

**SUBCOMMITTEE OF THE STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

INQUIRY INTO PUBLIC SECTOR EXPENDITURE

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 25 FEBRUARY 2009**

SESSION TWO

Members

Hon Sue Ellery (Chairperson)

Hon Brian Ellis

Hon Jon Ford

Hon Ken Travers (Participating Member)

Hearing commenced at 12.31 pm

NICOLAOU, MR JOHN

**Executive Director (Economic Policy) and Chief Economist,
Chamber of Commerce and Industry of Western Australia,
sworn and examined:**

The CHAIRMAN: Welcome to the meeting. Before we begin, I will ask you to take either the oath or the affirmation, and the clerk will help you with that.

[Witness took the oath.]

The CHAIRMAN: You have signed a document entitled "Information for Witnesses". Have you read and understood that document?

Mr Nicolaou: Yes.

The CHAIRMAN: Thank you for that. These proceedings are to be recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record, and please be aware of the microphones and try to talk into them. Ensure that you do not cover them with papers or make noise near them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. I will now introduce my colleagues on this inquiry. Starting on my left, we have my colleagues Brian Ellis and Jon Ford. I am Sue Ellery. To my right, we have Ken Travers. We have read your submission. You may wish to make an opening statement, or expand on something in your submission. We will then ask you some questions. Do you wish to make any comments before we begin our questions?

Mr Nicolaou: No. I am happy to start fielding questions.

The CHAIRMAN: I will start with the members on my left. Brian, do you have any questions?

Hon BRIAN ELLIS: Not at this stage, no.

The CHAIRMAN: Jon, do you have any questions?

Hon JON FORD: Yes, thank you. You refer in your submission to this inquiry to the pre-budget submission that you have prepared, which I have happily been reading. Under the section that deals with expenditure priorities you talk about royalties for regions, and you say that the CCI believes that the royalties for regions policy should be tied to well defined, transparent and measurable outcomes to ensure that resources are directed to their most valuable uses and to ensure accountability. What would you see as priorities with regard to those measurable outcomes; that is, which direction?

Mr Nicolaou: I am not exactly clear about what you mean. Do you mean in terms of expenditure priorities or capital investment?

Hon JON FORD: Capital investment.

Mr Nicolaou: We refer to royalties for regions from both a recurrent spending perspective and a capital investment perspective. They are two different concepts by and large. What we suggesting in our pre-budget submission—which follows on neatly from the submission that we have provided to this inquiry—is that the funding needs to be transparent and accountable and linked to measurable outcomes. We do not want to see a situation where money is handed out without such measurable outcomes and then really does the state a disservice because spending is not allocated to its best purpose from a cost benefit or an opportunity cost perspective.

Hon JON FORD: I agree with what you are saying. Should we be focusing on taxpayer investment that attracts and retains investment from the private sector and protects jobs? Is that the sort of thing that you are saying?

Mr Nicolaou: From a capital investment perspective and from a capital works program perspective, certainly we would like to see in this current environment a focus more on those wealth-generating and job-creating infrastructure priorities that will set the state up for many years to come. So certainly there is a perspective there that we have reinforced, and certainly the time is important now. We do not believe that the current economic circumstances are a long-term issue. Inevitably, there will be an upturn. It is a matter of timing. We just need to be best prepared for that next upturn. We all know that recent years have shown that both labour shortages and, more broadly, infrastructure challenges have impacted on the state's ability to grow to its potential. We want to learn from the past and ensure that we are well placed for the inevitable upturn. I guess that is probably the best way I could answer your question. In terms of investment, we understand that the regions have suffered from under-investment in recent years, and there are some obvious examples of investment that is required in the regions. However, we see it as very important that any new project, or any expansion of an existing project, does go through the same rigorous and transparent framework for analysing the costs and benefits of that project so that the money is allocated to its most efficient use.

Hon JON FORD: One of your other expenditure priorities is preventative health. I am interested in that. You are asking for more investment in preventative health. The AMA has just been in here arguing that they should be exempt from the three per cent efficiency cut because they do not believe that we have invested enough to date to achieve efficiencies. Do you believe that health should be exempt from the three per cent efficiency cap, or are you saying it should be involved in the three per cent efficiency pursuit? If you agree with that, how would you achieve the major investment that you are suggesting in preventative health care?

[12.40 pm]

Mr Nicolaou: If I could just start quickly on the three per cent efficiency dividend, at the outset we supported the concept, but we do understand that it is a blunt instrument and it impacts on every agency in an equal manner. There are probably notable examples where greater efficiencies could probably be achieved in certain agencies versus others; in others there may be a case where funding needs to be increased, more so than funding cuts. It is a blunt instrument, and we understand that, but it is an important first step in an ongoing process of reform. That was certainly the focus of our pre-budget submission. The focus of our submission to this inquiry is that we have had a period of unprecedented growth in the economy. What has come with that is an expenditure growth that has far exceeded the overall growth in the economy and has now put the state in the current position of being at risk of turning those great surpluses into deficits very quickly and, in turn, the AAA credit rating being at risk. We are therefore keen and have focused our attention on delivering public sector reform that helps take that pressure off the budget, ensures that a competitive tax environment can be maintained, ensures that the AAA credit rating is maintained and ensures that budget surpluses are achieved, all of which are important to investing in the future. That is my opening statement on the efficiency dividend. Really, it needs to be an ongoing process of targets being set to deliver savings in the public sector, but it is one element of a broader reform agenda

that needs to be considered with lots of effort and resources. The economic audit committee is certainly an important first step in that.

In terms of health expenditure, what it does highlight is that cutting costs, or cutting expenditure, does not always lead to the best outcomes overall in achieving lower costs over the longer term. Certainly, that is our focus on preventative health. It does require increased funding but it will deliver lower costs in future because we will have focused on prevention rather than addressing an illness when it is too late. It does not go hand in hand from that starting perspective but, in the longer term, it is completely consistent with our view of trying to drive down the costs in the public sector.

The CHAIRMAN: John, I have three areas that I want to touch on with you. The chamber has been, and continues to be, a strong advocate on behalf of its members for reducing the amount of time it takes for your members as businesses to get approvals from government across the spectrum of areas where the members intersect with government in order to do their business. The government has also said that the three per cent would not apply to front-line services. Does the chamber have a view on which of the government services where your members are seeking approvals before they can put elements of their business would constitute front-line services?

Mr Nicolaou: We have not gone so far as to name those areas, but there are obviously some key economic agencies that have that day-to-day interaction with business. Certainly, there have been some initial reforms in the public sector to help improve that service delivery from a face-to-face perspective with business, with the splitting of the Department of Industry and Resources and the creation of the Department of Commerce and the Department of State Development, among other things. We hope that is the first step in that broader reform process that will aim to be outcomes focused and really address those real barriers that have emerged to approvals but also to other areas where business interacts with government, and they range from taxation to other things like infrastructure development and so forth.

The CHAIRMAN: Would it be the case that the chamber does not have a view or is it that you have not received feedback from your members about any areas where they intersect with government that ought not be subject to further cuts?

Mr Nicolaou: Budget cuts do not necessarily have to mean reduced levels of service. We are conscious of that. We do not want to see an overall reduced level of service on core activities, particularly around approvals. We do not want to make that connection there, because we do not believe it is necessarily the case. It is just that there has been so much overlap and duplication with approvals, for example, with different departments and agencies responsible for the approval of a particular project, which has led to significant delays and costs that are borne by a particular proponent. What we want to see is a streamlining of that process, which will actually deliver savings for government overall and also lead to improved service from a business perspective. It is those sorts of reforms that we are keen to progress. When we are talking about the reform of the public sector, it is not just about budget cuts; it is much more than that. It is about focusing government on what are believed to be core areas of service provision from a business and community perspective. That is where we are very keen to engage and ensure those outcomes are delivered.

The CHAIRMAN: You touched on the broader agenda of public sector reform and you mentioned a couple of new departments that the new government has created. One of the things that the chamber has advocated is a reduction in the number of government departments. You would be aware that the previous government, under Premier Gallop, reduced the number of departments from 46 to 23. So far what we have seen this government do is in fact increase the number of government departments. Does the chamber have a view about that?

Mr Nicolaou: We are certainly supportive of the machinery of government reviews that Premier Gallop did propose. They were certainly a first step in that process. Unfortunately, it did not

proceed all the way that we would like to see. The initial reduction in the number of departments and agencies was welcomed, but it is not always the case that a straight-line reduction in the number of departments and agencies will deliver the cost savings or increased services that are needed.

The CHAIRMAN: But that is what the chamber is advocating.

Mr Nicolaou: What we are suggesting now is a focus in on those core areas of services. It may be ensuring that key departments do have responsibility for an approval process throughout the chain, rather than going through multiple agencies. One of the concerns in recent years was that there were different functions tacked on to key line departments, for example. I guess the classic case is the Department of Industry and Resources, which almost became a department of everything and sort of lost its core purpose along the way. That certainly came through in anecdotes that we heard from businesses dealing with the department and also from anecdotes we heard from within the department about what their core purpose was.

The CHAIRMAN: My last question before I invite further questions is that in the submission that you handed to our inquiry you identified potential, alternative, cost-saving measures, one of those being the reintroduction of individual bargaining, which I think is on page 7 of your submission. One of the things that I was pleased to receive when I was Minister for Women's Interests was a briefing from the chamber on the work that it was doing in the area of pay equity and the gender gap in wages. There has been lots of evidence, including evidence that I saw most recently when both the chamber and state government made submissions to the House of Representatives inquiry into pay equity matters. I do not have this state government's submission, so take my word that I am paraphrasing it. The state government's submission included evidence that demonstrated that part of the contributing factors to the fact that women generally earned less than men is women's lack of bargaining power in the workplace. They provided evidence that showed that there is a significant difference in the hourly rate of pay in those workplaces where women are covered by a collective agreement versus an individual agreement. An individual agreement generates less pay for women. I am interested in the chamber's advocacy for a reintroduction to individualised bargaining, because I think the evidence is clear and shows that those workers who have less power, and that includes women, are disadvantaged by that system. Do you have a comment about that?

Mr Nicolaou: An initial comment is that in relation to women in the workforce we have been very strong in advocating reforms, proposals or initiatives to help encourage greater participation of women in the workforce and address those pay equity issues. You would have seen our submission to that inquiry. Also, our recently released "Women in the Workforce" discussion paper really touches on those sorts of key issues.

[12.50 pm]

So we do recognise that that is an issue. There are some issues in terms of the composition of the data that is used because women are more prominent in certain sectors or certain occupations that do not pay as well as other occupations. There are some discrepancies that emerge in terms of the data which then, I guess, exacerbates those overall perceptions, but certainly there are some notable examples where that issue is occurring. Whether it be in relation to CEO level or in relation to boards, participation amongst women is lower than men and we need to understand why that is the case. We believe it is more an educative thing rather than a need for regulation. Something that we have been, I guess, looking to focus more on is empowering women more in terms of understanding what they need to do to promote themselves better in the workplace rather than relying on regulation to address any concerns that may arise. We do have regulations in place that are supposed to deal with discrimination, whether it be on pay terms or any other terms. In terms of our membership and high-profile women leaders, they are comfortable with that fact and are keen to see ways in which women can reach past that perceived glass ceiling. I cannot comment in any more detail at this stage. I would be happy to provide further comments out of session if you like.

The CHAIRMAN: I would be happy to get further advice from the chamber on its views about the evidence that shows, to use your phrase, “what women need to do is actually be part of collective agreements, not individual ones”, if they want to improve their wages. I would be interested in the chamber’s views on that. I invite questions from Hon Ken Travers.

Mr Nicolaou: If I could just finish very quickly on that. The issue of individual bargaining is an important one, but we have to recognise also that such an outcome might be difficult in light of future changes to regulations with new workplace relations legislation. That particular point was removed in our pre-budget submission after we had already provided this submission to this inquiry.

Hon KEN TRAVERS: I have a couple of questions. The first one is just a very quick one following on from the comments earlier about government agencies and splitting them up. Do you have a view about whether or not the Department for Planning and Infrastructure should remain as a single agency or be separated? Have you been involved in any discussions about that yet?

Mr Nicolaou: No, not as yet so I cannot really comment adequately on that. We certainly are happy to be involved in such a process. I guess one of the criticisms we had in the past was some of the functional reviews that were undertaken were not released publicly and did not provide adequate opportunity for debate as to their core purpose and some of their key functions. That is at a broad level, but I really cannot comment adequately on that particular department at this stage.

Hon KEN TRAVERS: My next one was in relationship to your submission, and you allude to it here and I think you actually go into more detail in your pre-budget submission about contracting out government services to the private sector and efficiencies that can be gained there. I think certainly in your pre-budget submission you talk about the Public Transport Authority, the range of parts of the Disability Services Commission functions —

The CHAIRMAN: You made yourselves very popular there.

Hon KEN TRAVERS: — and port authorities. With regard to port authorities, you refer to a study. I might add that I am trying to get a copy of that study through you—and some of the other people there have been very helpful about that in trying to help us get that—so I can understand exactly where the efficiencies are, but are you able to give us any indication of where you think their efficiencies would be within both public transport and the Disability Services Commission and any benchmarking studies that you can refer us to that would demonstrate that there are efficiencies? I wonder whether you compare the Victorian model of privatisation of public transport as an efficient model at the moment. Have you had any discussions with the government about any of those issues; and, if so, who have you had those discussions with and where are they up to?

Mr Nicolaou: I will answer that last question first just to get that one out of the way. We have not had discussions with the government on particular initiatives that we have identified, but that is part of an ongoing liaison with government and the opposition in talking through these issues. We certainly have initiated that process already, in advance of its public release as well. The issues that we identified in the paper in terms of reform initiatives of the public sector, there has been some misinterpretation there as to our position on things. I see you have identified the Disability Services Commission as an example. I would like to talk through that very issue first. In no way are we saying we are going to privatise or abolish the Disability Services Commission. Quite the opposite; we have been very strong supporters of that sector overall and have done a major study on that sector and into ensuring that that sector remains sustainable and viable over the longer term. I am happy to provide that to you out of session as well, if you are interested.

The CHAIRMAN: That would be good.

Mr Nicolaou: That will highlight where our position is. Our position in relation to the commission is that there are some services that it provides in competition with the private sector. What we want to understand is why they need to provide that service when there are a number of non-government

service providers that do exactly what they do and then that can lead to potential conflicts because the Disability Services Commission also has the responsibility for handing out the funding to those non-government service providers. There is an inherent conflict. Whether there is that separation or not is a question that needs to be explored further, but it does create a perception that there is inherent bias towards the services provided by the commission rather than the non-government service providers.

Hon KEN TRAVERS: On that point, is there any evidence that the private sector has been wanting to grow faster than it is able to, because I think there is an issue there about growth? Most of the growth services have gone to the private sector.

Mr Nicolaou: I guess the comments that we made in this pre-budget submission were—we did work with the non-government service providers that are members of the chamber in coming to this foundation in terms of what we see as reform initiatives. We are not saying that this is the absolute outcome. It may be determined, after reviewing the services that the commission provides, that it is best placed for government to provide that service. What we are saying, though, is that we need to explore this issue because it is an issue that could lead to potential cost saving and could be potentially contracted out to the non-government services sector. There has been some misinterpretation as to the chamber's position. We have been very keen to correct that misinterpretation because in no way do we want to see a core service that works for a disadvantaged section of the community abolished or privatised or anything like that.

The CHAIRMAN: Sorry to interrupt you. Can I abuse my position in the chair!

Hon KEN TRAVERS: Absolutely.

The CHAIRMAN: Another hat that I wear in addition to chair of this inquiry is as shadow minister for disability services, so your comments, or the reporting of the chamber's position on this, generated a fair few phone calls to me in the last 48 hours. One of the issues that arises is you say it is important that we ask the questions and that we do an examination. Some of the feedback that I got was it reflected a misunderstanding that there is an element of the safety net that is provided by, in this case the Disability Services Commission, and there is an argument that says those clients that the Disability Services Commission deals with in many cases are those clients with the most challenging behaviours, with the most difficult combination of medical and disability conditions to manage, and that they are the clients that the state ought be able to provide the safety net kind of delivery of service for that. So the issue that was put to me was that raising the debate itself actually reflects a misunderstanding that that is part of the role that DSC provides, if you like, as a safety net. Do you have a comment on that?

[1.00 pm]

Mr Nicolaou: There may be examples where there is a need for government involvement in those sorts of instances. But we have not explored those and the advice that we have received from the non-government service providers that are in competition with the commission on such services, is that they could perform those tasks.

The non-government services sector deals with the same types of people with challenging behaviours or severe disabilities and it has expertise in that area. Obviously, there needs to be the appropriate level of funding to help resource that, but we do need to understand whether a particular service can be delivered more efficiently by the private sector.

The CHAIRMAN: Sure, okay; thank you.

Hon KEN TRAVERS: I do not know if we have really covered the issue. Do you just believe, anecdotally, that there might be savings or are there benchmarking studies that you can refer us to that highlight both the level of savings and where those savings would occur? Is it by driving down staff wages or are there other savings efficiencies that can be had? Often in the past, privatisation has just been about privatising to reduce wages and conditions.

Mr Nicolaou: The 2006 report we did on workforce planning in the disability services sector—a report undertaken on commission by the sector—looked at all these issues, and some benchmarking studies were undertaken in relation to both the quality of services delivered and wages and differences emerged. In relation to wages, there are examples in which the Disability Services Commission was able to pay a lot more than non-government service providers. So what you were getting was a non-government services sector, which was struggling already in the current climate to find suitable labour, effectively losing out to, I guess, someone else funded purely by government. So, there are examples and I am happy to provide that report, if that is of interest to this inquiry, which does go through all the issues in relation to this sector and its needs. Certainly, funding is an issue. It is not something that is readily privatised and provided by the private sector. It does require public funding; there is no doubt about that. But the question is whether that can be done more efficiently.

Hon KEN TRAVERS: And what about some of those other sectors like the PTA and the port authorities?

Mr Nicolaou: In terms of the port authorities, a study was done, that we refer to in our submission and, again, I am happy to provide a copy if the committee is interested. But, again, the pre-budget submission is attempting to, I guess, kick start the debate on reform initiatives that could be considered. We are not saying that these reforms are absolutely what need to be done, but what need to be considered as part of an ongoing process of reform. It may be that after a thorough review it is deemed that the port authorities are not a viable candidate for privatisation or contracting out or whatever model you want to use. But there are examples from benchmarking studies that show that private sector operators have been able to deliver a better port authority service than the government.

Hon KEN TRAVERS: Do you know if that goes to whether or not they have adequately reinvested? I guess I say that in light of the example of Perth Airport and, if you want, you can comment on whether as a privatised organisation they have reinvested enough in their infrastructure to meet the growth in demand for WA.

Mr Nicolaou: Yes; I am not clear. I probably cannot answer that articulately and I am probably getting into dangerous territory if I do! I guess we need to consider these sorts of things. It is an absolutely important part of that concept. But if you put in the right initiatives around that, it will ensure that reinvestment does occur—if there is a public interest that is attached to that.

Hon BRIAN ELLIS: I have a couple of questions.

I would like to refer back to the AAA rating that was mentioned earlier. In light of one state having had its AAA credit rating downgraded, how important in your view is the preservation of the state's AAA rating; and, where do you see this three per cent efficiency dividend fitting in to the preservation of that rating?

Mr Nicolaou: We believe that the AAA credit rating is an essential benchmark or financial target that the government must continue to be committed to because it not only lowers borrowing costs but also has benefits in terms of an outsider's perspective as to whether Western Australia is an attractive place to invest—is it a stable environment both politically and economically for people to invest? It also imposes an important discipline on government that it has control over borrowings and its broader budget management. In relation to the three per cent efficiency dividend, we are talking about—if I could just expand a bit further on than that—it is all about budget management. We believe that controlling expenses growth is the cornerstone of good budget management; keeping expenses growth at manageable levels helps preserve the state's AAA credit rating because it means less borrowings are needed; it helps ensure that budget surpluses are maintained; and it can help ensure that a competitive tax system emerges or is maintained over time. So, the focus of our pre-budget submission and also the submission to this inquiry is on controlling expenses, which have grown at what we believe to be an unsustainable pace over recent years. It is not one particular

party that has been responsible for this; it is successive governments that have been unable to control general government expenses over an extended period of time and that has placed pressure on the budget from a borrowing perspective; from a taxation perspective; and, therefore has put at risk those key elements of a financial strategy. Is that the sort of —

Hon BRIAN ELLIS: Yes, that is good. I do have just one other question. In your submission you stated that there should not be any adverse effect on the level of services. Can you explain why there might be such an effect because of the dividend?

Mr Nicolaou: In terms of the efficiency dividend, we are saying that overall we have seen a worrying trend in the growth of general government spending—well in excess of population growth and inflation. Taking into account those factors that would naturally see general government expenditures grow over time, we are seeing government expenses grow well in excess of the target that was set by the previous government—a target that we see as an important aspect of financial management. We have seen that target breached every year since the previous government was in power and it is likely to be breached in the first year of this government. It is a difficult target to achieve but it is an important target to at least try to achieve because it takes the pressure off the revenue side of the equation and overall from the budget management side of the equation. Because that target has been breached, it means that outside of population growth and cost increases, expenses have grown more than what we would normally consider is necessary. We believe that a thorough examination of each government department and agency is required because clearly that sort of growth in public sector expenditure cannot be maintained without looking at significant tax increases; without breaching the AAA credit rating; and without ensuring that the state government continues to maintain its position and standing.

The CHAIRMAN: One more from my colleague and one more from me, and then we will wrap it up.

[1.10 pm]

Hon JON FORD: I suppose I am just looking for a definition from you of this three per cent efficiency cut. It seems to me in your submission and in your pre-budget submission that what you are saying is that you do not have to have a three per cent across-the-board, agency-wise cut; it just needs to be on the bottom line. Would that be right?

Mr Nicolaou: Yes. If I could expand a little bit more on that, what we are saying is because of recent years when we have had a very strong growing economy and expenses that have been growing in excess of that, there has clearly been a need for action to be done immediately, and from that perspective a one-off three per cent efficiency dividend is an important tool that can be used to ask each agency to review its expenditure and find cost savings. After that you then need to look at other initiatives that will help put a lid on those costs and ensure that they do not get out of hand and put under pressure the state's AAA credit rating, among other things. So it is a first step, that initial shock, that is required to get agencies just to look at their budgets in a considered fashion and try to identify some savings; and thereafter there needs to be put in place appropriate targets and responsibilities on department heads and agencies more generally to ensure that costs are kept under control and to ensure that they meet their objectives in terms of key performance indicators. So, it is a blunt tool, absolutely; and I certainly support that view that has been held that it is a blunt tool and it will impact on some agencies more than others; but when you break up the public sector into core services and non-core services, there has been equal growth on both core and non-core services over the last eight to 10 years. So clearly there is an opportunity for all government agencies to review their cost structures. In the same way that businesses are now looking at reviewing their own cost structures because of the economic climate, governments should do so also. Okay, it is a blunt tool, but businesses are making these tough decisions now and government needs to also.

Hon JON FORD: So, whilst you are trying to keep growth back in recurrent expenditure, would you agree that a specific capital investment in the long term can deliver effective long-term savings?

Mr Nicolaou: Yes. In terms of the efficiency dividend, from what I understand it is in relation to recurrent spending; it is not related to capital investment. The current government, I understand, is now reviewing the capital investment program in each project individually in light of a weakening revenue outlook, but there are opportunities to generate wealth, generate jobs and generate economic output which can deliver greater revenues and take the pressure off the budget position through appropriately targeted investment in the state's future; and that is generally, by and large, in relation to wealth creation and nation-building infrastructure.

Hon KEN TRAVERS: Just to summarise it, is it fair to say that what you are saying is that it should not necessarily be a reduction in the total amount of government spending; it should be taken out of—I guess for want of a better term—luxury items and put across into productive investment for the future?

Mr Nicolaou: Yes. What we are saying is it should not lead to a reduction in key programs that the government deliver; core programs that it is expected to deliver. What it does mean is there needs to be a review of other line expenses, other issues, that the government spends on, and that might be a whole spectrum of general government expenses in particular departments that need to be reviewed, from consulting expenses to advertising and so forth. There are ways in which the same level of service can be provided without affecting that just because of a three per cent efficiency dividend. It is a blunt tool, but we certainly support its concept as a starting point to an ongoing process of reform.

The CHAIRMAN: One of the things that you raise in your submission is that government should operate with a more commercial focus. Do you have a view or does the chamber have a view about whether the government ought be looking at cost recovery and what areas it ought be looking at cost recovery?

Mr Nicolaou: Certainly if there are opportunities for cost recovery or where there are commercial services provided, then the government should look at that. We do not have an articulated position on that at this stage, but where there is that sort of initiative or where there is a service that the government can earn an income from, then we need to consider whether it should be delivered by government at all and whether it should be delivered by the private sector as well. What we believe the government should be focusing its attention on is the delivery of those essential public services that cannot or will not be delivered by the private sector.

The CHAIRMAN: Okay. I could go on and on down that path but I will not. I thank you for your contribution today. We have referred, through the course of our conversation, to your submission to this inquiry and to your pre-budget submission. I know it is a public document, and I have certainly got copies of it already. It would just be helpful for us to manage our business if you had a spare copy on you today and if you would agree to table that and then we would have it formally before us.

Mr Nicolaou: Yes, I am happy to table this one. I have a clean copy here. I was not sure whether this would be the topic of the discussion today—I was happy to talk about it—so I did not prepare copies on that basis.

The CHAIRMAN: That is okay, we can do that. Just having it formally before us, John, assists us with how we manage our debate. I apologise too—I should have done this at the outset—for keeping you waiting. I am sorry about that. If members identify further questions that they have, are you happy if we provide those to you in writing for you to respond to us as well?

Mr Nicolaou: Absolutely, I am happy to do so, and I have taken note of those reports that you have expressed an interest in receiving as well; so I am happy to provide those to you as well.

The CHAIRMAN: Great. Thanks very much for your contribution today.

Hearing concluded at 1.15 pm