10 000 employees. If you take that off the 23 000 FTEs, you are dealing with about 13 000 FTEs.

CHAIR - I understand it. Thanks for that explanation. Premier, with the negotiations with the CPSU and this process that you have gone through, have they been amenable to it or not?

Ms GIDDINGS - Unfortunately, as soon as we refused to take the possibility of some involuntary redundancy programs off the table, the union movement were quite angry and concerned about that and, yes, there has been consultation with the union movement but I do not think it has been the easiest of consultation because of their concern about that element. Part of the point that I make in the second reading speech of the bill that you will have delivered to you in the upper House is the fact that it was a Labor premier in Jim Bacon who brought in the new State Service Act, and he deliberately had this section 47 in the act, knowing that that means involuntary redundancies could come about, because he said that while at that point we were able to rule out any further redundancies in the public service, the situation may change for future governments and they may need this tool, and the time when you need the tool is now. We have had 13 years of no real movement in the public service around voluntary redundancies and the like other than those of which I am aware in Disabilities, for instance, where we moved out of direct service delivery into the NGO sector and there were some voluntary redundancies in relation to that move, but they have been very small and very targeted.

It is a time where we really do not have a choice. As a Labor person who comes from a party that is very proud of its union groups, this has not been an easy issue for me personally, or my Labor colleagues, to accept and take on board. I expect that there will be a fair bit of heat at the Labor State conference as a result of this as well. But you just have to be honest with the situation you are facing and you have to have all the tools at hand. My absolute hope is that we will not have one involuntary redundancy but I cannot guarantee that. My hope is that most people would take the incentive package and go of their own accord on a voluntary basis, but we still need that tool available.

Mr OGLE - The next meeting with the unions is tomorrow, one I look forward to.

Ms GIDDINGS - It is interesting because the other bill that will come up to this House is the Performance Management Bill and the Performance Management Bill is an issue that unions have raised with us to say that they believe we need better legislation around performance management. But now they are concerned about the performance management aspect as well, believing that is just another way that we are looking at trying to get people out of the public service. We are coming from a very positive angle. We think every employee has the right to be told and be given a plan. Every employee should have a plan that tells them exactly what they are expected to do in their job. The job description should form the basis of that, which they are employed under and, of course, a mechanism to get feedback, both negative and positive. In the negative areas, it gives them the opportunity to improve and that is what the Performance Management Bill is trying to achieve.

CHAIR - Who is the arbitrator of that process, to get that 0.5 or 1 per cent bonus?

Ms GIDDINGS - In productivity, are you talking about, in the State wages?

CHAIR - Yes.

Ms GIDDINGS - That is a bit of separate issue from performance management. The State wages policy is a 2 per cent policy with 0.5 per cent measurable productivity gains and if you can show you can do more on that salary -

CHAIR - That is what I was getting at.

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Mr OGLE - It is not an individual productivity increase, it is an increase of up to 0.5 per cent within the award. So performance management is a separate process from that again.

CHAIR - I see. Premier, from your side of the table have we -

Ms GIDDINGS - I think you have touched on probably the most important aspects because the controversial issues are the involuntary redundancy package and the reduction from 12 months to six months. As I said, New South Wales, who are in a tougher situation than us, financially, have gone to three months and South Australia has gone to bringing in 12 months. They did not have any.

Ms FORREST - What did they have before?

Ms GIDDINGS - Nothing before.

Ms FORREST - There were no guidelines there at all.

Ms GIDDINGS - No. So they have just brought in 12. So we believe six months is a reasonable amount of time to give people a chance to find alternative employment within the public service and then, if there is not that opportunity, we make them redundant.

Mr HARRISS - I want to go to that matter of wages; looming negotiations through the next year and which sectors they might be arising in, please?

Mr OGLE - Predominantly, there are two groups or three, really. There is the Tasmanian State Service Award to cover people, so that is the general State service. There is the Health and Human Services Award people, basically covered by HACSU. That is basically the blue collar workers at hospitals, clerical people within health. Then there is a number of smaller groups that hang off those parent awards and then there is the negotiation for teachers. Again, off the teacher's award hang the Polytechnic and the Skills Institute. So they are the major negotiations, although we have Ambulance commencing early in the new year and then we are nearly into the next cycle of agreements.

[4.15 p.m.]

Mr HARRISS - A couple of others then, if I might, Premier. What are the rules governing people receiving redundancies being re-employed in the future or, indeed, working as consultants?

Ms GIDDINGS - I will ask Frank to speak about that but the one element, too, that Frank has not spoken about that is not part of this, is the early retirement scheme. I am conscious that teachers have taken that scheme and then have been brought back to do relief work, but that is very different to a voluntary redundancy package so maybe you will address the criteria.

Mr OGLE - The voluntary redundancy package has within it what is called 'an employment exclusion period' and at present that exclusion period is in the range of two to four years depending on the quantum of your payout.

Ms GIDDINGS - Whereas the early retirement scheme is not actually making a position redundant, it is about replacing an ageing, older, more expensive person with a younger, cheaper person doing the same role.

Mr OGLE - In fact, you cannot exclude people from being employed but what the exclusion means is that if you do come back then you have to pay a proportion of your redundancy back. The only people who can be exempt from that exclusion use a submission to the secretary of DPAC and there would have to be very special reasons.

Ms FORREST - Does that include people who come back on a relief basis as well as coming back to a substantive position?

Mr OGLE - For the redundancy exercise?

Ms FORREST - They are having to pay back some of the redundancy, so even if they only came back for one day as a relief teacher they would have to pay a portion back?

Mr OGLE - That is the rules under a redundancy but that is different from the workforce renewal incentive program, which predominantly was undertaken with the teachers and has been extended in the Department of Education.

Ms FORREST - If they go on a voluntary redundancy, that is the rules?

Ms GIDDINGS - Yes.

Mr WILKINSON - I do not quite understand that, though. With voluntary redundancy I have no problem with that but if somebody needs to come back because there is a real need for somebody two days a week for, say, a month to fill a position, surely you would not ask that person to pay back part of the entitlement that he received, because he would be doing a benefit obviously for the workforce.

Mr OGLE - Agreed, but I think there has to be some approval process around that for that to occur. If the specialist skills were such that they were in fact specialists then a submission has to be made to the secretary of DPAC for that exemption.

Mr EDWARDS - It is very rare and a teaching example is one where you would be able to find relief teachers from the available workforce outside of people who have taken a redundancy. The examples I deal with - and I can only recall one - is we had someone with expertise in dam safety, for example, and they left but there is a dam safety committee that needed to provide advice when it met once a month or something and they wanted to be able to engage there, so they are the sort of examples where there might be some very specialist expertise when they might need to write to DPAC's secretary for permission to engage. I look at it on a pretty sensible basis, but they are the sorts of reasons.

Mr MULDER - The SES, the State Executive Service, I believe are all on contracts that have agreed exit arrangements. You probably will not be able to answer this off the top of your head but in due course I would like to know how many additional SES we created since Premier Bacon's State Service Act of 2000, and just how many of those will be targeted for redundancy now that we are going back into hard times?

Ms GIDDINGS - That has already been a target of a reduction in the SES following the GFC.

UNCORRECTED PROOF ISSUE

Mr OGLE - When we describe SES, the number of SES is 205 at the moment and there are 28 what we call equivalent specialists under the SES. I have to say my suspicion is some of that 205 are also equivalent specialists for advisory positions so all up we have 249 within that category. It is made up of 205 SES, 28 equivalent specialists -

Mr MULDER - It is the salary banding I am more interested in than the formal contracting. You have answered the question as to how many we have now and I guess the question -

Mr OGLE - The answer is it went up by 49 since 2000.

Mr MULDER - So we have 50 more, roughly, than we had in 2000.

Mr OGLE - Correct, and I did qualify that by saying that some of those are what we call 'executive specialists'. For instance, within our database we have dental officers within Health who are employed under the SES arrangements. I think it is fair to say the proportion of SES has gone up about the same proportion as the State Service and I would expect that as the State Service goes down the proportion of SES will go down. During the GFC, as the Premier pointed out, the number of SES went down by 25. In fact, each agency was given a quota to achieve of SES reductions.

Mr HARRISS - Premier, given that there is the policy of a 2 per cent cap, does that presume that that is it or is there still some susceptibility to negotiation and determination in the Industrial Relations Commission?

Ms GIDDINGS - That becomes a set cap, with the 0.5 per cent able to be negotiated on productivity. This is exactly what New South Wales has done. I think theirs is capped at 2.5 per cent, so it is has been very direct that there is no negotiation on the 2 per cent, but there is negotiation on the 0.5.

Mr OGLE - To answer your question, that is our position and of course it is subject to negotiations. It is fair to say that I am not sure that there will be many Christmas cards coming to me this year when we talk to the unions, but that is our position. It is not the province of the Industrial Commission to arbitrate in agreements. In fact, agreements are agreements, so our Industrial Commission hasn't tended to arbitrate in those situations.

Mr HARRISS - Does not intend?

Mr OGLE - Hasn't in the past arbitrated because they take the view that an agreement is an agreement between two parties.

Mr HARRISS - I wasn't clear on that, I just presumed that the IRC had jurisdiction still to determine.

Mr OGLE - Not to determine, they have jurisdiction to resolve disputes and their general process is to try to do that through conciliation. We have made it clear, and we will make it clear, what the parameters of the policy at the moment are.

Ms GIDDINGS - If we don't stick to the 2.5 per cent, more jobs will have to go. I don't know if you have had them, but I have had some e-mails from public servants saying, 'Rather than cut jobs, will you just freeze our wages?'. I don't think that freezing wages is necessarily the right

thing to do either but I do think that we need to show wage restraint, so 2.5 per cent enables us to have that wage restraint. To go above that would mean more jobs have to go. Because we don't have the money in the system, more savings would have to be created, putting more stress on fewer workers. That is the aspect that our unions and workforce have to keep in mind.

Mr HARRISS - So you're still in the position where you will be negotiating the agreement with the unions?

Mr OGLE - Correct. The teachers had their last increase, I think it was 5.14 per cent at March this year, so from our wages policy point of view they are not due for any further increase until March next year. The CPSU and the HASA - Health and Human Services Award - had a 3.5 per cent increase in December 2010 and another 2 per cent in March 2011, so from my point of view and a negotiation point of view there would not be expected to be any increase prior to March 2012. Despite the claim of the unions, that is our position.

Output group 5 Tasmania Together Progress Board

5.1 Support for Tasmania Together progress board -

Mrs ARMITAGE - I am assuming it is at its 10-year mark, is that right, of the 20-year plan?

Mr HOYSTED - Yes.

Mrs ARMITAGE - Can you advise me what outcomes, in your 10-year mark, you have achieved for the community?

Mr HOYSTED - The outcomes question is an interesting one with Tasmania Together. When I get this question I usually frame the answer in the sense that Tasmania Together the progress board's role when it was originally set up was to define the future the Tasmanian community wanted by the year 2020 and put in place a measuring process to measure progress towards that particular vision.

Mrs ARMITAGE - How is it going along that line?

Mr HOYSTED - What the board does not do is get into a discussion around policies or programs or projects or outcomes, it basically says we test what the community want, we measure progress and then we leave it to the community, to government, to the broader community to measure that progress.

Mrs ARMITAGE - What has been achieved to date then? There has to be some benchmark to see how we have done.

Mr HOYSTED - Over a 10-year period we have developed a very robust, reliable, comprehensive database around 152 benchmarks that measure progress for Tasmanians, so Tasmanians can go to that database and they can see the progress we have made over the last 10 years.

Mrs ARMITAGE - So you cannot give me any details?

UNCORRECTED PROOF ISSUE

Ms GIDDINGS -The report, which we could get you a copy of, does go through those benchmarks and tells you what has been achieved.

Mrs ARMITAGE - It would be good to see that.

Ms GIDDINGS - We have exceeded some benchmarks and we have not achieved others. But there has been some good, positive progress.

Mrs ARMITAGE - I noticed there are a lot of surveys here. The Community Survey Research Report in August 2009, the Community Survey Research Report in February 2010, the Tasmania Together Omnibus Awareness Survey in February 2010, the Community Survey Research Report in August 2010, Tasmania Together 10 Year Review Research Report in December 2010, Tasmania Together Omnibus Awareness Survey in February 2011 and the Community Survey Research Report in February 2011. Can you give me the cost of all of those combined surveys?

Mr HOYSTED - The community survey is done by EMRS. Two of them are done each year of, in total, 1 500 people. That costs just short of \$20 000 a year.

Mrs ARMITAGE - Each or for the two?

Mr HOYSTED - No, that is total. The omnibus survey costs \$2 500 a year and the one-off survey for the 10-year review costs \$9 000.

Mrs ARMITAGE - I notice on page 10.17, the level of community awareness of Tasmania Together as a percentage. I guess I would question the actual amounts there because I think if I was to ask the average person in the street, do they know about Tasmania Together, I do not believe that 56 per cent would know what it was about. I am assuming those results have come from one of your own surveys, obviously the community survey.

Mr HOYSTED - It is an independent survey done by EMRS.

Mrs ARMITAGE - Can you also advise how many staff?

Mr HOYSTED - 5.8.

Mrs ARMITAGE - Full-time equivalents? Also the salary of those staff?

Mr HOYSTED - That is a good question, I do not know the total.

CHAIR - You could take that on notice.

Mrs ARMITAGE - If you could take that on notice, the cost that is associated?

Mr HOYSTED - Yes, of course.

Mrs ARMITAGE - Also I noticed it says the number of partnerships between the progress board and non-government organisations. It says here that there are 28 actual at the moment, 2009-10, 30 in 2011, so obviously you have picked up a couple more. Would it be possible to get a list?

Mr HOYSTED - The benchmarks or the partners?

Mrs ARMITAGE - Both.

Mr HOYSTED - We certainly could provide a list of partners. That is on our website and in our annual report. It would take a while to work out those precise benchmarks that went through in those years.

Mrs ARMITAGE - Even the current benchmarks?

Mr HOYSTED - We have 152 benchmarks in Tasmania Together. There was a suite of about 30 that went through at the end of last year following the five-year review and there will be, hopefully, a suite of new benchmarks to come to the Parliament at the end of this year as a result of the 10-year review.

Mrs ARMITAGE - I guess it is just in the current climate that we have with funding and budgets that it seems hard to define what has come from Tasmania Together, that is all.

Mr HOYSTED - As I said, the true value of Tasmania Together is our database, the information that we gather over a 10-year period. We measure things that other people do not measure, that you cannot find anywhere else. We can answer the question, how is Tasmania going, and we have 10 years of data. The older we get, like a fine wine, the more valuable we will become because that database just gets more and more reliable and robust and more useful for decision-making.

[4.30 p.m.]

Ms GIDDINGS - It also helps us frame other work that is done across government, so some of the benchmarks, for instance, are about the proportion of children meeting the kindergarten development check or participation in post-secondary education and training. These are all valuable bits of data which help inform policy in other departments so we know how we are tracking, remembering that Tasmania Together began as benchmarks that were developed by the community, that are communities' issues that they want to see development against. There is a whole of social justice issues, environmental issues and economic development issues in there. It is important that government keeps connected to what the community has said it wants. One of the benchmarks, for instance, is feeling safer, and in the 10 years Tasmanians have felt increasingly safer in their community, so we have achieved that as a benchmark. It is basically a plan, it is not a delivery agent.

Mrs ARMITAGE - I understand that but there is quite a substantial budget for it, 5.8 FTEs, and we have social inclusion and all these things overlap in some ways. When we are looking at putting off public servants and cutting costs it is important to know exactly what is in there, where the costs are and what outcomes have been achieved.

Ms GIDDINGS - Absolutely, but you can be assured that every part of the Department of Premier and Cabinet is being viewed and treated exactly the same in finding cost savings. Vacancy control and all those measures are in place. Mr Hoysted has been transferred to some other role within the department -

Mr HOYSTED - Not yet.

Ms GIDDINGS - Possibly. All these things are being viewed, as in all that happens within the department. It is treated exactly the same. Does it have a value? To me the answer is yes, Tasmania Together does have a value so it is important we keep it going. The same with the Social Inclusion Unit, whether or not -

Mrs ARMITAGE - I am not debating that, but I am just saying we seem to have quite a few -

Ms GIDDINGS - But the costs associated with it are treated as in all other parts of the agency.

Mr WILKINSON - Phil took me through this a few months ago as a result of a question I asked. People like us were asking for KPIs a number of years ago and this in some way delivers those and keeps you informed in relation to all those matters we were asking for KPIs for quite regularly a number of years ago.

Mr HOYSTED - It does. Most government agencies have built TT benchmarks into their corporate plans, annual reporting and the budget papers to some extent. We have third-party organisations that link their activities to our priority benchmarks. In terms of outcomes, there are a number of benchmarks that have played a significant role in some public policy debates, particularly crime victimisation rates. Police took on board our benchmark around the reduction of crime by 50 per cent by 2020 and built it into their decision-making. That has played a significant role in delivering on that as an outcome. I think the use of 1080 and a number of high-profile benchmarks have played a role in the public policy debate. As I said before, the board does not get into policy debate. It basically says our role is to define where the community wants to be and measure progress and we leave it to the community to work out how to get there.

CHAIR - Premier, if I could play devil's advocate for a moment - with due respect to Mr Campbell and Mr Hoysted - it was former Premier Bacon's baby. I think Ms Armitage is right. Despite what the EMRS figures say, when you talk to people they say there is not a synergy with that process at all. I was a bit surprised because I thought, given the Budget as it is, it may well have been one of those items which would have been cut, at \$1 million a year, recurrent.

Ms GIDDINGS - As I have said, it is the same as every other unit within DPAC. I think it plays a valuable role in being a plan or KPI by which government is held accountable. In terms of the contact they have had recently, I think in the 10-year review they had 20 open community forums around the State, and a further 15 specific sector forums and presentations. A questionnaire was distributed to Tasmanian households as well as being available online. A telephone survey was conducted and written submissions were sought from individuals and organisations. In total, over 5 000 people participated in that process, which is quite high considering you are saying it is an issue that does not carry that well in the community. The other problem of course is that as soon as government starts promoting itself we get howled down, and it does not matter if it is good times or bad times. If Mr Hoysted was here your first question would be what is your advertising budget? How much is it costing to put your picture on the side of the buses? How much is it costing to put your ads in the paper? How much is it costing to put your ads on TV? You cannot win in government, you cannot win. So I am not denying in some respects that Tasmania Together is not necessarily in the forefront of everybody's mind, but it is difficult to have it that way when you cannot spend money on advertising, so they do spend money on these surveys to gather information as to where we are tracking in the community. I

think an EMRS independent poll, if you are rubbishing it, then let us rubbish every political poll that comes out of EMRS. I would love to, absolutely love to at this point in time. It is an independent poll and you have to trust its results in that respect. So, as I said, I think Mr Wilkinson is quite right in reminding us that prior to this we were all asking what KPIs does government judge itself against? These are the KPIs.

CHAIR - I suppose what I am saying is it has been going for some years now and perhaps 'resonating' was the word I was trying to think of before, but perhaps has it run its course? Anyway that is an argument for another day.

Ms FORREST - Mr Chairman, I agree this is a valuable data set and I think its data is not collected by other areas, and other jurisdictions are quite envious of the data set we have. I am not sure whether Rosemary asked some of these as I could not quite hear what she was asking at times. We are looking at a budget of over a million dollars here. Can you provide a breakdown of how much of that is salary cost, how much is travel, how much is advertising? There was advertising done, I guess, around the 10-year review. We saw that in the paper, on the TV, that sort of thing. And board sitting fees, travel and accommodation or meal allowance, that sort of thing. So could we have a breakdown of those costs?

Ms GIDDINGS - The 10-year review I can provide immediately. That cost \$241 000, of which \$47 000 was TV, \$36 500 was print advertising, \$30 600 was direct mail, \$30 000 was community forum consultants, and \$12 000 was community forums.

Ms FORREST - So if you take the 10-year review out, that would be a bit of a blip in the overall operation.

Ms GIDDINGS - That is a bit. There was some additional funding provided of \$180 000 to help with that review.

Ms FORREST - So if you take that out, can we have details of how much the normal running of the Tas Together Progress Board would be?

Ms GIDDINGS - We will take that on notice for you.

Mr HOYSTED - Actually I can provide some of that answer to you. In terms of salaries and wages, \$495 000 and \$153 000 sitting fees for board members. You can add about \$20 000 to that for superannuation for the board, so it is about \$173 000 in total for the board.

CHAIR - How many board members are there?

Mr HOYSTED - There are nine, but only eight of that nine received fees. Transport is \$12 000. The advertising budget is \$90 000 a year. It has been a bit distorted by the 10-year review because we have spent -

Ms FORREST - The Premier explained that.

Mr HOYSTED - But in an average year we have \$90 000 for our advertising.

Ms FORREST - Is there any way of paring back those costs? Obviously there are costs associated with maintenance of the data set. Is that identifiable?

Mr EDWARDS - Like every area of DPAC, we are under scrutiny and pressure to improve our budget position. Tasmania Together is not immune from that, in fact today I was talking to the chairman and Mr Hoysted said about how he is going to address budget challenges across the agency and what is the proportionate response that we could expect from Tasmania Together. Those discussions will continue during the next month or so and then ultimately will be embodied in some longer-term decisions

Ms FORREST - The cost associated with maintenance for the data set, do they fall under the wages and salaries?

Mr EDWARDS - Some of that would be staff costs because they are the people that input the data and maintain it and so on, and some would be hardware IT systems costs, but again I think the value of the data is one of the key parts of this and so that would not be an area where I would necessarily be looking to drive cuts.

Ms FORREST - I am not suggesting that you cut it but I was interested in what aspect of the funding the maintenance of the data set accounts for.

Mr HOYSTED - Managing the data set I think will be very hard to delineate. We have a benchmarking officer who works on that issue but the assistant director and I work on it as well so it would take some time to work out what the percentage of our budget would go specifically on maintaining the data set.

Ms FORREST - You cannot give an estimation of where it might fit?

Mr HOYSTED - No, I do not think about it. The board has two roles and it is just not developing and maintaining the data set, it is getting out and promoting Tasmania Together as well, so it would be very difficult to delineate exactly how much of that budget would go on benchmarking.

CHAIR - There are no further questions on Tasmania Together. Thank you to all your staff.

DIVISION 1

(Department of Economic Development, Tourism and the Arts)

Output group 4

Arts

4.1 Tasmanian Museum and Art Gallery -

Mr HARRISS - I am just looking at the performance information which is set out on page 2.14. The actual visitors per day back in 2008-09 were 880. It dropped to 800 the next year actual and then our targets for the looming financial year are down to 700. That is a quick calculation of 50 000-odd less in a year. Have you been able to identify any particular reason for that and what are you doing to redress it in terms of marketing, please?

Mr BLEATHMAN - That is the projection for next year, is it?

[4.45 p.m.]

Mr HARRISS - Yes, the 700 a day is the projection for next year or the target. It was 880 back in 2009.

Mr BLEATHMAN - That is right, we are progressively closing down parts of the museum for the commencement of the redevelopment, and that was due to start in October 2011, but since February this year we have been closing gallery after gallery, therefore reducing the programs. When we reopen after stage 1 of the redevelopment in December 2012 the forward projections are for a significant spike in visitor numbers. It is purely down to the fact that we are reducing our exhibition program and changing exhibitions and public programs as a result of the redevelopment.

Mr HARRISS - The public wouldn't know that parts are closed. If there has been a reasonably good visit level in the past, why would it just fall off? They are not going to know that.

Mr BLEATHMAN - A large number do. We have been very active in the social media as well as advising the different groups. There has been an extensive campaign through the *Mercury* in the south of the State. We have been interviewed probably 10 times on ABC radio in different formats advising people of what is coming up for the redevelopment. It was on the *7.30 Report* a couple of Friday nights ago, as well as the news. When we launched the Markree museum very recently the redevelopment and the changes associated with visitation and all the programs on it were mentioned then. It is largely driven by an active and vigorous exhibition program but it has been pulled back because of the redevelopment.

Mr HARRISS - In terms of capital expenditure, Premier, there is an upcoming consideration for \$9 million in the first tranche. That is a significant spend again, given the tight circumstances we are in. Is there any capacity, except in the value of the museum as an educational facility plus a tourist attraction, to pare back?

Ms GIDDINGS - I think Bill would say we have already done that because the entire development is around a \$200 million development and he would have loved government to have ticked off the whole \$200 million, so we have pared back to \$30 million at this point for stage 1. We have to remember that the problem we have in the Budget is a structural recurrent issue, it is not a capital issue. So even if we pared back on the capital here, it does not help our structural recurrent problem. When you accept that, you then say, 'What do you do with your capital budget?' and what we don't want to do is to suddenly stop spending at the State level and see what is happening with the construction industry retracting because the Commonwealth economic stimulus has come to an end. We have a role in the broader economy to keep the place ticking over.

I think I said earlier in the day in Treasury Estimates that it is quite exciting to see the number of projects around the Hobart area, a mix of public and private, that are happening. This is one of the public ones, as is the Royal Hobart Hospital. I believe the expenditure is important and I believe that the museum and art gallery needs to be modernised, it needs to be keeping up with people's and tourists' expectations. I think you can see with MONA, when you develop and provide an experience that is world-class, you could be in Paris, London, New York with MONA, that you can attract people from across the world to visit you. The museum and art gallery is fantastic and one of the top tourist attractions in Hobart. It does a brilliant job but it also needs to keep up with the times. It has not really had any major work done to it since the building built in

the 1960s, so the time is right. The fact that there is softening in the economy means that it is an even better time to be spending your capital and this is a very valid, worthwhile project.

Mr WILKINSON - I understand there are a number of projects on the drawing board, and fairly exciting projects. The projects that have been agreed upon are obviously at the top of your wish list. Is that right?

Ms GIDDINGS - In terms of stage 1?

Mr WILKINSON - Yes.

Ms GIDDINGS - Well, maybe we will go through the stage 1 developments so people can see them.

Mr BLEATHMAN - Stage 1 is for the first \$30 million of the project, and it is an equitable access strategy so that every part of the museum will have equitable access, and it will significantly open up large numbers of the most significant and diverse collection of heritage buildings in the nation on the one site, which is our site, for public access, including all four floors of the Bond Store of 1824, the most significant Georgian warehouse in Australia. It will be the first time in 190 years that that building has been opened up for public access and for exhibitions. We will be also returning to its original state the Queen's warehouse and the Commissariat building. The Commissariat building is the building below the main entrance in Macquarie Street. That is the oldest public building in the nation; that goes back to 1808. It was from that building that the streetscape of Hobart was originally laid out, so for the first time in probably 100 years people will be able to go in there and learn about the history and heritage of that particular building. We will be moving the visitor entrance from Macquarie Street around to the Watergate entrance off Dunn Place and make it a much more engaging visitor entrance and not just sort of wedged in between two buildings that were never meant to house it.

One of the more exciting things for stage 1 is that we will be raising the roof in the zoology gallery. People that have come to the museum over many years have loved the zoology gallery as it is full of the stuffed animals and all of that sort of thing, but what I have here - this is an image of the zoology gallery when it originally opened in 1901, and you can see the steel-trussed ceiling in there that, when it was built, was the longest single span in Australia. That was covered up in the 1950s/1960s, and our aim in stage 1 is to open it back up, lift the whole level up one floor and put an atrium walkway around the middle of it, thereby creating a major visitor space, and that is an artist's impression of what that will look like as part of stage 1.

Another major element within stage 1 is the reworking of all of the exhibition spaces that butt onto that central exhibitions gallery, so all in all there will be refurbished and new exhibitions in excess of probably 3 000 to 3 500 square metres. So that will be a nice adjunct for us to be able to get more of our collection on public display and run more programs that can attract more visitors to the space.

Mr WILKINSON - It is fairly vague in my mind but somebody was saying that there is a site in and around where the museum is now where it is alleged that aborigines and Europeans first came to a meeting. I do not know what it was.

Mr BLEATHMAN - On our site are two of the only undisturbed aboriginal middens in the central business district of Hobart, so there is clear evidence that through the site there had been

not aboriginal habitation but aboriginal contact with the land for many years. Those middens are managed by the Tasmanian Aboriginal Advisory Council that is part of the museum, and that is run through the aboriginal community, but they are not a display object. They are just representative of the depth and significance of the site as a whole.

Mr WILKINSON - And will they become a display object?

Mr BLEATHMAN - No. Well, it is up to the Aboriginal Advisory Council. It is what they say, but certainly our aim is to protect them and not to necessarily make them a display, unless that is what the community want.

Mr WILKINSON - The actual interpretation with the Europeans and the indigenous community has been in the museum for years, as you know, and it would seem to me that that would be a magnificent adjunct to it because they are, as you say, two of the undisturbed middens in the central business district.

Mr BLEATHMAN - Exactly right. From our perspective we have a Tasmanian Aboriginal Advisory Council that advise the trustees on all aspects of Tasmanian aboriginal culture, and that works really well, so it is in their court as to what they see is the right way to develop all Tasmanian aboriginal programs at the museum.

Mr WILKINSON - I say this because people who come to Tasmania for the first time will often say to me 'Where do I go to see aboriginal ancestry or middens?' - whatever it may be. And you have to say 'I don't really know. Go to the museum, they will show you some things, but other than that I don't really know'.

Mr BLEATHMAN - We have a *ningenneh tunapry*, which is a major exhibition that deals with the history and heritage of Tasmanian aboriginal culture but also focuses on the contemporary, vibrant aboriginal community of today, and that won the State Indigenous Tourism Award as well as the National Gold Award from the ACT Government for knowledge management. It is a really good starting point for that engagement with Aboriginal culture but certainly we can do more and other people can do more as well.

CHAIR - Thank you, and I suppose, Premier, the development now depends on your powerful Public Works Committee when they assess it on Monday, could I say.

Ms GIDDINGS - Can we lobby you now if anyone is on that?

Laughter.

CHAIR - Thank you.

4.2 Arts industry development -

Mr MULDER - We note that there is \$200 000 being cut from the arts development program which provides funding to artists, art organisations and major Tasmanian cultural institutions and events, I presume. I am just wondering what percentage of this actually goes to individual artists.

Ms GIDDINGS - There has been no cut to the grants program itself. Arts industry development includes the bureaucracy side of Arts Tasmania and Arts@Work as well.

Mr MULDER - Okay, so the \$200 000 is coming out of the bureaucracy?

Ms GIDDINGS - Yes.

Mr MULDER - I am just trying to find out how much of this actually filters through to on-the-ground artists and how much is tied up in the events that produce the tourist dollars.

Ms GIDDINGS - Events is actually a different portfolio so you need to talk to Scott Bacon about that but with us the administered payments that we have are Ten Days on the Island, which gets \$1 229 000 and the Theatre Royal that gets \$172 000 and the TSO that gets \$1 499 000. Then we have the arts industry development and their total in grants is \$2 840 637 and they get split to organisations - the Premier's arts fund, small museums and collections, assistance to individuals, infrastructure fund, cultural exchange, Aboriginal Arts Fund and board reserve. I do have the figures if you want the figures as well.

Mr MULDER - I do.

Ms GIDDINGS - I am told that we fund on a calendar year not a financial year, so the figures I could give you are for the 2010-11 year.

Mr MULDER - Yes, that would be great.

Ms GIDDINGS - The organisations was \$2 210 212; the Premier's arts fund was \$75 000; small museum and collections, \$40 000; assistance to individuals, \$375 425; infrastructure fund, \$75 000; cultural exchange, \$5 000; Aboriginal arts funds, \$40 000 and board reserve, \$20 000. Then in the disability in the arts area, of their \$250 000 budget \$140 000 go direct to arts grants as well. In total without the disability arts grants, I think I said \$2 840 637.

Mr MULDER - I will not ask you whether you think it is enough or not, will I?

Ms GIDDINGS - Personally, I do not think it is and I am the Treasurer. I would love to see more go into the arts. I think if you actually compared times I think what we put into sport and sport infrastructure against what we put into arts and arts infrastructure, it is not that well off and I think both are equally important in terms of the cultural aspect of our community and making it a place where people want to live and work and stay. I think there is a lot more and in fact last time I was Arts minister I was able to increase the arts grants but this time, unfortunately, with the Budget as it is, the best I have been able to do is just protect the arts grants program.

Mr WILKINSON - I agree with you in your concern but what I would like to see in Tasmania is a place where I would like the Government to purchase, - let us say, a painting by Geoff Dyer, who is the most recent artist with an Archibald Prize and hung in the Archibald for years and likewise the Wynnes - premises where you could say 'Yes, that's Geoff Dyer' and under the painting he had whatever and then you could go back to Haughton Forrest and all the people in between and so you could just get a snap picture, a whistle-stop tour, of all the famous and extremely good artists that Tasmania has produced over the years. You can do it in some other countries. To me, it would be a boon if it was here. Has it been thought of? I know the cost might be prohibitive but what is happening?

[5.00 p.m.]

Ms GIDDINGS - There are two issues there. Firstly, within the TMAG area we have the Contemporary Arts Fund collection program which, unfortunately, we have had to halve. So it was \$100 000 a year to buy contemporary Tasmanian art. That has been halved to \$50 000 this time. But that is helping to build up the contemporary art collection at TMAG, which did not have that much. Just recently there has been an exhibition of contemporary art at TMAG.

Within the Arts Tasmania side of it, we have the Collect program which is aimed at helping to get private individuals to buy contemporary Tasmanian art across the different forms and also we have our public art scheme, which is the Tasmanian Government Art Site Scheme. If you go into the foyer of the Executive Building, for instance, there are five Geoff Dyers hanging in a row. Ministerial offices have access to TMAG's art collection. In fact, I have just had a note put under my nose to say TMAG just received another Geoff Dyer today. So, there you go.

Ms HOUGH - Through you, Premier - I can also advise you, Mr Wilkinson, that the Smart Map project, which is about identifying cultural experiences in Tasmania, is a web-based portal that allows you, as an arts visitor, to identify by web, arts experiences you might want to enjoy around the State. The next stage of that, which probably will not be this financial year, but hopefully next financial year, will include how we can do exactly what you are saying; profile individual artists around the State. The challenge is, of course, that they are all represented individually by commercial galleries and we need to be very careful to protect the identity and the earning opportunities of commercial galleries. But I think there will be a way in Smart Map where we can say, okay, if you are interested, say, in Philip Wolfhagen, here is the link to the gallery and that is where you can see those works.

CHAIR - When would you see that being introduced?

Ms HOUGH - We would like to be able to start work on Smart Map stage 2 in the coming year. As the Premier has noted, however, in our effort to protect grants, our industry development funds that were earmarked for that have been sacrificed for this year.

CHAIR - I think that is a worthy program. In my home town of Deloraine, which as you know has an arts community, there are several groups of artists set up but they need something like this to really be able to get, particularly tourist visitors to be able to focus.

Ms HOUGH - Absolutely. Artifakt has just become a Collect gallery as well, which is fantastic. We just processed their first sale.

CHAIR - Okay, good. I know it well. Spent money there too, I think.

Ms HOUGH - I have, if members are interested, some information about Smart Map, Collect and art buying.

CHAIR - Thank you.

Mr WILKINSON - If you had a wish list, and I know wish lists are not always attainable - they are rarely attainable - what would you like to see occur in the next five years?

Ms HOUGH - The Premier is aware that we have done a lot of industry consultation. Recently the Arts Advisory Board started a Facebook page for which the catalyst was talking about the funding program. So we are in the process of looking at the really hot issues that the

industry has identified out of that consultation and developing a bit of three-year direction strategy that encompasses that. Clearly, one of the hot issues is going to be the digital environment, continuing strength of the roving curator's program and cultural tourism, which is something that we are already working on, Smart Map being the first step. We are also working very closely with Tourism Tasmania right now on an arts tourism strategy.

4.3 Screen industry development -

Mr MULDER - Your budget increases from \$1.18 million to \$1.36 million in 2014. The purpose, according to the budget papers, is to build sustainability into the sector through increased screen production in Tasmania. Could you tell me what you have achieved and what sort of goals are you setting for this program?

Ms SLANINKA - Firstly, the perceived increase is a bit of an accounting adjustment as we have moved on from the Department of Economic Development and into the Arts portfolio. We have been at a budget of around \$1.6 million or \$1.7 million and it has gone down slightly rather than gone up but that is just a bit of an accounting anomaly.

As you know, Screen Tasmania has been operating now for just on 11 years and over that time we have seen consistent industry growth. I would not say that it has been phenomenal or skyrocketing.

Ms GIDDINGS - It is under the radar, which you would not necessarily know about. It is quite amazing really.

Ms SLANINKA - The industry itself has grown from having no production companies in Tasmania to having two large employers: Blue Rocket and Roar Film. Blue Rocket is an animation production company and when they are in production will employ 50-60 animators per production for a consistent period of time. Roar Film has a staff of around 16 or 17 people consistently. The industry has been underpinned by documentary and animation over the last 10 years with a focus from Screen Tasmania in supporting the growth of the emerging industry in Tasmania, because it has been a fledgling industry and practitioners have been new and have had to learn their craft. We focused on the development of writers, directors and producers. Over that time we have invested around \$14 million into production in Tasmania. I can take it on notice to get the exact figure for you in terms of the spend in the State and also the total production budget.

Mr MULDER - No, that's fine. I will take your word for it.

Ms SLANINKA - Some of the productions that Screen Tasmania most recently has been involved in, which you would perhaps be familiar with, is the feature film, *The Hunter*, which was shot up and around that lovely Midland area and the mountain region of the Meander Valley and Deloraine. That is a feature film that starred Willem Dafoe, Sam Neill and Frances O'Connor and it will be having its premiere in October. We are very hopeful that it will have its world premiere in Deloraine. We are talking to Tourism at the moment to try to get Willem Dafoe, the actor, back out to Tasmania. He was really impressed with Tasmania and very taken by it. It is that kind of production that has the opportunity to really showcase Tasmania and its natural beauty and natural environment to the rest of the world. It will have a theatrical screening but it will also have television screenings and it will be released on DVD. There is what is known as the 'long tail' of screening so over many years people will see Tasmania and its natural gifts.

CHAIR - I cannot raise an argument with you.

Mr MULDER - There is an example of where our natural environment has been used because it is great cinema and it also promotes the State, which is an important outcome which we do not really see so much in the budget lines. I do not know whether you were aware, but there was a story kicking around that Bear Grylls was planning to do a soiree in Tasmania but that he was refused in case he ate some mushrooms in our national parks or broke a twig. Would you care to comment on that? I think those sorts of productions with that kind of coverage would be a massive boost to Tasmania in terms of adventure tourism in particular.

Ms SLANINKA - I cannot speak specifically on that particular project because I am not familiar with it and he did not approach us so I cannot speak with any authority on that but I can say that you are really correct. There is a great interest in television land for factual entertainment - *Gourmet Farmer* is a great example of something that has been made in Tasmania and has really generated a lot of interest in Tasmania. A project that we were involved in a few years ago called *Passionate Apprentices* also had phenomenal interest on the mainland and there is an amazing fascination, I think, with Tasmania globally and that is growing.

Mr MULDER - It is a serious point, is it not? You have to make some adjustment to your hard and fast rules around national parks and some of these facilities in order to promote them. I think I will leave the Premier to negotiate that with her cabinet colleagues.

Ms GIDDINGS - I have not heard it as a problem.

Ms SLANINKA - We have a liaison service that works quite closely with crews coming in on the ground to facilitate production in Tasmania and we have done that for the last 10 years. Regarding the film *Dying Breed*, which was in the north-west region of Tasmania, we facilitated that production so that it could have a smooth run. We really smoothed the way and liaised with Parks and Wildlife and Heritage.

Just on the factual entertainment, as part of our newly launched five-year strategic plan, which is very exciting and I will leave you all with a copy, we are introducing a factual entertainment initiative which is the first of its kind in Australia and no other funding agency has really got involved in this area. It really is an exciting initiative and provides an opportunity for Tasmanian practitioners - and I must say our strategic plan is focusing on supporting Tasmanian practitioners over the next five years and really supporting the bare growth - to develop up the kinds of projects that you are talking about. What we want to see is an increase in production activity in Tasmania. We want to get some ongoing consistent turnover of work. Eventually a *McLeod's Daughters* would be fantastic in Tasmania, not girls and horses but maybe boys in boats or something similar.

Mr MULDER - Boys with guns; no, you have done that already.

Ms SLANINKA - A factual entertainment initiative I am hoping will stimulate and focus activity in that area and generate that kind of production. It might be something around a cooking show or a talk show or something that utilises our natural environment.

Ms GIDDINGS - There is huge potential for our screen industries in the future and I think the strategic plan is certainly trying to point out to our local film industry where opportunities are as well. A lot of that is in the digital media because it is all well and good to have optic fibre and

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better broadband and the like but people want to have something on it and be entertained. With animation there are opportunities - lifestyle programs - and while the romantic end of filmmaking is the feature films, they are the far more expensive end of the line. On average I suppose we have had one every three years or so, if you think of *Van Diemen's Land* and another one around the cannibalism issue and the *Last Confession of Alexander Pearce* and now this one, and there have been short films as well in that time.

Mr MULDER - All good stuff. Thank you.

Mr WILKINSON - Have there been any thoughts or suggestions in relation to a film festival down here?

Ms SLANINKA - The wonderful Owen Tilbury up in Launceston, one of the longest-standing members of the Launceston Film Society, which is one of the biggest and oldest film societies in Australia, has launched the Breath of Fresh Air Tasmanian Film Festival and I am very pleased to say that it had its inaugural year last year over the Queen's Birthday long weekend. It went phenomenally well and he has expanded it this year. He has had \$45 000 from Events Tasmania to get a creative director on board and to really generate and create a program that will run over four or five days, I think it is, in November. The acronym is BOFA, so breath of fresh air, and his intention is to create a Tasmanian film festival, so it is very exciting.

CHAIR - Thank you everyone. I think the President did mention that if you wish to visit her she has some medicine if you need some, so that is your call.

Ms GIDDINGS - Would you please pass my apologies to the President. I think I need to go home and straight to bed.

CHAIR - I will do that. Thank you.

The committee adjourned at 5.16 p.m.