



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

**Consideration of Budget Estimates**

MONDAY, 22 MAY 2000

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**  
**COMMUNITY AFFAIRS LEGISLATION COMMITTEE**

**Monday, 22 May 2000** **Monday, 22 May 2000**

**Members:** Senator Knowles (*Chair*), Senator Allison (*Deputy Chair*), Senators Denman, Evans, Mason and Tchen

**Substitute members:** Senator Ray to substitute for Senator Denman for the committee's consideration, in accordance with the order of the Senate of 10 April 2000, of additional estimates relating to magnetic resonance imaging scanner installations

**Senators in attendance:** Senator Knowles (*Chair*), Senators Calvert, Crowley, Denman, Evans, Faulkner, Gibbs, Ray, Tchen and West

**Committee met at 9.14 a.m.**

**CHAIR**—I declare open this public hearing of the Senate Community Affairs Legislation Committee considering budget estimates. On 9 May 2000 the Senate referred to this committee the particulars of proposed expenditure for the year ending 30 June 2001 for the portfolios of Health and Aged Care and Family and Community Services. The committee will now commence examination of the Health and Aged Care portfolio.

**HEALTH AND AGED CARE PORTFOLIO**

**In Attendance**

Senator Vanstone, Minister for Justice and Customs

Senator Herron, Minister for Aboriginal and Torres Strait Islander Affairs

Executive

Mr Andrew Podger, Secretary

Professor John Mathews, Head, National Centre for Disease Control

Mr David Borthwick, Deputy Secretary

Ms Mary Murnane, Deputy Secretary

Portfolio Strategies Division

Ms Lynelle Briggs, First Assistant Secretary

Mr Robert Wooding, Assistant Secretary, Private Health Industry

Ms Joanna Davidson, Assistant Secretary, Policy and International Branch

Mr Philip Hagan, Assistant Secretary, Information and Research Branch

Ms Virginia Hart, Assistant Secretary, Budget Branch

Ms Natasha Cole, Director, Policy Projects Branch

Corporate Services Division

Mr Neville Tomkins, First Assistant Secretary

Wynne Hannon, Head, Legal Services

Mr Peter Moran, Assistant Secretary, Contestability Branch

Mr Michael Mobbs, Legal Services  
Ms Jan Feneley, Assistant Secretary, Public Affairs, Parliamentary and Access Branch  
Outcome 1—Population Health and Safety  
Population Health Division  
Mr Brian Corcoran, First Assistant Secretary  
Mr Eamonn Murphy, Acting Assistant Secretary, Communicable Diseases and Environmental Health Branch  
Ms Judy Blazow, Assistant Secretary, Primary Prevention and Early Detection Branch  
Ms Sue Kerr, Assistant Secretary, Drug Strategy and Population Health Social Marketing Branch  
Mr Brendan Gibson, Acting Assistant Secretary, National Health Planning Branch  
Ms Cheryl Wilson, Director, Population Health Division  
Ms Jodie Grieve, Director, Population Health Social Marketing Unit  
Mr Greg Sam, Director, Surveillance and Management Section  
Mr Paul Currall, Acting Director, Policy and Budget Strategy Section  
Ms Jenny Taylor, Research and Marketing Group  
Ms Georgia Tarjan, Director, Primary Prevention Section  
Mr Mark Cooper-Stanbury, Director, Information Section, National Population Health Planning Branch  
Ms Wendy Dielenberg, Director, Self Management, Policy and Projects Section  
Ms Sarah Major, Director, Cancer Screening Section  
Australia New Zealand Food Authority  
Mr Ian Lindenmayer, Managing Director  
Mr Peter Liehne, General Manager, Standards  
Ms Claire Pontin, General Manager, Monitoring and Operations  
Mr Greg Roche, General Manager, Legal and Safety  
Dr Marion Healy, Chief Scientist  
Ms Fiona Matthews, Acting Program Manager, Legal  
Ms Janine Lewis, Acting Program Manager, Monitoring and Surveillance  
Mr Kent Brown, Corporate Services  
Therapeutic Goods Administration  
Mr Terry Slater, National Manager  
Ms Rita MacLachlan, Acting Director, Conformity Assessment Branch  
Mr Pio Cesarin, Acting Director, Chemicals and Non-Prescription Medicines Branch  
Dr Susan Alder, Director, Special Projects  
Dr Joe Smith, Director, TGA Laboratories  
Dr Fiona Cumming, Office of Complementary Medicine  
Dr John McEwen, Director, Adverse Drug Reaction

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Ms Liz Cain, Director, Interim Office of Gene Technology Regulator  
Australian Radiation Protection and Nuclear Safety Authority  
Dr John Loy, Chief Executive Officer  
Dr Ches Mason, Director, Standards Policy and Corporate Support Branch  
Health Insurance Commission  
Dr Jeff Harmer, Managing Director  
Mr Daryl Lapsley, General Manager, Finance and Planning  
Mr Ralph Watzlaff, General Manager, Professional Review  
Ms Lisa Paul, General Manager, Program Management  
Outcome 2—Access to Medicare  
Health Access and Financing Division  
Dr Peter MacIsaac, Medical Officer, Pharmaceutical Benefits Branch  
Dr Louise Morauta, First Assistant Secretary  
Mr Brett Lennon, Assistant Secretary, Pharmaceutical Benefits Branch  
Mr Charles Maskell-Knight, Assistant Secretary, Financing and Analysis Branch  
Mr Alan Stevens, Assistant Secretary, Diagnostics and Technology Branch  
Dr John Primrose, Medical Officer, Diagnostics and Technology Branch  
Mr Alan Keith, Assistant Secretary, Diagnostics and Technology Branch  
Mr Ian McRae, Assistant Secretary, Medicare Branch  
Dr Jane Cook, Medical Officer, Medicare Benefits Branch  
Professional Services Review  
Mr John Holmes, Director  
Private Health Insurance Administrative Council  
Ms Gayle Ginnane, Chief Executive Officer  
Health Insurance Commission  
See Outcome 1  
Outcome 3—Enhanced Quality of Life for Older Australians  
Aged and Community Care Division  
Mr David Graham, First Assistant Secretary  
Mr Andrew Stuart, Assistant Secretary, Policy and Evaluation  
Ms Pieta Laut, Assistant Secretary, Accountability and Quality Assurance  
Mr Marcus James, Assistant Secretary, Residential Program Management  
Ms Jenny Hefford, Assistant Secretary, Complaints and Compliance Taskforce  
Mr Warwick Bruen, Assistant Secretary, Community Care  
Ms Lana Racic, Office for Older Australians

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**Outcome 4—Quality Health Care**

Health Services Division

Ms Liz Furler, First Assistant Secretary

Dr Rob Pegram, Medical Adviser, General Practice Branch

Mr Peter Broadhead, Assistant Secretary, Acute and Coordinated Care Branch

Mr Dermot Casey, Acting Assistant Secretary, Mental Health and Special Programs Branch

Mr Robin Wells, Director, Fresh Blood Product Section

Mr Andrew Tongue, Assistant Secretary, General Practice Branch

Mr Michael Mossop, Director, Plasma Products and Organ Donations Section

**Outcome 5—Rural Health Care**

Portfolio Strategies Division

See Whole Portfolio

**Outcome 6—Hearing Services**

Mr Peter DeGraaff, Assistant Secretary, Office of Hearing Services

Health Insurance Commission

See Outcome 1

**Outcome 7—Aboriginal and Torres Strait Islander Health**

Ms Mary McDonald, Assistant Secretary, Program Planning and Development Branch

Dr David Ashbridge, Assistant Secretary, Health Strategies and Research Branch

Mr Steve Larkin, Assistant Secretary, Community Development and Social Health Branch

**Outcome 8—Choice through Private Health Insurance**

Portfolio Strategy Division

See Whole Portfolio

Aged Care Standards and Accreditation Agency

Mr Tim Burns, General Manager

**Outcome 9—Health Investment**

Office of the National Health and Medical Research Council

Mr Robert Wells, First Assistant Secretary

Ms Cathy Wall, Acting Assistant Secretary, Health Workforce Section

Dr Vin McLoughlin, Assistant Secretary, National Health Priorities and Quality Branch

Dr Greg Ash, Research Policy Branch, Centre for Research Management

Australian Institute of Health and Welfare

Mr Geoff Sims, National Information Policy and Coordinated Unit – AIHW

**DEPARTMENT OF HEALTH AND AGED CARE**

**CHAIR**—I would like to welcome the minister, but I cannot. She is, like many others this morning, I understand, caught by fog and will hopefully be here in the not too distant future. But I would like to, of course, welcome the departmental secretary, Mr Andrew Podger, and the officers of the Department of Health and Aged Care. If I may also explain why there is no-

one on this side: it is for the very same reason that Senator Vanstone is not here. A number of committee members of other committees have been fogged out, so they have all gone walkabout to fill those chairmanship positions.

The committee today will be working from the portfolio budget statements. To facilitate questioning, I suggest the committee commence with any general questions on the portfolio overview contained in pages 7 to 27 of the PBS, followed by any questions on corporate matters which were under the former outcome 10 but are now spread across all outcomes. The committee will then consider the outcomes as listed in part C of the PBS, pages 31 to 251, to be called on seriatim, with the exception of outcome 3, Aged care, which has been deferred until tomorrow. For each outcome I propose to call for general questions, followed by questions relating to specific agencies, where appropriate. The Finance and Public Administration Committee is continuing to monitor the format and contents of the portfolio budget statements and has asked, if senators have any comment on the PBS, could they please put them on the public record during the hearing. I remind officers to clearly identify themselves when first called to answer a question to assist the Hansard reporters. Mr Podger, I believe you wish to make an opening statement.

**Mr Podger**—Yes, Senator. I thought it might be useful if I took a few moments to touch on some of the issues that affect the whole of the portfolio and its presentation in the portfolio budget statements which the committee has before it. In this budget the government has adopted a nine-outcome structure for the Health and Aged Care portfolio compared with a 10-outcome structure in 1999-2000. The former outcome 10 has been removed, as much of this outcome involved activities of a corporate nature. Consistent with other portfolios' outcome structures corporate activities have now been attributed across the nine outcomes and some of the specific activities contained in the former outcome 10 have been attributed to the relevant outcome.

There has also been a renumbering of outcomes, with enhanced quality of life for older Australians becoming No. 3 and choice through private health insurance becoming No. 8. This reflects the fact that outcomes 1 to 4 are central and continuing aspects of the portfolio's business, while outcomes 5 to 9 reflect the areas which have been identified as having particular priority at this time and in the immediate future. While some people have noted that this portfolio has more outcomes than most, we have been mindful of criticisms of reduced information in the new outcomes/output framework of accrual budgeting. We have also consciously retained a subdivision of our biggest outcome, outcome 2, Access to Medicare.

For consistency and comparability figures for appropriations for 1999-2000 have been adjusted in line with the new outcome structure used for 2000-01. This is detailed in the resource summary table C2 in each outcome chapter. For departmental expenses we have also revised the number of output groups from seven to six and we have renamed some, in order to minimise duplication and improve clarity. The output prices identified for 2000-01 therefore involve both wider attribution of overheads because of the removal of the former corporate outcome, outcome 10, and improved output group definitions. The figures provided in the resource summary table for output group prices and average staff levels reflect the department's estimates at the time of going to print. I should explain, however, that the process for determining the estimates is complex and the methodology is still undergoing significant refining. In addition, the timing of the budget means that these figures need to be determined in a relatively short time period at the end of the budget preparation process. Indeed, we do have a corrigendum about the detailed figures for outcome 1, where the allocation of departmental expenses between the department and the TGA is in some error.

This is the second year of an accrual based budget and I believe we have learned a great deal. Obviously it is an evolving process and I should caution readers of our PBS that it may not always be appropriate to directly compare output group prices for 1999-2000 and 2000-01. The output pricing review to be conducted later this year with the Department of Finance and Administration will assist considerably with firming up our output price estimates and our volume estimates. In the meantime we will be working through the estimates before the department makes its final internal allocation decisions regarding departmental expenses.

Similarly, in relation to staff years, direct comparison across the two years may be a little misleading. Parliament appropriates departmental expenses as a single line appropriation which is allocated across outcomes. Within outcomes, the department estimates how the funding is likely to be spent between salaries and suppliers before estimating staff years. The staff years under each outcome also relate not only to the staff in the relevant central office division but also to corporate staff and state office staff. This means that average staffing levels for 2000-01 should be considered as best estimates which may change due to later allocation decisions taken by the department.

The price of outputs includes revenues from external sources as well as appropriations. For the 2000-01 financial year, the department is predicting that expenses will be greater than appropriations and revenue from external sources—that is, we will have a loss situation. The department will receive an injection of funds totalling \$22.029 million in 2000-01 to meet its approved loss. I would direct you to note 5 in the department's financial statements on page 267. The department is currently conducting a joint exercise with the Department of Finance and Administration to determine the extent to which the projected loss for 2000-01 is the result of historic errors in the calculation of the department's appropriations made in the transition to the accrual budgeting framework. This exercise will be followed by the output pricing review I referred to, conducted jointly by DOFA and the department.

Implementation of the GST is well under way. This has required a level of new activities in relation to compliance for which the department has not been funded. The operation of the GST will continue to have an ongoing impact on the department which will affect our cash flow through the payment and recovery of GST transactions but not the overall level of expenses. We are happy to respond in the early part of this hearing on corporate matters to questions relating to tax issues in broad terms or as they impact on our departmental expenses, but would ask that tax questions relating to specific outcomes be mentioned now so we can prepare ourselves to address them in detail when we get to each relevant outcome. If there are any other questions on corporate issues or the budget in general terms, it might help if we took them up first.

Finally, I am conscious there has been some concern expressed, including from the press, that the forward estimates for the portfolio are not readily apparent from the portfolio budget statements and appear there only in graphical form. I would like to take this opportunity to fill that gap with a document that shows the forward estimates for administrative expenses against each of the portfolio outcomes, as well as a separate table of expenses for the five major portfolio programs that make up about 90 per cent of our outlays. Thank you.

**CHAIR**—Thank you, Mr Podger. I propose, as I mentioned before, to commence on the portfolio overview, pages 7 to 27. Are there any questions?

**Senator WEST**—Thank you, Madam Chair. All of us discover that we are getting older and need glasses, but there are a couple of pages that you have really challenged us on. Can I make the comment that at pages 20, 33, 34 and 35 you really have put the wood on my poor



old eyes. I do not know whether to put my glasses on, take them off, get a magnifying glass or just say, 'To hell with it.' Can I please ask that next time you do it—I do not know how you will do it—the youngsters in the department might like to take note of us oldies' needs.

**Mr Podger**—Senator, I appreciate the comment. We will have a look and make sure we are a little bit more legible in the typeface for the next occasion.

**Senator WEST**—Thank you. The problem is the smallness of the font.

**Mr Podger**—It is.

**Senator CROWLEY**—If I might add to my colleague's comment: you do not need to be old with glasses to despair at these pages. I think they are close to fairly insulting. I do not imagine it is the department's intention to do that, but you are reading along and you come to these pages and they are really extremely difficult to try and cope with. I would have thought that would be the case whether you had the eyes of a 15-year-old and a hawk. It is very unlike the previous departmental program reports and I am a bit taken aback by it, actually.

**Mr Podger**—Senator, we will have a look at it. This was, of course, a summary of the material which appears in detail elsewhere. But, yes, it should have been clearer for reading.

**Senator CROWLEY**—Yes. Thank you.

**Senator WEST**—Another problem, which you have probably already summed up in your opening statement, is the figures column in each of the outcomes. You have the forward estimates coming down but you only have the figures for this coming financial year and the four out years. You do not have this financial year there. That makes comparison extremely difficult; in fact, it makes it impossible, particularly when you have changed it from 10 programs to nine programs. I cannot even drag out last year's to make a comparison. Sorry, I have lost the bits I am looking for.

**Mr Podger**—For the most part, Senator, we do have the estimated actual for 1999-2000, which of course takes on board the additional estimates and our best estimates at this time for what will happen this year, compared to our estimates for next year. What, by convention, is missing from the PBS is details of the forward estimates, other than in graphical form. My own view is that it would be better to have that detail in. That is why we have tabled that material this morning. I think it would help the parliament if we had the forward estimates more clearly put in a PBS, but it has been a convention for some years to not have that detail.

**Senator WEST**—We have been complaining about it for some years.

**Mr Podger**—We have also been tabling, for several years, the additional material.

**Senator WEST**—It was in the breakdown of some of the projects and some of the programs. They are not necessarily new programs either; they are programs that have been continuing on. I cannot, off the top of my head, think of a specific example, but it is a problem I was having when I was looking at 'Budget measures—portfolio summary'.

**Mr Podger**—Those, Senator, of course are the measures which would not generally have any money in 1999-2000.

**Senator WEST**—Some of them were measures that had increases or amendments and had changes. The first one I think of is the National Child Nutrition Program.

**Mr Podger**—It is always complex to work out how you present a measure where the decision might be to continue a program or expand a program and you do not, in the measure, mention what was already there or what had been spent in the past.

**Senator WEST**—It was a concern, a problem that I was having. In your general comments you seem to have a lot in the budget measures. On page 23, under *Cross Portfolio Measures—Response to Findings of the Vietnam Veterans’ Health Study*, there does not appear to be any funding or any spending going on in the Defence or Health—FACS, whatever you want to call it—budget. Most of it is DVAs. The one below that is actually taking money off. We have lots of stuff in here that relates to other departments. I guess when we come to them you can explain to us how this is occurring. I found that very confusing.

**Ms Hart**—They are put in there to give a complete picture. Obviously there will be a number of measures that are talked about in more detail in the outcome chapters where there is common activity that impacts from DVA on the department and vice versa. The cross-portfolio measures try to set out the consequences in terms of departmental or administered impacts for any activities like the one you refer to, the review of service entitlements for South-East Asian service.

**Senator CROWLEY**—I notice there is a little page or two in the beginning that says, ‘How to drive this book.’ Books that start with a description on how to drive them are a big worry to start with. Let us just say that I am interested in finding out about program 1. Page 22 does not tell me. I go through outcomes, assessments and all those wonderful descriptions and various bits and pieces and it is not until the ultimate page in program 1, page 71, that I find reference to things like breast cancer screening or national cervical cancer screening. If I have missed it somewhere else, please tell me.

**Ms Hart**—Senator, the reference you make to page 71 on the National Cervical Screening Program is a list of the forthcoming evaluations and reviews. The more detailed information starts in response to the performance indicators listed on page 58 and which are reported against the end of the previous year in our annual report. They will pick up some indicators relating to women’s health.

**Senator CROWLEY**—Just give me help. Find me one.

**Ms Hart**—If you turn to page 58, you will see ‘Administered items’, which are our major program funds. Under point 1, ‘Population health’, that is looking at advice provided through the National Public Health Partnership and its advisory group. If you go to the first dash point there you will see research and development in a number of areas that also picks up women’s health, so it would be targeted research and development relating to all those areas, including women’s health, which I imagine would also pick up cervical cancer.

Similarly, under ‘Others’, it is not necessarily separated out as a separate indicator, but over the page you will see that there is a range of indicators that relate to diseases in the non-communicable area. If you look at page 59, in the left-hand column under the third dash point it talks about certain activities and in brackets you will see ‘screening and early detection programs’. On the right-hand column you will see ‘Quality’. Towards the end it talks about a number of programs. You will not necessarily be able to pick up cervical cancer throughout but the indicators should pick up all activities that relate to women’s health, screening and research and development strategies in the area.

**Senator CROWLEY**—You have described what I found, which is what drove me to something approaching despair. I was very pleased to find that page 71 actually spelt it out. I think ‘Women’s health: screening for preventable diseases’ is not a sufficient description. That is my concern. If I were looking through here to find out where the Commonwealth health dollars are going—precious and all as they are—how would I know how much was going to BreastScreen Australia and how much to cervical cancer? They are not broken down

in that way, but I certainly want to know that kind of detail. I am prepared to give you notice now so that, when we come into that program in more detail, someone will be able to assist me with answers to those questions and to give me some more of that detail.

As I understand this estimates process, if Commonwealth dollars are spent I should be able to have accounted to me how those dollars are spent—in something more than women's health. We could say 'the health of Australia' and then all go home.

**Mr Podger**—It is very difficult, Senator, to get all that information in one document which is already several hundred pages long.

**CHAIR**—It has never been done that way either.

**Senator CROWLEY**—I remember it was.

**CHAIR**—I remember in opposition that we had difficulty with various things. I am not talking about the specific ones that you are raising today; they might have been there. There are always going to be things that are not specifically spelt out here. Maybe putting it on notice now can provide the information later, but I think we should move on.

**Senator CROWLEY**—Before we do that, I have raised this very same question before. That is because of my concern of all the items under this area that have been broadbanded and effectively handpassed to the states. When I have asked questions about family planning, for example, in times past—which is the same area, I believe, and I am not sure that I would find any reference to that here anywhere—I have been told, 'We couldn't give you the detail. We would have to contact the states and find out.' My answer then is, 'Good, find out. Contact the states and find out.' How do you assure yourself that the precious dollars you are spending by passing things to the states are actually buying what you say, in terms of numbers, in terms of the community having access and in terms of distribution.

**Mr Podger**—Senator, this is like a summary document. I also refer you to pages 48 and 49, which set out performance information and resource allocation under various indicators and targets. Again, you will find that it is more descriptive than any numbers there, but this is not the only document the department gets out in terms of areas of population health. We do have other documents. We have reports back from the states on their indicators. When we get to our annual report you will see that we frequently refer back to other documents that are around to give more detailed measures. We try to have our annual report pick out some of the key information and refer to other documents of which there are generally a lot.

**Senator CROWLEY**—Indeed, but this is the portfolio budget statement. I would think that if in this area you said, 'A more detailed description of how the dollars are allocated in these areas will be found in X report, Y report, available during the year,' that might even help. I am being a bit bloody-minded, as you can see, Mr Podger, but I am also being a little bit, I would have hoped, constructively critical about this document—it does not tell me, except in the very broad and bland.

**Mr Podger**—The suggestion of some cross-reference to other documents that might be available later in the year I think is a very useful one, Senator; we take that on board. I think it would be extremely hard in the time frame for us to have those other documents at this point but we will look in future to see whether there is some cross-reference we can make to other documents that will come through; just as in our annual report we make a lot of cross-references to other documents in our performance measures summaries.

**Senator CROWLEY**—So citizens with an interest or concern have to look in here and realise that there is not too much detail and go elsewhere for facts and figures about the allocations of Commonwealth expenditure in these areas.

**Mr Podger**—As has always been the case. I do not think we have ever had—

**Senator CROWLEY**—We have got a long-time memory around here, Mr Podger.

**Mr Podger**—It will be interesting, Senator. When I look on the list of various programs that are mentioned within those indicated on pages 48, 49 and 51, there are a large number of individual program areas. I cannot myself recall when in a PBS each of those were detailed and set out with all the figures on it.

**Senator CROWLEY**—It was a significantly different budget statement before all of these were broadbanded. I remember having a discussion with you about why the broadbanding meant a cut of 10 per cent in efficiencies at the time.

**Mr Podger**—I recall that discussion, Senator.

**Senator CROWLEY**—I thought you might, Mr Podger. But that was one of the very big earthquakes in this area, and before that there was some detailed allocation because some of the programs were just being initiated. But I will not stick at it here forever. I would just give notice that I would like to know where I would find any reference to the longitudinal study of women's health, if it still exists, and if there is any funding for alternative birthing and where I might find that.

**Mr Podger**—We can certainly find information on both those. The longitudinal study of women's health is certainly still continuing.

**Senator WEST**—Can I just follow on the restructuring of the PBS. I am wondering if the department can find the detail for me of where the expenditures from former outcome 10 have been allocated in this year's budget.

**Mr Podger**—I am sorry, Senator?

**Senator WEST**—I want to know where the details of former outcome 10 from last year are placed in this year's budget. You may want to take it on notice but I am after details.

**Ms Hart**—Senator, I think I can attempt to answer that for you. As Mr Podger said, we have removed outcome 10 and the items, funding and activity, that were contained within there have been dealt with in a couple of ways. The items that were in there that could be directly allocated to one of the existing outcomes, for example, in new policy or administered items which were transferred from other departments have been placed under outcomes. There were activities relating to international health that have been moved more appropriately.

**Senator WEST**—I want to know what you have taken from 10, where it exactly has gone and how much money it has taken with it.

**Ms Hart**— Yes, I have got a document here that is quite detailed, so we can table that.

**Senator WEST**—That would be very much appreciated otherwise it gets confusing for us. If we do not understand where it has gone, we do not know how to track it down. In the additional estimates statements there are a large number of changes made to correct various problems identified in the transition to accrual accounting. Do the new budget estimates include further corrections or modifications in this transition period or are we now in a position to say that accrual budgeting has settled in and that future figures will be fully comparable?

**Ms Hart**—I am sorry, Senator. I believe I missed the first part of your question.

**Senator WEST**—When we had additional statements there were modifications and corrections because various problems had been identified in the transition to accrual accounting. Are there any amendments, any transitions, any modifications in this one or are we now actually at something that is comparable and we can follow this through? Or in the next additional estimates statements do we have to expect further modifications?

**Mr Podger**—I hope we do not have much of a change in the next round, Senator, but I think the main area where we are learning a lot is around the departmental expenses. I think the change in terms of the nature of this document, which is most obvious, is the enormous increase in material around departmental expenses, trying to get prices and volumes of outputs, including all the corporate overheads. We are still learning around that and I think there will be a little while yet before we have that tied down.

In terms of the definitions of the outcomes and so on, I would be surprised if we went through much of a change in next year's budget. These things are, of course, determined by governments and ministers but I would be surprised if there was much of a change in the outcome structure at all next time around.

**Senator WEST**—Okay. So we would actually begin to start comparing without having to go through six lots of material.

**Mr Podger**—I should mention we have quite consciously tried to put, as our first four outcomes, as I have mentioned, the ongoing functions of this portfolio. The other five are also important but you can understand they are not in the same sense of the fundamental activities that this portfolio will always have. You can see that some of the things in the last five could, from time to time, be put back into the first four as other things are highlighted and drawn out. Examples of that nature include things like the rural health or the private health insurance and so on. That might change from time to time with the government as to what their priorities are at that stage, but the first four in particular I would see as being ongoing functions of this portfolio. But there may be from time to time changes in the others as priorities move on.

**Senator WEST**—It must also make it easier for you once it is bedded down and we have easier comparability, too.

**Mr Podger**—I can assure you that is true.

**Senator WEST**—It is not just us that is being selfish here, I would not think. On the four-year outlook, am I right in saying we do not have a great deal of detail on the outlook for the next four years?

**Mr Podger**—I mention in my opening statement that it has not been the rule in the past to have the forward estimates in the PBS. We have it in graphical form but as we have done in the last two years, I believe, we have tabled this morning the forward estimates for each of the administrative outcomes.

**Senator WEST**—Thank you. You also mention staff numbers. They appear to be declining in each outcome, with the exception of rural health. Is that correct?

**Mr Podger**—The reason you see that is because of the overhead arrangements being allocated. Of course a key part of the overheads has been our IT staff. We are outsourcing our IT, so you will find that a reduction of about 80 or so staff in the IT area therefore gets distributed across the outcomes because of the overhead allocation process. That is the main reason why you will find there are some negative across all of them. There are other factors but that is the significant factor.

**Senator WEST**—How many were employed in IT before you outsourced?

**Mr Tomkins**—Senator, from memory the figure is about 240, 245. As Mr Podger mentioned, with IT outsourcing expected in the very near future, we do expect to lose of the order of 80 to 85.

**Senator WEST**—So you will still be retaining about 160 to 165 in your IT?

**Mr Tomkins**—That is correct, Senator, roughly speaking.

**Senator WEST**—How many staff will the outsourced IT company be employing?

**Mr Tomkins**—Of those 85 I expect the vast majority will be employed by the external service provider.

**Senator WEST**—No, it is not the question I asked. What staffing levels will your outsourced IT company have?

**Mr Moran**—Senator, it is not entirely clear nor do we specifically pursue it with the IT company because it is the case that in bidding for this Health group the IBM GSA has gathered some efficiencies, in that some of the people they are using to deliver services to ourselves and the Health Insurance Commission are in fact delivering services to both agencies. So at any given time it would be impossible to say specifically how many of the IBM staff were delivering services just to Health or to other parts of the Health group. I should also make clear, I think, perhaps as mentioned earlier, that only part of the IT function of the department is being outsourced. It is the IT infrastructure part, not the applications part, of the IT organisation.

**Senator WEST**—So it is the hardware, not the software?

**Mr Moran**—Yes, that is a useful rule of thumb.

**Senator WEST**—So IBM—or whatever their name is—have no input into your software delivery?

**Mr Moran**—That is where the rule of thumb becomes difficult. They are obliged to provide a range of software and software support, but what they do not do is in-house software development, applications development, which has been retained within the department.

**Senator WEST**—How do you make a decision? The overlaps are, I guess, what I am concerned about, where a system or a part of a system goes down and you have to identify whether it is your software that has gone down or whether it is their software that has gone down.

**Mr Moran**—In pursuing the government's IT initiative, which is the infrastructure initiative, there was a very detailed scope of work put together which drew that line in terms of what went to the market and in terms of what was responded to by the three tenderers. It was a very clear line in terms of description. It is the case that in a complex IT environment there will be grey areas in the execution and the services agreement which we have with IBM GSA goes as far as is possible in a contractual arrangement to define and delineate the responsibilities between the retained functions within the department and those of IBM GSA. Where there is some confusion or difference, there are mechanisms, including good faith mechanisms, contained within our arrangements to resolve who it is who is specifically responsible.

**Senator WEST**—I am a bit concerned that there are some security issues here with your material that is in the software, and some of the material you store—maybe not the department, but certainly the HIC, and with Medicare.

**Mr Moran**—There are very stringent requirements, contractual and physical and procedural, on IBM GSA to protect all of Health's—it is a defined term—confidential information. On top of that, a significant retained function within the department is the system's security policy and practice, within my branch, and IBM is required to report to us on a very regular basis, a very frequent basis, as to its adherence to those obligations. My security people do have both the right and the inclination to monitor on a daily basis those activities of IBM which might give it access to particular data, particularly sensitive data.

**Senator CROWLEY**—Did the Love Bug get through anywhere?

**Mr Moran**—We had perhaps half a dozen, in total, incidents of it getting into the system, into the entire environment, but it was dealt with very quickly and, to our knowledge, there are no residual problems.

**Senator CROWLEY**—Did you find out how it got in?

**Mr Moran**—No.

**Senator CROWLEY**—Through where?

**Mr Moran**—We were able to determine which files became infected, but it is not yet clear to us—as I understand—precisely how it got in. The virus came in attached to an email, and the email was opened. We are aware of the recipient of the email, I guess, if that is the question you are asking.

**Senator CROWLEY**—This actually arises in response to your answers to Senator West. I understand what is meant by, 'We are very concerned and we have security and things in place,' but this little virus got in and, while viruses do not necessarily cause the same concern for some matters, if things do get in, how hard are you going to chase it down to find how it did get in, and how can we sure that nothing else gets in?

**Mr Moran**—If I can deal with your last question first, it is becoming increasingly difficult to guarantee—I mean, there are no guarantees in the business, I am afraid. In terms of how it got in, all I can say is, we would pursue that until we understood how. In this particular case, it came attached to an email to somebody who opened the email and, having done so, alerted the Help Desk and the virus protection measures, which we already had in place, dealt with it. We isolated that particular part of the infrastructure on which this particular infection had occurred and, I guess, cleansed it, in crude terms.

**Senator CROWLEY**—But you cannot absolutely guarantee that any information is now 100 per cent secure? Is that what you are saying?

**Mr Moran**—No, I am not saying that. I am saying it is not possible to guarantee that a virus attack, either deliberate or otherwise, will be completely caught at the gateway. I can say that both IBM GSA and the department can guarantee that it will tackle such an issue as effectively as possible. To the best of my knowledge—and I think I would know otherwise—there is no damage or loss of data as a result of the Love Bug virus.

**Senator CROWLEY**—Can you say where in the department it was opened, or is that still a mystery? Was it a staff person in the health department that let the virus in?

**Mr Moran**—I think it is probably unfair to suggest that they let the virus in.

**Senator CROWLEY**—I am sorry. Use whatever the preferred word is, yes.

**Mr Moran**—Sure. It was attached to an email to a particular individual who inadvertently opened the email and discovered that the thing was infected.

**CHAIR**—Which happened around the world.

**Mr Moran**—It happened around the world. I would have to say it happened very little in the department of health compared with other places.

**Senator CROWLEY**—I am not wanting to do anything more than try and find out. This is a very important piece of history, is it not, in the department of health. You are in the process of, or I think have completed, the outsourcing of a very large part of the IT and we are talking about that interface between the out and the in in terms of management of data. Was this in through the department or through the outsourced—

**Mr Tomkins**—If I can get it correct, Senator, we have yet to outsource.

**Senator CROWLEY**—I see. Sorry. I beg your pardon.

**Mr Tomkins**—On the current timetable outsourcing we expect will take place on 9 June. So the very isolated cases of the virus coming into the department attached to an email, as Mr Moran said, took place while the department had control of the infrastructure.

**Senator CROWLEY**—Thank you for that correction. I appreciate all assistance to understand here. Secondly, I am not suggesting that the department is remiss if it inadvertently opened it. As Senator Knowles has said, half the world got it.

**CHAIR**—And this building was affected, as well.

**Senator CROWLEY**—And there was a firewall, et cetera. It is a major concern. But Senator West asked questions about security of data and so on, and I think these are the questions that I am just trying to pursue a little. I might come back to the IT questions shortly.

**CHAIR**—Any further questions on the overview?

**Senator WEST**—On the GST you said you would take broad questions now and specifics later. Was that right?

**Mr Podger**—I would appreciate that, Senator. You may wish to raise a couple of specifics so that my people are prepared when we get on to the particular outcomes. For this part the issues of tax only relate to about two key programs, two outcome areas, but there are some broader ones in the department you might want to raise here.

**Senator WEST**—Yes. I have some on lactation, nursing mothers products. That is probably program 1, is it? They can wait until we get to program 1. I am happy to do that. I am giving the warning that you were asking for.

**Mr Podger**—Thank you, Senator.

**Senator WEST**—Do you have any idea of how many applications the department has received for exemptions for health products from the GST? They might not be in this particular section. They might well be somewhere else.

**Mr Podger**—Ms Davidson is from the portfolio strategies division and has been handling the tax matters for the department and coordinating them.

**Senator WEST**—Thank you.

**Ms Davidson**—Sorry, could you repeat the question?



**Senator WEST**—Yes. How many applications have you received for exemptions of health products from the GST?

**Ms Davidson**—We have not actually received applications. We have received correspondence from people asking if certain products can be GSTable, but there has not been a formal application process. I would not have numbers on the number of ministerial queries received.

**Senator WEST**—So there has been no processing of these and they have not been forwarded through to the minister for his decision on whether there should be an application made or what the recommendation should be?

**Ms Davidson**—Many of them have come in as letters to the minister. Most of them would be letters to the minister rather than letters to the department, so he has seen the correspondence that he has received. But, no, there has not been a process of providing him with briefs on each of the letters that we receive asking for different products to be made GST free.

**Senator CROWLEY**—How many letters of this order have you received?

**Ms Davidson**—I am not sure that I would like to hazard a guess. We might be able to provide that information.

**Senator WEST**—You are saying that these are not applications. You are saying these are letters?

**Ms Davidson**—We think we have about 50 letters that we have received.

**Senator CROWLEY**—That the minister has received or the department has received?

**Ms Davidson**—That is the combination of ones that have gone to the minister and come through to us.

**Senator WEST**—What has been the outcome of those letters?

**Ms Davidson**—We have advised the correspondents of the government's policy position in terms of the products that it intends to make GST free as public health goods.

**Senator WEST**—Does that mean there have been amendments to the list of health products or clarification of the health products that are GST free or non-GST free.

**Ms Davidson**—No. The government announced what its position was at the time that it did the negotiations with the Democrats on which public health goods it intended to include as public goods that it would make GST free, and it has not changed that since that time.

**Senator CROWLEY**—There have been some things still awaiting clarification, as I understood—for example, sunscreens.

**Ms Davidson**—The legislation requires a determination of what goods will be covered and those determinations have not yet been made public. This is because there is a process that involves the Treasury consulting with the states and, until the states have formally given their approval, we have been advised that we are not to disclose what is contained in the determinations, but I did at the last Senate estimates give verbally some advice on what was going to be covered in terms of sunscreens.

**Senator WEST**—How many requests, how many determinations or how much clarification has been sought or passed from the federal government to the states?

**Ms Davidson**—What happened with the states is that the Commonwealth drafted its determination as a draft and that went to the states for consultation and, as I understand it, the states have not requested any additional items to be added to the list.

**Senator WEST**—Why would they?

**Senator CROWLEY**—Exactly. Items for exemptions are not in the states' interests, Ms Davidson.

**Ms Davidson**—From a financial point of view, no.

**Senator WEST**—What sort of answers are being given to the letters that the minister and the department have received?

**Ms Davidson**—We have provided them with an outline of the government's policy intention, which is quite clear in this area, so they have been advised that the government does not intend to extend the list beyond the four items that were announced and that, whilst many items are considered to be essential items, the government does not believe that that means that they should be GST free, that other compensation has been provided in the package to give people additional resources to pay higher prices on certain goods.

**Senator WEST**—When you say they are not applications that the department or the minister has received for exemption from health products, what are the letters saying?

**Ms Davidson**—Senator, it depends on what you mean by an application. They are letters asking that certain products be made GST free.

**Senator WEST**—Wouldn't you class that as an application for an exemption?

**Ms Davidson**—You could. I suppose I was thinking more formally about a more formal application.

**Senator WEST**—Is there a formal application process?

**Ms Davidson**—No, there is not, Senator.

**Senator WEST**—If there is no formal application process then I would interpret someone writing to the minister saying, 'I seek an exemption for this product,' to be an application. Do you think I am off the mark there or do you think that is a pretty fair assumption to make?

**Ms Davidson**—I do not think it much matters whether we call it an application or not, Senator.

**Senator WEST**—But I am interested to know how these have been processed.

**Ms Davidson**—Senator, as I said, the government has given the department a very clear policy direction in this area and, in preparing responses to letters, we are advising people what the government's policy position is.

**Senator WEST**—You were saying that about 50 have come to the department and the minister?

**Ms Davidson**—Yes.

**Senator WEST**—Do you think you could provide us with a breakdown of the numbers of how many have gone direct to the department and how many have gone to the minister? I am not asking for what has gone between you and the minister, but I am wanting to know—

**Ms Davidson**—How many the department has received as opposed to the minister. We should be able to give you something like that.

**Senator WEST**—Thank you. If you had the minister here, I would be able to ask the minister my next question. The minister is not here.

**CHAIR**—Minister Ellison has had to go to the environment one as well because Senator Hill is sitting on the other side of the fog too.

**Senator WEST**—It never ceases to amaze me that people who have been in this place for up to 20 years or more cannot recognise that by the middle of May, end of May, if you want a guarantee of getting into Canberra for a 9 o'clock start, you come in the night before.

**CHAIR**—Be that as it may, I am simply explaining that absence.

**Senator WEST**—And you, Madam Chair, like the rest of us here, did the sensible thing. I was wanting to ask the minister how many applications or letters the minister's office had received in relation to seeking exemption from the GST and I wanted to ask the minister had he made a statement of reasons in each case why they had been rejected, but I am also wanting to know when can the committee expect to get answers to its earlier questions regarding the types of sunscreen and other products the GST will apply to or not apply to.

**Ms Davidson**—Senator, as I said, we have to await advice from Treasury as to when they have had formal clearance from the states on the determinations before we are able to make them public. However, there was information I provided at the last Senate estimates on sunscreens. I gave some information about the types of sunscreens that were going to be GST free.

**Senator WEST**—Can I also then ask for a list of all of the products that have been covered by those 50-odd applications, please. You may need to take that on notice.

**Ms Davidson**—I will take that on notice.

**Senator CROWLEY**—What is the process for consultation with states? Who are we waiting for? Is it the Treasury in the states, the Premier, the health minister?

**Ms Davidson**—The consultation is not done with the health minister. Our department provides some advice to Treasury about what we think should be contained in the determination and then they undertake the process of consultation with the states, with the state Treasury. There was an intergovernmental committee set up under the Intergovernmental Agreement on the Reform of Commonwealth-State Relations that requires determinations to be considered by the Commonwealth Treasury in consultation with the state treasuries.

**Mr Podger**—It is up to each jurisdiction, of course, as to how they would organise their own arrangements within the state.

**Senator CROWLEY**—I am sorry?

**Mr Podger**—Each state and territory, of course, could organise their own ways of handling their internal arrangements. In discussions we have had with the state and territory health departments, we have advised them of this process and let them know, so that if they wished to be engaged with their treasuries or premier's departments they could do so, but it is up to each jurisdiction about how they would handle that arrangement.

**Senator CROWLEY**—Just for clarification, what happens if one state says no?

**Ms Davidson**—I understand that the intergovernmental agreement requires unanimous decisions.

**Senator CROWLEY**—That is what I understood too, so what happens if one state says no?

**Ms Davidson**—I think you should ask the Treasury what the process is then, Senator. I know the agreement requires a unanimous decision, but I am not sure what the process is if there is not a unanimous decision.

**CHAIR**—That is a Treasury question. May I just interrupt here. Senator Crowley, I believe you have some questions for ARPANSA, for Dr Loy.

**Senator CROWLEY**—Yes.

**CHAIR**—Dr Loy has also been caught in fog. I understand your advisers have suggested that those questions might be put on notice so that Dr Loy need not come down. Could I just have the approval of the meeting for that.

**Senator WEST**—Yes. There is not a great number of ARPANSA ones.

**CHAIR**—They may be just put on notice. Is the meeting in agreement that Dr Loy need not sit at the airport any longer and those questions can be placed on notice?

**Senator WEST**—I think that is okay.

**CHAIR**—Dr Loy has escaped.

**Senator WEST**—Do the 50-odd applications include services as well as products? I am thinking of exercise physiologists.

**Ms Davidson**—Yes, we have received letters around the issue of exercise physiology.

**Senator WEST**—And prosthetic orthotists?

**Ms Davidson**—I do not recollect that, but that does not mean we have not had letters around that one.

**Senator WEST**—They are being processed. Are they in the bundle of 50 that have been told no, or are they in a group that in fact is going to be looked at by the department?

**Ms Davidson**—We did look at the issue of exercise physiology. We have advised the people who are writing in on that issue that we do not intend to make exercise physiology GST free.

**Senator WEST**—Would you like to give us a reason? If you do not have one now I am happy to take it on notice.

**Ms Davidson**—I do have some information on it. It has been a little while since we dealt with the issue of exercise physiology. The exercise physiologists can be a range of different professions. Some are covered if they are covered by the list of services listed under commonly used health services. That includes occupational therapy, a number of physiotherapies and a number of other therapies. If an exercise physiologist fits into one of those categories they will be GST free. But some of them, as I understand it, do not actually have formal qualifications. It was an issue. It is only really seen as an emerging profession and not a recognised profession at this stage.

**Senator WEST**—And you do not know about prosthetic orthotists?

**Ms Davidson**—Apparently that matter is still under consideration. We have had some correspondence from them which we are looking at.

**Senator WEST**—Does that mean the dental prosthodontists—or whatever you want to call them; people who make dentures and fit them and make prostheses—are they in or out?

**Ms Davidson**—They are in because they are covered by state legislation which registers them.

**Senator WEST**—Do you know which states register them and which ones do not?

**Ms Davidson**—No. We could give it to you, though. We could provide that information.

**Senator WEST**—I think it would be very helpful so we can tell people in X state they are going to have to pay GST on their dentures, whereas people in Y state are not going to have to pay GST on their dentures. A number of these health professions are registered in some states and not in other states. Is that going to be the determinant of whether they are actually GST free or not?

**Ms Davidson**—I understand most people get their dentures through the dentists, so they will be GST free.

**Senator WEST**—I think you will find a number of age pensioners, after they have had the initial plate made, then use a dental mechanic. Some states have them registered; some states do not. I am wanting to know with all the other health professions now if state registration and recognition is the determining factor as to whether they are GST exempt or not. I am interested in knowing if you can provide me with a list of the states where they are registered and they are not registered in those professions.

**Ms Davidson**—We can provide that to you, Senator.

**Senator WEST**—At this stage you cannot tell me if occupational therapists are registered in every state.

**Ms Davidson**—Yes, they are.

**Ms Cole**—Occupational therapists are not registered in every state, but there is provision in the legislation to cover those circumstances in that they have to be a member of a national association which has national requirements for self-regulation. If they are a member of a national self-regulating body they can provide GST free services in states where there is no requirement for registration.

**Senator CROWLEY**—Does that cover everyone working in the field?

**Ms Cole**—If a person was not a member of a national self-regulating body and they were not required to register, then they would not be GST free.

**Senator WEST**—Do we know if all the occupational therapists are members of their national regulatory body?

**Ms Cole**—We do not know for sure whether all occupational therapists are members of their national self-regulating body, but we assume the vast majority of them are.

**Senator WEST**—Do you think you could take on notice for me—because what I am about to ask is a pretty big ask—what health professions are registered in each state and therefore become GST exempt; those who are not registered in each state I want to know of and those who may or may not have a national professional body.

**Ms Davidson**—We do have that information, Senator. I should explain there are two levels to this. There is an initial government policy decision about which items they wanted to include under a heading of ‘Commonly used health services’ and all of the products underneath that have to be the subject of state registration or have a national self-regulating body. Just having registration in the state or a national body will not automatically mean the product or the service will be GST free. It is really that there is an initial government policy decision about which services it thinks fall within the definition of ‘commonly used’. But within those, to make sure not anyone can purport to be one of those, we have a framework

which requires, as I said, you either be registered in the state or belong to a national association. I can give you information for the services which are GST free, which ones have registration and which ones do not have registration. But there could be a range of other services that I have information—

**Senator WEST**—That would be a start and we can get some idea on what is in and what is out. You mentioned sunscreens earlier. You cannot tell us at this stage what is the definition being used?

**Ms Davidson**—I think I put it on the record at the last hearing, Senator. What I indicated was that they have to be products which are marketed principally for use as a sunscreen and they also have to have a sun protection factor of 15 or more. They also have to be registered on the therapeutic goods list.

**Senator WEST**—Zinc cream is not registered on the therapeutic goods list, is it? Is that going to be exempted?

**Ms Cole**—We do not know. We would have to check that for you.

**Senator WEST**—What about lip balm, roll-on products, skin moisturisers—which all have an SPF of 15 or more? I have a make-up foundation which has an SPF 15 in it. Is that in or out?

**Ms Davidson**—As I said, Senator, there are two criteria and it is not just SPF 15. They have to be marketed principally for use as a sunscreen. A make-up containing SPF 15 would not be covered as GST free.

**Senator WEST**—It could ruin Shane Warne if you are not going to allow zinc cream in. It could ruin the whole of the Australian cricket team.

**Ms Davidson**—But I understand that follows similar principles to what applies for wholesale sales tax.

**Senator WEST**—On the issue of condoms, will female condoms be exempt?

**Ms Davidson**—Yes.

**Senator WEST**—They will be?

**Ms Davidson**—Yes.

**Senator WEST**—What is the view adopted for personal lubricants?

**Ms Davidson**—They have to be water soluble, suitable for use with condoms and also they have to be on the Register of Therapeutic Goods.

**Senator WEST**—I am getting a bit confused here because there are personal lubricants which are sold in supermarkets and I thought for goods to be exempt they were going to have to be only sold in pharmacies.

**Ms Davidson**—That was the original intention with the government's original legislation—that only items that were available through pharmacists were going to be GST free—but after these amendments it does mean, yes, that some of the items that are GST free will be available through supermarkets.

**Senator WEST**—What about sunscreens? Many sunscreens are sold in supermarkets. You cannot have them only GST free—

**Ms Davidson**—That is right. That was the government's original intention, to not have products in, but as a net result of the negotiations that were done with the Democrats this was one of the amendments that was made.

**Senator WEST**—What else in the medical lines are now going to be available outside of pharmacies that are going to be GST free?

**Ms Davidson**—The other item was the analgesics, small packets of analgesics.

**Senator WEST**—Folates will be GST free. Will they be GST free if they are sold in conjunction with other minerals and supplements?

**Ms Davidson**—No. There has to be the single active ingredient and there has to be 400 to 500 micrograms.

**Senator WEST**—I see.

**Mr Podger**—Sorry, Senator. We had a long discussion on this question from Senator Lundy last time and mostly it is exactly the same—

**Senator WEST**—And some of this is following up where we were unclear.

**Mr Podger**—I am just aware that most of the questions we have actually answered before.

**Senator WEST**—Back to grants. The ATO issued a draft ruling before Christmas, saying that the GST will apply to government grants which in relation to the supply of a service is itself taxable. Have there been any audits done to determine which of the grants it makes will be subject to the GST?

**Ms Davidson**—Senator, the tax office has issued a final ruling. I cannot remember the date but the final ruling on grants was issued some weeks ago and throughout the department all of the program areas have been looking at their areas, things they think fall within the definition of a grant and which would be subject to GST and which would not. So we are very advanced on that, Senator.

**Senator WEST**—Okay. When we get to Rural Incentives Program, Practice Improvement Program, the GP Links, the practice amalgamation and the GP immunisation incentive payments, I will be asking about the GST on those.

**Ms Davidson**—If you like, I can answer that now because we have recently had confirmation from the tax office on the GST status of those items. I am pretty confident—but I will just check—but I believe the Practice Incentives Program grants will be GSTable. Which was the other one?

**Senator WEST**—There was the Practice Improvement Program grants.

**Ms Davidson**—They will have a GST.

**Senator WEST**—Maybe if you have got a list of all of your grants that you are looking at and that you think will be in or out, you can provide us with the list and that will save us being here—

**Ms Davidson**—This is not all of them. It is actually correspondence between the Health Insurance Commission and the tax office on mainly the products that are dealt with by the Health Insurance Commission.

**Senator WEST**—I am asking after the GP Links one practice amalgamations, the GP immunisation incentive payments, the rural incentive program—

**Ms Davidson**—That will be subject to GST.

**Senator WEST**—The rural incentives program?

**Ms Davidson**—Yes, and immunisation also is. The Health Insurance Commission have indicated they are happy for us to table this.

**Senator WEST**—Thank you.

**Senator CROWLEY**—Can I just add to that. For example, under program 1, is any of that money going to have GST?

**Ms Davidson**—Yes. There could be items there that are subject to GST.

**Senator CROWLEY**—There could be—

**Ms Davidson**—Or there will be.

**Senator CROWLEY**—I am glad I asked. ‘Will’ cover everything?

**Ms Davidson**—No. What one has to look at to see whether the GST applies is a range of issues. For example, payments that are actually made to the state government and are the subject of an appropriation can be GST free, so that some of the programs where we make grants to the states, when we make the payment to the state we wouldn't be paying GST on them, but generally if we were providing a grant to a provider to provide us with certain services, that would be GSTable.

**Senator CROWLEY**—Let me just be clear on this. If you are providing broadbanded public health program 1 money to the state, that all goes through to the state government except for family planning, breast cancer screening, alternative birthing?

**Ms Davidson**—Sorry. I know about the GST but I do not know about all the population. As I said, Senator, the vast bulk of population health money that goes directly to the states would not be GSTable.

**Senator CROWLEY**—Can you take on notice that question and provide me those bits that will have a GST and also whether or not it is within the purview of the states to decide that all that money should go directly to the organisation; therefore, enjoy a GST and therefore increase state revenue.

**Ms Davidson**—I do not think we have any discretion in these—I mean, the legislation outlines which types of payments are going to be subject to GST and which types are not going to be, and they are included, as I said, in the GST legislation. Payments from one government agency to another in certain circumstances would not be subject to GST, so most of the payments that we make to the states will not be subject to GST.

**Senator CROWLEY**—I can understand how our legislation might say that but will you be able to see if there is any way in which the states could alter the way that money is received and therefore change its definition and its GST status.

**Ms Cole**—Senator Crowley, I think you have to be careful. There is a difference between the transaction between the Commonwealth and the states, and the states and the end provider. In most cases the states will not be using that money under the PHOFA agreements, for example, to pay a charitable organisation to do something, and that would be a grant between them and the charitable organisation and therefore there would be a GST at that stage.

**Senator CROWLEY**—I am thinking of things like the breast cancer screening program. Is that a charitable—

**Ms Cole**—They are often run by country hospitals and similar things, so if the end provider is a charity—say you have money going from the Commonwealth to the state, there



is no GST on that transaction. Then there is another transaction between the state and the provider of the service. In most cases there would be GST on that transaction between the state and the provider. The only circumstances where there would not be is if it was a gift, or the provider was not registered, or the provider was another government entity.

**Senator CROWLEY**—Do we have to now seek clarification or can we ask you to seek clarification from the state governments about what constitutes another government entity, apart from a charitable organisation, for the purposes of exemption from GST in the delivery of services paid for by the Commonwealth?

**Ms Cole**—For example, a hospital is a government entity and a charity at the same time, but what you have to look at is the nature of the payment between the government and the entity.

**Senator CROWLEY**—Tell me the difference in the nature of the payment when I am funding breast cancer screening from country hospital X.

**Ms Cole**—If the payment were made under an appropriation under state legislation then there would be no GST between the transaction between the state government and the state hospital. If it was not done through an appropriation, though, it would be a grant and there would be GST in that transaction.

**Senator CROWLEY**—So that means we have to check every piece of state legislation about all these things?

**Ms Cole**—The states will have to do that, yes.

**Ms Davidson**—Senator, it is necessary to look at the individual circumstances surrounding each payment to determine whether or not it is GSTable. There are some general rules but one needs to look at the particular circumstances to be able to say whether or not something is likely to be subject to GST.

**Senator CROWLEY**—I am reminded from time to time that Mr Costello keeps telling us this tax is simple and I am fascinated with the definition of simplicity. It grows and grows. Maybe I could ask you, please, can you come back with a piece of paper that tells me what you understand will be the GST treatment of all payments under this program—that is, what happens to family planning money once it gets to the state? Is it being sent to a charity? Is it being granted to a non-government organisation? And is that a charity, or something else, if the family planning is provided through a large public hospital? What have we got now? I would be very pleased if you could tell me the exact state of play of all the money under program 1. Thank you.

**Ms Davidson**—Senator, I think we will be able to do that at a broad level. I am not sure whether it will be realistic to be able to do it for every payment under the program.

**CHAIR**—That would take an eternity to collect the legislation, wouldn't it?

**Mr Podger**—We will do our best, Senator.

**CHAIR**—It is a very tall order, Senator Crowley, to ask something like that. That potentially would take weeks and weeks and weeks of dedicated time of an officer, not necessarily the best utilisation of their time, I would imagine.

**Ms Davidson**—Senator, what we can do is do it by groups, by class of providers, but I do not think it would be feasible to do it by every individual provider.

**Senator CROWLEY**—You see, my main concern is—and I have had a concern in this area for a fair while—that these are Commonwealth dollars being spent in areas across the country for services, and I have always understood that these estimates and this parliament can properly ask to know what is happening to those Commonwealth dollars. Under this budget we can pursue that. Now, at the moment I am not clear about how much of those precious dollars is going to be called GST and how much is not, and I think it is reasonable to know. Indeed, I find it very hard to know what is happening in this area. I have been told answers over time, like, ‘Well, we can’t really tell you that, Senator. We’d have to ring up the states and find out how many services are delivered on behalf of the Commonwealth funding.’ So while I appreciate it is going to take a bit of time, I would like to know. In fact, another question I have under program 1 may deal with this and that is, what kind of data do you get back from the states that makes you comfortable that the dollars you have sent to be spent on those things is being spent on them? You can never tell me the answer here, so to a large extent I would like you to please try and answer that question for me.

**Ms Davidson**—I think one point that I should make here is that where there is a program that does have GST payable on it, we are going to be in a situation of looking at increasing grants to cover the GST and then we will be able to claim input tax credits for those payments so that it does not actually have an impact on the program dollars that are available. In fact, the government has made a decision that in terms of the figuring that goes into the budget, it will not include for accounting purposes the money that we are going to pay out in GST that we claim back as input tax credits.

**Mr Podger**—This is something I mentioned, earlier today.

**Senator CROWLEY**—And I must say I was listening intently, Mr Podger, but I am going to have to read your opening statement in the privacy of my own time, I suppose. You are not going to account for the GST paid and collected?

**Ms Davidson**—We have had advice from government that that is not the accounting treatment of the GST that is going to be taken. We are going to be paying that money out and then claiming it back from the tax office.

**Senator CROWLEY**—Is the same kind of general exemption going to apply to small business?

**Ms Davidson**—It is not an exemption, Senator.

**Senator CROWLEY**—An exemption for accounting publicly on what is happening. These figures are not going to be put in. Instead of saying, ‘We’re adding on GST, 10 per cent, and getting it back,’ or whatever, you are just leaving that out of the equation?

**Ms Davidson**—You will be able to see what the GST amount is but the money is not going to have to be appropriated. It will not be shown in our appropriations.

**Mr Podger**—The appropriation is on an expenses basis, not on a cash basis, so that while the GST will impact on our cash flow, there will be payment and recovery, but it will not affect our overall level of expenses.

**Senator CROWLEY**—I will meditate on this, thank you, Mr Podger. Are we dealing with 1?

**Senator WEST**—We are on program 1 now, I think it is pretty fair to say.

[10.37 a.m.]

**Outcome 1—Population health and safety**

**Senator CROWLEY**—I wanted to ask a question under ‘Population health’. I am having some difficulty understanding the figures. I have already explained a little bit about my difficulty in this area, but last year’s portfolio budget statements show the administrative expenses for outcome 1—I think we are on page 53—as \$448 million under the column ‘Estimated actual accrual for 1998-99’. The budget for 1999-2000 was shown as dropping to \$275 million and at the time there was no explanation provided. In this year’s statement the actual expenditure for 1999-2000 bounced to \$312 million and the expected budget for 2000-01 will be \$373 million. Can you explain the fairly significant variation in these numbers?

**Ms Hart**—Senator, you are asking me to explain the increase between the \$312 million and the \$373 million?

**Senator CROWLEY**—And, if possible, the \$275 million the year before.

**Ms Hart**—The estimated actual for 1999-2000 that is shown on page 53 will include variations that occurred since the 1999-2000 PBS, so that will be any measures that have been taken and funded since the 1999-2000 budget, and it will pick up any variations that were made of additional estimates. I do not have on me but I could get for you a breakdown of the increase between the \$275 million and the \$312 million.

**Senator CROWLEY**—And some detail of what is the anticipated increased expenditure from \$312 million to \$373 million.

**Ms Hart**—I can provide that for you. In general terms, though, the \$373 million figure for this year will include the new policy that was announced in the budget, so that includes a number of measures totalling about \$9.2 million. It also includes some changes that result from rephasing of money, but it will also include there, as Mr Podger mentioned earlier, the components for the corporate activities overheads that have been removed from outcome 10 and also the component of funding that goes to state and territory offices for the administration of the program.

**Senator CROWLEY**—To state and territory offices?

**Ms Hart**—For departmental expenses. Sorry, I may not have made that clear. The administered items will show the increase on the administered funds for new policy and for rephasing of funds that may have been rolled over. The changes in departmental expenses will reflect, in the main, the increases due to the removal of outcome 10 and the distribution of corporate overheads.

**Senator CROWLEY**—Got all of that. It was the next bit: ‘to state and territory offices for the administration of the program’.

**Ms Hart**—That is right. A number of our programs have a state and territory office component, in that programs are run and our staff work on programs at the state and territory office level as well as at central office.

**Senator CROWLEY**—Is that a change?

**Mr Podger**—No, it is not a change. That is also under the departmental expenses rather than under the administered. We have been increasing our state office role in each of the health programs, including this one, so there is somewhat of a change but it is not a substantial change.

**Senator CROWLEY**—If there is anything further you could provide to account for those differences, I would appreciate getting some better reconciliation. There is some data you have provided us, but if there is some more, please, I would be appreciative of it. Can you also explain why the staff levels on this outcome are dropping by 93, particularly when the departmental expenditures have increased by 10 per cent.

**Ms Hart**—Yes, Senator. There are two broad factors to take into account. There have been some corrections made from the 1999-2000 figures. As Mr Podger mentioned in his opening speech, the 1999-2000 figures have been refined, so they are not directly comparable and there is some variation due to that. But, also, as we have mentioned previously, the variance in staffing levels referred to largely reflects the outsourcing arrangements for information technology and also the movement between some drop-offs in previous years' new policy and the funding provided for that and new policy announced in this year. The third class of factors that is reflected there as a reduction in numbers is the operation of the efficiency dividend. For example, if I could just make that concrete, the effects of IT outsourcing of our information technology arrangements are in the order of a reduction of minus 15 ASL and the efficiency dividends are in the order of about minus four. Then, as I said, there is a range of other variations that relate to increased efficiencies and the net effect of new policy dropping off and new policy coming online from this budget.

**Mr Podger**—I am just waiting to get a little bit more advice. I think that there is a problem here with the TGA numbers; that there was in these figures a substantial fall and that substantial fall has been exaggerated. There has been some fall but not as much as implied in these numbers, and that was associated with the correction I tabled earlier this morning. It is still something in the order of about 45 reduction in TGA but I think implicit in this is a reduction of around about 80, which in error.

**Senator CROWLEY**—Thank you. The reduction in staff for people in the efficiency dividend area?

**Mr Podger**—The efficiency dividend figure implies a reduction of about four staff. I should hasten to say that it is very hard to be sure about the exact numbers on this. The efficiency dividend is a one per cent reduction on our indexation arrangements but our actual prices are of course related also to the actual wages we pay and so on. So there are other productivity gains in addition to the efficiency dividend which are not plugged in absolutely directly here. This is a best estimate that is put in here. I would guess that the productivity that the department is having to attain would be more of the order of two to three per cent per annum rather the one per cent from the efficiency dividend.

**Senator CROWLEY**—I appreciate that some of this is for the whole of the department but, in terms of the anticipated 15 ASL lost because of the transfer to IT, I just wondered if I could ask a couple of questions about IT in this area.

**Mr Podger**—I think the key officers have gone but I will do my best to answer in their absence, Senator.

**Senator CROWLEY**—That is the whole of the department. Who is picking up on 9 June?

**Mr Podger**—9 June is the handover date to IBM GSA. That will be the whole of the outsourcing arrangement. There are about 85 staff across the organisation caught up in that process on that date.

**Senator CROWLEY**—Of course, like most things, it is not that you press a button and now it is a hundred per cent in effect. Do you have a transition period or is that currently under way now?

**Mr Podger**—We signed the contract late last year and we have been working in the transition up until 9 June. 9 June is the actual handover date. At 4.51 on that date those officers will cease to be officers of the department.

**Senator CROWLEY**—I anticipate more questions about that. Have there been benefits to the department from the IBM contract?

**Mr Podger**—At this stage it is very early, Senator. We are looking for a partnership arrangement with IBM GSA so that, in addition to the specific work they are going to be taking on from us, as Mr Moran mentioned earlier, in the basic mainframes and support arrangements, I hope that we can gain from IBM their advice internationally on what they have been doing in health systems elsewhere and we can learn from those; also that, as we look into the next few years of inevitable changes in information systems, we can draw on their expertise. Those changes of course would have to go through a process, if we adopted any new process, whether that was added into the contract or whatever.

**Senator CROWLEY**—I have a few more, but I will come back to them later. Thank you.

**Senator DENMAN**—Ms Kerr, in the 1998 estimates there was some concern expressed about lack of programs in the drug and alcohol areas for women. Has anything been done about that?

**Ms Kerr**—Yes, quite a bit has been done about emphasis on the women's program in the drug and alcohol areas, particularly in the illicit drugs area. Under the National Illicit Drugs Strategy, women and women with children, as well as some other target groups, were particularly highlighted. In advertisements to organisations to put in for grants, we particularly drew attention to the need for additional programs in this area.

**Senator DENMAN**—Have any programs been set up where women are able to take their children with them?

**Ms Kerr**—I do not know that off the top of my head, Senator, but we could check the list of particular programs that were funded by the Commonwealth to see which ones would fall into that category. In addition, there are programs of course funded by the state governments, and I am not sure that it would be practical to actually obtain that information from the states, given the numbers involved.

**Senator DENMAN**—I have had it drawn to my attention that there are women in my state who will not go into programs because they are frightened that their children will be taken from them. They are single supporting mums. They are quite concerned about losing their children once they admit they have a drug problem and need help. So I would really like that information, thank you.

**Ms Kerr**—I think there is also an issue about what is the best approach for women who are dealing with drug addiction. I know there are different views about whether women ought to have their children with them or whether they might be able to have a quicker recovery if they have a period of time where they are going through a treatment service without their children. So I think there are mixed views in the profession about that particular approach.

**Senator DENMAN**—But there are mixed views on people who care for their children, anyway, not just drug problem people. I would also like to have a breakdown of the non-

religious programs that are available, programs that have been funded outside religious groups, specifically for women.

**Ms Kerr**—We could take that on notice.

**Senator DENMAN**—How many states have taken up the diversion money?

**Ms Kerr**—At this stage, Senator, all states have signed the National Framework Agreement that was signed and announced late last year. Two states have now actually formally signed deeds of agreement with the Commonwealth, that is, with the Commonwealth minister for health, and we expect three or four others to sign before the end of June.

**Senator DENMAN**—Have you struck any problems?

**Ms Kerr**—I think it has just been an issue of the detail of the funding arrangements. As you would realise, they are very complicated issues, and each state has been given the opportunity to implement the program that best suits their particular needs and in fact in some cases their particular legislative set-up, so we have had to have very detailed negotiations with the state governments and that involves in most cases their premiers or their cabinet officers, as well as officers from their health departments, law enforcement and other departments that the state governments involve in the process. So I guess it has been a complicated area in which to negotiate.

**Senator DENMAN**—So the problems will vary, obviously, from state to state. Is that right?

**Ms Kerr**—That is right.

**Senator DENMAN**—How much training is done? Is there a national training program for this diversion money or is that again left to the states?

**Ms Kerr**—We certainly put aside some funding for training in this area but, in most cases, the states themselves are building into their proposals—and, as I said, there are only two at this stage signed up—some element of training.

**Senator DENMAN**—Which two states?

**Ms Kerr**—New South Wales and Tasmania have both formally signed.

**Senator WEST**—How much for?

**Ms Kerr**—From memory, and I can check, but it is well over \$30 million over four years for New South Wales and a much smaller amount in Tasmania but I can provide that information.

**Senator DENMAN**—So there is no actual national training scheme for this diversion money? You are leaving it entirely to states. Is there any common element of the training scheme?

**Ms Kerr**—What we did do, Senator, was produce a resource which effectively set out for the use of people doing training in the states—and that was particularly for police; they particularly asked for this resource—which gave in very simple language what the diversion approach was all about so that we were confident then there was a national approach to training as to what we were trying to achieve and get out of the program. Then individual states have said, as happened in Tasmania, the Tasmanian police said they would use that resource and then they would add their own local training to that, because it will vary from state to state as to what the staff need to be trained in.

**Senator DENMAN**—Can I have a breakdown of the amount of money the department gets? How much of it goes to health programs? How much of it goes to policing programs?

**Ms Kerr**—In terms of the diversion, Senator?

**Senator DENMAN**—No, sorry, the overall drug and alcohol money.

**Ms Kerr**—I could provide information on what we have provided in health, but law enforcement programs are not the responsibility of the health department.

**Senator DENMAN**—Is it true that 85 per cent of the budget goes to the police end of this and not to health?

**Ms Kerr**—This being diversion or overall?

**Senator DENMAN**—The overall grant for drug and alcohol.

**Ms Kerr**—That certainly would have to be checked, Senator. I am not sure where that figure came from. For example, in the National Illicit Drug Strategy Program more than half of the \$515 million, which was the new money that the federal government put into this program, went to health and education combined, with the great bulk of that going to health. Overall, that is a much more complex issue because information would have to be sought from other departments as to what was the amount of funding that went into law enforcement. The Federal Police cover local policing in the ACT—Federal Police, Customs and so on—but it is a matter for state governments as to what dollars they put into policing at the state government level. It would be quite a complex issue to obtain that information.

**Senator DENMAN**—Surely if it is a federal grant you are aware of where it is going in each state and what each state is doing with it. It is similar to a question Senator Crowley asked about following up these grants and how they are being used.

**Ms Kerr**—Through the department of health we provide funding through the public health outcome funding agreements to the states for use in health related drugs programs. We are not responsible for providing funding through our department to police departments.

**Senator DENMAN**—On the money that has recently been allocated—I think it was last week—to reducing harm from alcohol, what part of the strategy or how much of the money for the strategy will be spent on advertising? I think it is a good program.

**Ms Kerr**—I just want to check. Are you commenting on the new \$4 million over four years that was in the budget?

**Senator DENMAN**—Yes.

**Ms Kerr**—At this stage it is not clear how much of that money will go into advertising. As the PBS points out, the funding will support a number of initiatives. We will certainly be looking at the possibility of some of it supporting advertising, but there are a number of other opportunities for which this money could be used. Overall, the funding will support the implementation of the national alcohol action plan. That action plan is to go to the ministerial council at its meeting in July this year and, following their agreement to it, it will go out for public consultation and then hopefully be signed off as a final action plan before the end of this calendar year. What we are hoping to do is to use this \$4 million to help support the activities that will be laid out in that national action plan, and we have particularly set out some of the suggested approaches we will use in allocating that funding in the PBS.

**Senator DENMAN**—Have you considered banning the sale of cigarettes from milk bars and supermarkets, because that is an enormous health issue with young people.

**Ms Kerr**—This is an issue primarily for the state governments. You would be aware that we do have in place an agreed national tobacco action plan that looks at a number of activities around the control of cigarettes as well as a whole range of other issues. It is an issue that is principally a matter for state governments.

**Mr Corcoran**—If I could add to that, under the PHOFA agreements one of the specific target areas is the number of retail outlets who do not sell to minors or juveniles. That is a reportable figure, state by state, as to their estimate of the percentage of retail outlets which do not sell to juveniles. Obviously their target is to reduce that figure year on year.

**Senator DENMAN**—Juveniles get smart. I know juveniles who send in kids over 18 to buy them for them, so I do not know how you overcome that one. Most of my other questions, Chair, are for the minister and the minister is not available so I will put the rest of mine on notice.

**CHAIR**—Thank you.

**Senator GIBBS**—Could I just follow up on a few of those questions. On page 41 of the PBS we are talking about reducing the incidence and severity of preventable diseases: HIV, AIDS and hep C. Is there any evidence that HIV-AIDS cases are increasing or is it stable or re-emerging? Is it becoming more of a problem?

**Mr Murphy**—Senator, at this stage we have no data that would suggest an increase in HIV transmissions. The decline has continued in the reports that we have received from our national centre. There have been some press reports of potential increases in spikes in Sydney but no verifiable data has been able to be provided as yet.

**Senator GIBBS**—Obviously you are keeping track of that because the AIDS campaign was excellent and that is reducing. You are keeping track of that?

**Mr Murphy**—Very much so. There is also social research being undertaken to determine whether there are shifts in the behaviours within the communities most at risk so that we are monitoring and anticipating any potential changes. As yet there is no clean or verifiable data to suggest an increase.

**Senator GIBBS**—I notice on the same page that you are talking about reducing this incidence for population groups in priority areas. Is this a population group that can be identified in certain areas or is this the general population group throughout Australia?

**Mr Murphy**—That refers specifically to groups identified at higher risk, elevated risk, by particular behaviours. That might be in urban areas, particularly concentrations of homosexually active men or areas of injecting drug use per se, which would be across the country. Where there are identified areas of higher activity in these areas there are programs directed to those communities.

**Mr Corcoran**—That statement covers the range of activities such as vaccine-preventable disease. It does not just apply to HIV-AIDS. Obviously there are particular points of the immunisation plan in place to target say children in child-care centres as a high risk population.

**Senator GIBBS**—I see.

**Mr Corcoran**—It is a very general comment.

**Senator GIBBS**—So you cannot really identify where these risks are—say Sydney, because it has a huge population, or country areas? You do not have it broken down to certain areas? It is just general?



**Mr Corcoran**—Obviously for vaccine-preventable diseases it is reported by a provider. We get quite detailed reports as to the incidence of childhood immunisation. So we can pinpoint those areas where the performance is less than the national average, and where it needs to be improved. We also get that information at the state level. So there are targets which we can and do pursue. The same applies to breast and cervical cancer screening programs. The data there indicates areas of underscreening or overscreening. That comment relates to that range of activities.

**Senator GIBBS**—Children are receiving the hep C and the hep B programs free of charge at the moment, are they?

**Mr Murphy**—The hepatitis B, Senator.

**Senator GIBBS**—Just B?

**Mr Murphy**—There is no vaccine for hepatitis C.

**Senator GIBBS**—So what about C? Do they have to be a certain age for C?

**Mr Murphy**—There is no vaccine available to prevent hepatitis C.

**Senator GIBBS**—Right, it is just A and B?

**Mr Murphy**—Yes.

**Senator GIBBS**—Thank you. I notice in the PBS this time there is not a lot of money—well, there is actually no extra money—so does this mean that the programs that have been put in place are simply carrying on from previous budgets? There are no new initiatives for treating drug dependency, so we are just carrying on from the program that is there now?

**Mr Corcoran**—There are very substantial increases in the budget this year across the population health spectrum—

**Senator GIBBS**—But I am talking about illicit drugs.

**Mr Corcoran**—Illicit drugs? Well, as we previously discussed with the new moneys coming under the diversion program—

**Senator GIBBS**—Yes, that is from previous budgets.

**Mr Corcoran**—Yes, it is from previous budgets but the take-up is now occurring. There is still take-up from budgets of two years ago which are coming on stream this year in the illicit drug treatment areas.

**Senator GIBBS**—Have we got reports so far, say in the last year from the last budget to this budget, on how those programs are progressing? Are they working?

**Mr Corcoran**—The illicit drug program essentially started to bite or started to be funded in about September 1998. Services have progressively come on stream since that point. They are subject to an annual report on their performance and, as yet, we do not have any substantial body of accountability as to how these services are performing. We expect their first annual reporting for a significant number of services will be at June this year and we would expect to receive that information by September this year.

**Senator GIBBS**—June this year? So I take it all of the agencies that have been given grants are actually collating their progress?

**Mr Corcoran**—That is the term of their contract—that they provide performance reports on an annual basis. We expect it start following the end of this financial year.

**Senator GIBBS**—That will be put out by the department and available to us?

**Mr Corcoran**—We will certainly be collating that information.

**Senator GIBBS**—Thank you. In here you talk about, ‘Preventative services are being made available to illicit drug users.’ Are these services to actually prevent drug related illnesses, or are they services to try to prevent drug addiction altogether? It is all to do with ‘Reduce the incidence and severity of preventable diseases’. What I want to know is, is this program to help prevent disease in people who are actually users, or while they are using?

**Ms Kerr**—This is a very broadly based statement of what the program does. We do a range of things in the drugs area. In the prevention area, for example, we have major drugs campaigns—tobacco, alcohol, illicit drugs. This section of the PBS is generally about what is the activity of program 1. So this is a very broadly based statement. I assume that you are looking at point 3 on page 41 about ‘prevention of injury and the prevention and/or reduction of substance misuse.’ This is meant to cover a whole range of activities that we undertake in the prevention area, specifically in the drugs area. In the prevention area we do a number of major activities including media campaigns, campaigns to prevent people taking up drugs or to cover those areas of prevention, as well as a number of other activities, but also reduction in substance misuse. That covers other activities in the program. That is meant to be a very broadly based statement covering all drugs in the whole National Drug Strategy program.

**Senator GIBBS**—I think we have spoken about this before, but I would like to touch on it again. When you have an expectant mother who is a drug user taking drugs during pregnancy and the child is born addicted, is there any preventative program for that, or do you basically have to treat the child after the birth? Is there money allocated for that? Because this seems to be quite a problem. There have been articles in the media in the last year with children born who are addicted, and this seems to be a bit of a problem for doctors—and for the child, too.

**Mr Corcoran**—As Miss Kerr said before, when the illicit drugs program was first announced one of the four target areas was women with young children or pregnant women, so certainly we recognise that this is a crucial target area of the population. Some of the services are dedicated to that particular target group.

**Ms Wilson**—Common practice is often that the mother is actually stabilised on methadone and maintained on that throughout her pregnancy. If she breastfeeds often the baby is getting the methadone through the breast milk and can be withdrawn normally as the mother basically withdraws the child from breastfeeding. Otherwise, they are usually managed in hospital and the withdrawal of the baby is managed that way.

**Senator GIBBS**—So obviously when the baby is born it is addicted to methadone.

**Ms Wilson**—Often, yes.

**Senator CROWLEY**—It is a very interesting area. We have actually also had information in the past that early discharge from hospital means that quite often babes in this sort of situation may not be diagnosed because they are not in hospital for more than a couple of days. This then goes to services out in the community or an expectation that the mother and baby will return to the hospital. Do you have specific ‘follow them home’ programs?

**Ms Kerr**—Senator, as you are aware, the majority of funding for treatment programs is handled by the state governments. The Commonwealth’s interest in this has been more recent in that we have put funding through the National Illicit Drugs Strategy into treatment programs, but in the main these programs are run by state governments and NGOs in the states.

**Senator CROWLEY**—And if you had outreach nurses or community welfare nurses visiting mums newly home with babes, are they trained under some of your funding to detect the smell of drug addiction?

**Ms Wilson**—Not under our funding, no, but certainly state government's. If the mother has obviously already been stabilised on methadone, then both the clinic and the hospital are very aware that the child is at risk of going through withdrawal and they will be carefully monitored. Otherwise, if they are not picked up in the hospital, then you would hope that they would be picked up by the child-care nurses that are seeing the babies and the mother regularly. If she is addicted, then that behaviour is usually detectable. Methadone programs will often train staff in hospitals as well around detecting those issues.

**Senator CROWLEY**—The problem is, as you say, the easy ones are easy and the hard ones are hell. That is, if you know that the mother is addicted there is clearly going to be a program established in anticipation of what might happen to the babe. We were given evidence in a recent inquiry that quite a few got through the net and were out as part of early discharge, not diagnosed, and the symptoms were not being recognised by either the visiting nursing or GP staff.

**Senator WEST**—Or the mother is a non-clinic attender.

**Senator CROWLEY**—So no funding under your budget goes to assist with the training of staff to recognise that in babes?

**Ms Wilson**—No, not specifically.

**Senator CROWLEY**—Thank you.

**Senator WEST**—I realise that the states are responsible for this but are the state governments obliged to report these sorts of instances to the Commonwealth so you can actually keep a database of areas of concern?

**Ms Kerr**—No, Senator.

**Senator WEST**— I asked some questions about the National Child Nutrition Program in February. Mr Corcoran, you told me that it was a \$15 million program, you were absorbing the first \$2 million in this current financial year, but it was going to be a full three-year \$5 million per annum program. It had not started, it might actually spread over four financial years, but it would be three full years of funding. I look at the PBS, on page 45, and discover that it, in fact, appears to be a two-year program of funding, of \$6.5 million in the next financial year and the following financial year.

**Mr Corcoran**—Senator, it was part of our planning at the time that we might spread it over three years. However, we also said at the time that we had \$2 million and the rest had to be determined in the budget context. The government has decided to accelerate the implementation of it and to provide \$13 million in the next two financial years in addition to the \$2 million we had put aside. It is an acceleration of the program.

**Senator WEST**—I am still wondering where that \$2 million that was absorbed came from, but I am interested in knowing do you now have guidelines worked up for the project?

**Mr Corcoran**—The program was advertised nationally in, I think, February this year. Applications have closed. There were 386 applications from right across the country. They are currently being analysed by our state and territory officers in conjunction with a range of interested parties, including the Department of Family and Community Services, state governments and as a basis for advice to the minister for a final decision.

**Senator WEST**—Where did these 365 come from?

**Mr Corcoran**—A very broad range. I have the details here. There was a preponderance or disproportionate applications from states and territories with large areas: Western Australia, Queensland, Northern Territory, New South Wales.

**Senator WEST**—I thought this was going to be a program for communities and the like to tap into.

**Mr Corcoran**—Yes, almost all of the applications came from community groups. I think there were a few state government funded organisations, like an area health service, who might have bid, but the vast majority came from community groups.

**Senator WEST**—What was the preponderance you had from states? I got the impression it was state governments.

**Mr Corcoran**—Sorry, I meant from those particular territories or states. For example, there was something like 60 from the Northern Territory, which is disproportionate to their share of the population.

**Senator WEST**—How are you going to work out the distribution of the \$6.5 million each year?

**Mr Corcoran**—We do not have a state by state allocative formula. We intend looking at the quality of the proposals based upon their capacity to be sustainable, their capacity to change systems, but also based upon the needs of the particular populations each community has identified as their target group.

**Senator WEST**—So when in February was the advertising done?

**Ms Blazow**—The ads actually went out in about mid-March.

**Senator WEST**—Do you know the exact date of that?

**Ms Blazow**—We can get you the exact date.

**Senator WEST**—If they went out in February how come you could not give some indication in the February estimates that you were close to getting that up? You certainly did not give me that impression. Where did the ads go? How was the information distributed to the communities?

**Ms Blazow**—National press, a large number of newspapers and also on our departmental web site. All the information was available for people to see on the web site.

**Senator WEST**—It is just that I have had a complaint from one remote community, not in New South Wales, who knew nothing about it. These were the health workers there. I am just a little bit puzzled and wanted to know how the information was distributed. Was there a definite campaign undertaken, and what was it—to actually advise and assist the remote communities to maybe access or at least lodge an application? The words of how you are going to assess it, Mr Corcoran, would not have been understood by three-quarters and probably even more of the health professionals. So I am interested to know how you were going to get the information out and how you told them, in simple language, I hope, what the eligibility criteria were and how you were going to make the assessments and decisions.

**Mr Corcoran**—Certainly, Senator. We did get a couple of complaints from remote communities that the date we set for response was too tight because when we mailed out the details to them it took time to get there. So we allowed a leeway period for organisations in remote communities to come back to us. I think we were still receiving applications from

remote communities up until about 28 April. There were something like 2,000 requests for the material, so there was huge awareness and recognition across Australia. I think the very first applications we got back were from remote communities in the Northern Territory, so certainly it seemed to us that the efficacy of our distribution was quite good.

**Senator WEST**—What was the time frame in which you were expecting them to respond to the advertisements?

**Mr Corcoran**—From mid-March till 17 April was the initial cut-off point, but when we realised there were mailing problems with some remote communities we allowed receipt of late applications.

**Senator WEST**—Yes, a week to get out there, a week to get in; if they are having a flood, even a bit longer in some of those communities, I would suspect. Do you have a written set of criteria as to how you are going to evaluate the applications? In simple English, so I can understand it, and not all public service language please. I class myself in the 99 per cent who do not find public service language comfortable.

**Ms Blazow**—This was the kit that went out to people in hard copy form. There is quite an extensive guide in that kit on the selection criteria. There is an easy to follow application form for people to fill in to demonstrate—with lots of space provided for them to write in there—what their organisation wants to do and how that can meet the selection criteria, what sorts of activities they wish to undertake in their community, how they think it is going to actually help in the long term to improve children's eating patterns in that community, for example. It is quite a simple set of criteria really and it is an easy to follow guide.

**Senator WEST**—Now that they have put their applications in, how are the assessments being made here, though? Who gets the final say?

**Ms Blazow**—The minister will have the final say. As Mr Corcoran said, there is not a state by state allocation of money. It is a national pool. The applications are on their merits according to how they meet the selection criteria. The first round of assessments is occurring at the state level and calling in expertise from that state, including the Department of Family and Community Services and Aboriginal indigenous organisation expertise from our own ATSI people. They will make recommendations and rank organisations according to suitability. That will come forward to Canberra and then they will be looked at overall as a national package in order to commit the money available.

**Senator WEST**—If there is a spare copy of that going around it will be very interesting to look at, please. I am still interested to know—to get it into my head—why it came down to two years of funding.

**Mr Corcoran**—Senator, I can only assume that the government decided that they want the impact of this particular initiative to be taken up more quickly. It is not ongoing funding; it is project funding. If there is a range of good ideas to help children with their nutrition then it is better to get it out earlier rather than later.

**Senator WEST**—What is going to happen to the kids that are born in, say, three years time in those communities that are successful?

**Mr Corcoran**—We hope that the lessons learnt through this project funding will persist into the future. That will be our key objective. I use the word 'sustainability' and I should have said that I hope we will have benefits for future generations of children. For example, if we can change tuckshop nutritional standards that will hopefully have a good impact in the future, not just over the next two years.

**Senator WEST**—Was it the government that made the decision, not the department, to cut it from three years to two years.

**Mr Corcoran**—That is correct.

**Senator WEST**—Is there a proposal section in here which focuses very much on initiation and maintenance of breastfeeding?

**Ms Blazow**—I am sorry, I missed the question, Senator.

**Senator WEST**—Is there a significant part in there about the importance of the initiation and maintenance of breastfeeding?

**Ms Blazow**—Yes, that is within the scope of this initiative, both prenatal child nutrition and also in the early years. Breastfeeding is certainly within scope and we are very interested in receiving projects that promote breastfeeding.

**Senator WEST**—What contact or what negotiations and discussions have you had with groups like ANZFA, TGA and the advisory panel on marketing of infant formula? Did you ever talk to them?

**Ms Blazow**—No, we have not had direct discussions with that panel on this issue.

**Senator WEST**—Are you sure you are not reinventing the wheel with some of this?

**Ms Blazow**—I am not sure what you mean by ‘reinventing the wheel’.

**Senator WEST**—They have done work on breastfeeding and formulas, et cetera.

**Ms Blazow**—Yes. We are certainly aware of the evidence around the importance of breastfeeding.

**Mr Corcoran**—It is the responsibility of the department, Senator, to promote breastfeeding as the preferred source of food. Certainly this program we see as another way of promulgating that objective.

**Senator WEST**—When will the decisions be made as to who is going to be the successful—

**Ms Blazow**—We are aiming to have all the applications with the minister around June. Depending on the minister’s availability to consider the program, that is where we are aiming at the moment.

**Senator WEST**—Given the speed with which things move into the minister’s office and then languish there for some time. This was a \$15 million project. I was also told, I think, that the whole \$15 million was going to be spent on the program. Is that correct?

**Ms Blazow**—That is right.

**Mr Corcoran**—Yes, Senator.

**Senator WEST**—‘Being spent on the program’—I am interpreting that as the \$15 million is all going to be out there in the field.

**Mr Corcoran**—Yes, that is correct.

**Senator WEST**—Where is the \$2 million?

**Mr Corcoran**—Senator, the \$2 million we now think will not be spent this year so that is being rolled over into next year’s budget.

**Senator WEST**—Next year you should be spending \$8.5 million.

**Mr Corcoran**—That is the budget documents, yes.

**Senator WEST**—That is not what it says here, of course. It says \$6.5 million.

**Mr Corcoran**—That is reporting on the budget measure which is an additional \$6.5 million of new money.

**Senator WEST**—And the following year is only \$6.5 million.

**Mr Corcoran**—That is correct.

**Senator WEST**—So you will have a drop. Will you be calling for applications each year, or will they be given money for two years?

**Mr Corcoran**—We are still in the process of assessing the applications. If there are good ideas from communities which need further development then we may advise the minister not to allocate all the money this year, but to work with communities to develop proposals which have innovative merit to them.

**Senator WEST**—So you may not, in fact, spend the \$8.5 million this year. There may be a carry over to the following year.

**Mr Corcoran**—The ink is hardly dry, but I should mention to you that \$2 million of the \$15 million has now been allocated to support the education portfolio's indigenous literacy program. We will be working with that portfolio to target \$2 million of the expenditure in areas of high literacy need. I think that might introduce some planning delays which will probably suggest that some moneys of our allocation will be difficult to spend this year.

**Senator WEST**—So we are only actually going to get \$13 million spent on nutrition.

**Mr Corcoran**—No, it will all be spent on nutrition, but it will be targeted to those indigenous communities which the education portfolio identifies or has targeted for improving their literacy.

**Senator WEST**—Will this be English literacy or will this be literacy in their own language?

**Mr Corcoran**—I could not answer that question, Senator.

**Senator WEST**—Can you take it on notice and find out for me, please. If there are any more details about the \$2 million going to the education portfolio I would be very interested to find out what they think they are going to do with it.

**Mr Corcoran**—Can I just clarify that it is not going to the education portfolio. We will manage it. We have agreed with them that we will manage it. We will target it to those communities who they identify, as part of their planning, are communities to benefit from the literacy program announced by Minister Kemp a few weeks ago.

**Senator WEST**—Are we going to use nutrition money for part of the literacy program?

**Mr Corcoran**—No. Sorry, I am not making myself clear. There is a very strong view that children perform better at school if they are well fed, if they have had breakfast, if they have had lunch. There is a concern that in many indigenous communities that is not necessarily the case at the present time. The nutrition money will all go on nutrition but will be targeted to those communities which are agreed to be targeted for improvement of literacy, but all the money will be spent on nutrition for preschool kids and primary school kids.

**Senator WEST**—So you might be running a program or providing funding for programs that are already operating in some state infants schools where the kids get breakfast?

**Mr Corcoran**—Yes, that is what we expect.

**Senator WEST**—Right. But that does not mean that is all you will spend on that program, because there could be other programs for that type of funding coming in from other applicants.

**Mr Corcoran**—Indeed. This program will be very difficult to make decisions on because there is such a wide array of proposals being put forward.

**Senator WEST**—This \$2 million is going to go over two years?

**Mr Corcoran**—Yes, it probably will go over two years, because we are now working with the education portfolio to do the planning, so we will need to call for applications again from community groups. It will be community group based again, so we may not get programs up till early next calendar year for the indigenous communities.

**Senator WEST**—No guidelines or no criteria at this stage for it?

**Mr Corcoran**—We have agreed to work with the Aboriginal community development guidelines, which are culturally and otherwise appropriate for their particular circumstances. We are working with them on that at the moment.

**Senator WEST**—I shall have to watch this space. How are you going to evaluate whether this program was a success or not?

**Mr Corcoran**—We certainly will be wanting to allocate some moneys—not out of the \$15 million; that is all going on nutrition. But we will be allocating some of our own moneys to evaluation of the program. When we have seen the nature of the proposals, we will be then in a position to shape an evaluation strategy.

**Senator CROWLEY**—Could I just ask a few questions about the Longitudinal Study on Women's Health, which I believe is under program 1.

**Mr Corcoran**—Yes, it is, Senator.

**Senator CROWLEY**—Could you tell me first of all where in this document I would find any reference to it?

**Mr Corcoran**—I suspect that the answer is you cannot in a specific sense. I can tell you, in response to your previous question, that we continue to fund the University of Newcastle, who I think works in conjunction with the University of Queensland, and we fund them on an ongoing basis with the amount of \$928,000 per year for the study.

**Senator CROWLEY**—Is that a grant?

**Mr Corcoran**—Yes, it is.

**Senator CROWLEY**—Therefore it will be GST exempt?

**Mr Corcoran**—No. They will be able to claim the grant. They will pay tax, GST, but they will be able to claim that as a credit. They will be no worse off in terms of conducting the longitudinal study than they have been before.

**Senator CROWLEY**—But they will have to put a form in to the tax office?

**Mr Corcoran**—That is correct.

**Senator CROWLEY**—So they will have to register for an ABN?

**Mr Corcoran**—Yes, I imagine they will. That is the methodology for claiming rebates.



**Senator CROWLEY**—I suppose then the question is: who will it be? Will this be the University of Newcastle? Will it be the University of Queensland? Would their one ABN cover all claims for the GST under it?

**Mr Podger**—That is up to them, Senator. Surely how they handle that is up to their own management.

**Mr Corcoran**—The University of Newcastle is the lead agent, so we pay the grant to the University of Newcastle.

**Senator CROWLEY**—I see. So they will have to deal with the GST money: the problem, the accounting, the getting back, et cetera.

**Mr Corcoran**—Yes.

**Senator CROWLEY**—What is the Longitudinal Study on Women's Health up to these days?

**Mr Corcoran**—Are you asking about the size of the study?

**Senator CROWLEY**—Yes, and what kinds of research they are currently involved in.

**Mr Corcoran**—I think there are about 41,000 women engaged in the study.

**Mr Gibson**—The three original cohorts for the study have been maintained, Senator. I think two of those cohorts have been resurveyed and plans are in place to resurvey a third of the cohorts. The substudies of indigenous women and of recently arrived migrants are also continuing, and the cohorts involved in those, I believe, are expanding in the indigenous area as that study develops in Queensland.

**Senator CROWLEY**—Is this money paid annually or is it forward budgeted for four years or for three years?

**Mr Gibson**—It is forward budgeted for the remaining years of the study. It was approved for a further five years funding I think in mid to late 1998, so the study is aware of the fact that it has funding for a five-year period, until June 2003.

**Senator CROWLEY**—We had some discussion about this a couple of years ago and I know people were concerned about the ongoing funding. It is \$928,000; I thought the original moneys was \$1 million. Has some of this gone in admin or is the amount falling?

**Mr Gibson**—No, \$900,000 per year was the calculated cost of the study. The \$28,000 reflects some indexation put into the funding for the study since its extension was approved.

**Senator CROWLEY**—Can you please provide me with details of the money for the last five years, when it started and what is anticipated through till 2003?

**Mr Gibson**—Certainly, Senator. There were additional start-up costs involved with the study. I think it was originally funded for a three-year period. We can provide you with information for the whole of the period of the study.

**Senator CROWLEY**—Can you please give me some kind of breakdown of that funding through University of New South Wales and UQ?

**Mr Gibson**—University of Newcastle and University of Queensland?

**Senator CROWLEY**—Newcastle, I am sorry, yes.

**Mr Gibson**—Yes, we can do that.

**Senator CROWLEY**—Thank you.

**Mr Corcoran**—I suspect that we will only have figures for the University of Newcastle because we fund them directly. We would have to get the detail of how they share the money with Queensland from them. Whether they have that available or not in the time to answer your question, I do not know. We would certainly not hold that information.

**Senator CROWLEY**—I understand that, Mr Corcoran, and I appreciate the problems questions on notice can make. If I should ask you, as I would like to ask you, how many people attended family planning in Australia last year because you fund them under this vote, where are those family planning services provided, are the numbers increasing, are the family planning services in each state actually getting some funding by using Medicare now or are they still resisting that, et cetera, I think all of those would be legitimate and proper questions for these estimates. I know that your answer would be, ‘Oh well, that’s very expensive. It would take a long time to get it,’ and the answer is, ‘Yes, it is, and can you please do it?’ Otherwise, how do you satisfy yourself of your program outcome that women’s health services are provided at the state or territory level? I know it is a problem, Mr Corcoran, and maybe we need a system in which some of that detail is provided to you more automatically and, if it is provided to you more automatically, then maybe we should look at ways in which it is provided more automatically to this committee.

**Mr Corcoran**—Senator, my answer would not be that it is too expensive. My answer would be that as a result of our agreement with the states following the recommendation of the Joint Parliamentary Committee on Public Accounts that special-purpose payments be administered at a strategic rather than an operational level. As a result of that, and as a result of the broadbanding, we have reached agreement with the state and territory governments on state level performance indicators which they report on on an annual basis and which are then made publicly available. When we last met, the results for 1998-99 were not available. The results for 1998-99 will be available this week on the web site. I have a rather thick document here which is a print-out of the reports from each state and territory on their performance under the various components and various subcomponents of the PHOFA.

Some states have chosen to go into a greater level of detail, but the agreement is that they will report at the statewide level. But, in addition to that, there are national strategies. Let us take breast cancer or cervical cancer screenings, where the registries provide detailed reports which break down information into quite fine detail. The information is collected by the Australian Institute of Health and Welfare and validated and then considered by various national committees. The accountability arrangements are varied. I suppose we could say that the time frames for responses are not real time, but certainly we do get the information at the statewide level.

**Senator CROWLEY**—I appreciate that answer, thank you, Mr Corcoran. What sort of response would come back from the state that would make you jump up and down and say, ‘That’s just not satisfactory’?

**Mr Corcoran**—I think the answer is where we are going backwards and not forwards in improving our targeting and improving the incidence of the various programs.

**Senator CROWLEY**—I read on page 49:

*Indicator 3:* The adoption and effective use of best practice approaches across strategies as well as nationally recommended screening and immunisation policies, agreed guidelines and participation targets. For example—

And then it says—I have to say that I find these words extremely interesting; they are probably grammatical but I am not at all sure that I understand what they mean:

*Target:* Progress towards nationally agreed targets and use of best practice guidelines. Some examples are:- participation, cancer detection rates and incidence for breast and cervical screening, eg BreastScreen Australia target of 70% participation among women aged 50-69 ...

I am not sure whether we are actually in progress to a target, in progress to establishing a target or whether we have reached the target. If it was not up to 70 per cent, would you say that you would ring the states? First of all, can you tell me whether we are up to 70 per cent?

**Mr Corcoran**—Certainly I can say that we do have targets. It is not progress towards establishing a target, it is progress towards achieving the target.

**Senator CROWLEY**—Okay.

**Mr Gibson**—It is progress towards achieving a target, Senator. States and territories provide us with trend data in relation to participation rates, so we are able to observe whether or not the trend line is going in the direction we would like it to be going in, and they would like it to be going in. The arrangement we have under the PHOFA—the Public Health Outcome Funding Agreement—is that, if we were concerned that there was a problem with progress on an indicator, we would involve the state concerned in discussions around what problem may be underlying the progress against the indicator concerned.

**Senator CROWLEY**—Are we up to 70 per cent?

**Mr Podger**—Senator, in the annual report last year, on page 70, we have figures there on the BreastScreen program and also on the cervical screening program. So we do provide these sorts of details. We say that the first available data show that—that was 1996-97—52.2 per cent of the target group attended a screening service. But these are the things we do try and monitor and we do put them in our annual report. The PBS sets out our targets in broad terms. It does not set out every target but it has a reference that there are targets and we do apply them, and when we come to the annual report we come back with how are we going against some of the key targets.

There are other documents which can provide more detailed information, but the question about do we provide it—yes, we do, and we do try to provide as much as we can in what are already regarded as reasonably substantial documents.

**Senator CROWLEY**—I am here as a senator, Mr Podger. I am also here on behalf of Mr and Mrs Average out there, and they are not finding it too easy to know how the dollars are spent or where they come from, or who to complain to. I appreciate that I can read the annual report and I can get the annual reports from Family Planning Australia and BreastScreen—all of those places. One of the things that we have is the privilege of having access to all of those, but it is a fairly sophisticated exercise. Under the heading 'Target' you might want to say, 'We have a target of 70 per cent but the latest figures from 1996-97 suggest 52 per cent.' And I would say, 'That, to my understanding, is fairly short of 70 per cent.'

I appreciate that it may have gone up since then—we are talking a couple of years behind—but I wonder if you could give consideration to that in this program area, for example, especially when there are such, as I understand it, clearly designated, useful targets. I thought that in BreastScreen we were getting pretty close to it.

**Mr Corcoran**—On the information that I have, which I just referred to and which will be available this week, just flicking through state by state, it looks like they are making very considerable progress. For 1998-99 the figures are up and over the 60 per cent but they are still 10 per cent short of the 70 per cent target. There is considerable progress being made, and

the states are reporting upon the efforts they are making to reach those population groups, areas or people who are not being screened.

**Mr Podger**—The PBS is a quite complex and technical document. I agree with your comment that it is not exactly written for the person in the street. It has a whole series of complicated issues around the accrual accounting, the nature of appropriation arrangements in this parliament, and so on, which are very hard to explain to the person in the street. We try to put in here some of the key performance indicators for use with cross-references. The point was made earlier that we do not make clear enough some of those cross-references, but we do systematically try to get the sorts of measures that you are talking about in various reports, including in our annual report, which is like the mirror image of the PBS. We report then against the targets, including some key ones that are not detailed in the PBS.

I am not sure that we could ever satisfy you in one document on all the details. To put in the PBS reports on how we are going, as well as an indicator of the sorts of targets that are available elsewhere would be difficult.

**Senator CROWLEY**—I am not sure that I am here to assess my level of satisfaction, Mr Podger, but I would have to say that this is a challenge in terms of trying to assure myself that Commonwealth money for breast cancer is actually being spent adequately. If you say between 1996-97 and now 1998-99 the average has gone from 52.2 per cent to over 60 per cent, it is actually a very good indicator that you are well on target, and it would seem to me to be a very useful little piece of information for us to find here. It is probably only one line.

**Mr Podger**—Except we would put that in our annual report. We do not put it into the PBS in our budget session. When we get to the annual report for this year, I would expect that section of our annual report will bring it up to date, and that will be revealed.

**Senator CROWLEY**—Yes. I guess we will go on arguing about this, or at least asking questions about it. It seems to me that so much of this PBS now is actually devoted to, if not outcomes, at least targets. It seems to me quite curious that this volume would say, 'Look elsewhere'—it does not even say that, actually—'for some figures on the actual outcome.' We have it written down, but we want to find outcomes. We are funding towards outcomes, but we do not have any hard data on outcomes here. I would like to know what kind of failure in the state governments—for example, if we were still at 52 per cent after 12 months would you be saying, 'Give us back some dollars' or would you be withholding them for the next year?

**Mr Corcoran**—I think the answer to that is no, Senator, because our assumption would be that that would hurt the end beneficiaries rather than the state government. Certainly we would be talking to them to see what measures they could be taking to improve. I have just opened up the page on South Australia and at December 1997 it was at 58.6 per cent and in December 1998 it has gone to 63.4 per cent, so they are making very good progress.

**Senator CROWLEY**—I am always pleased that my state is doing well, Mr Corcoran.

**Senator CROWLEY**—I am always pleased that my state is doing well, Mr Corcoran. It has been doing very well in this area since the beginning. It did not, as I recollect, stuff around like Victoria, which took many years to get its breast cancer screening program up and running. In fact, you would expect that it might be a little ahead of some other states. That would make good comparative data and I will go and look for it. I do not want to take too much longer here, except that, again, Mr Podger, if you could make a suggestion—it may even be a footnote that says, 'Look elsewhere for data about the outcomes.'

**Mr Podger**—There is reference in the document about referring to the annual report.

**Senator CROWLEY**—All right.

**Mr Podger**—I would defend the department by saying that I think we have actually increased substantially the PBS in clarifying targets compared to what was there four, five, six, or seven years ago. With cross-references, we are improving rather than going backwards on any of this material.

**Senator CROWLEY**—Mr Podger, the other thing is that under this portfolio program money is spent on things like family planning. I thought I had read every part that refers to program 1; I could very well have missed a page. I see no reference to family planning, unless you can point me to it. Again, I think it is an area of such importance in terms of women's health and sexual health. In some areas, the family planning service is the only place that is offering any kind of guidance to 15-year-old and 20-year-old guys, who will drop into a family planning clinic because it has got a reputation for being sympathetic or effective. Those young men are very often going nowhere else for health care. I think it is important. Funding which we have provided in the past in that area has been effective. I therefore wonder what is the state of play at the moment, particularly in terms of sexual health advice and support for blokes.

**Mr Corcoran**—I can state categorically that funding for the Family Planning Program continues and is not being reduced. Getting an aggregate figure is made difficult by some states receiving that money through the PHOFA and other states receiving it directly. Because the PHOFAs are broad banded, we do not ask for dollar by dollar accountability from the states for the subsets of the agreement, because they are focused upon outcomes and we are focused on improving the outcomes, not the dollar amounts.

**Senator CROWLEY**—If some of those organisations are receiving the money directly, will that have a different effect on their GST? If you cannot tell me that, could you take it on notice.

**Mr Corcoran**—Certainly, when you move from government to non-government, that is when the GST payments take effect. It would still happen at the state level. It will not happen at the Commonwealth-to-state level, but when the state government makes a payment to its family planning association, those GST arrangements do come into effect. It is my understanding that all family planning associations will be similarly affected, irrespective of whether the money goes through the PHOFA or not.

**Senator CROWLEY**—Does the Commonwealth fund directly the national family planning peak body?

**Mr Corcoran**—Yes, we do.

**Senator CROWLEY**—And that will enjoy the GST?

**Mr Corcoran**—My understanding is that it will be subject to the GST arrangements.

**Senator CROWLEY**—Could I ask you to clarify that on notice. Could I also ask you, on notice, if you can provide me with how much money goes to the national family planning and how much is going to the states on behalf of family planning.

**Mr Corcoran**—The answer is yes, there will be GST in the grant. Sorry, you asked me to clarify the amounts going under the PHOFAs?

**Senator CROWLEY**—And to the states and territories for family planning. Or do you just roll it all together and leave it to the states to allocate for family planning?

**Mr Corcoran**—The penny has just dropped. I do now recollect that the one exception to the non-financial accountabilities under the PHOFAs is family planning. The states and territories who choose to receive the family planning money in that way separate out that money in an accountability sense. So we can give you the total at a national level.

**Senator CROWLEY**—Could you also tell me briefly what you reckon are the targets through family planning, if you have got that. Presumably you do have targets in the family planning area to increase the number of people who are assisted. Does the Men's Health Program, for example, have any program guidelines within the family planning allocation? Can you take that on notice?

**Mr Corcoran**—Yes, certainly.

**Senator DENMAN**—There has been a report recently released in Victoria that says that a third of young people are sexually active and not practising safe sex. Is there any mechanism for family planning, for instance, to tap into those young people in their schools?

**Mr Murphy**—There are national education programs which target sexually active young people. Also, some of the family planning programs have relationships with school programs through the school education systems in each state.

**Senator DENMAN**—There is nothing more specific to target these one-third of young people? This is only a Victorian statistic, so nationally it would probably be similar.

**Mr Murphy**—We are currently working with the school systems on a program to identify the nature of education that should go on across the board for prevention of blood borne viruses and sexually transmitted infections and come up with a document for them to guide schools in implementing programs. There are professional development programs being funded for school systems to take on board in each state and territory. That is all the school systems, government and non-government. So we are working with the school systems nationally, and states are working within each state with the school systems through the health departments.

**Senator DENMAN**—Does that include needle exchange? Does that include an awareness of using safe needles? A lot of 16-year-olds and younger are using needles.

**Mr Murphy**—I could not give a categorical answer on the nature of the education in each of the school systems. That would be school system determined and sometimes the local school community determines the nature of the education programs on drugs and prevention of blood borne viruses. Certainly, it would address the issues of the need for education and the need to be aware of the risks associated with injecting drug use.

**Senator CROWLEY**—The FPA people tell me from time to time there is considerable pressure on them to start using bulk-billing, effectively, for quite a bit of the services they provide. Is that the case in any FPA that you know of? You can give me that or take it on notice.

**Ms Blazow**—The agreements we currently have with the family planning associations provide funding for their service delivery and say that it is because they are not to bill for their direct medical services. That is the current structure and I am not aware that there is any pressure on them to move towards billing, so I am not sure what they are reporting to you there.

**Senator CROWLEY**—There is considerable pressure. As I understand it, those terms actually describe what is required of our public hospitals and there is some evidence that

every now and again they seem to forget what the guidelines are. It is a question we will raise in another program but also we have had answers about it from the Health Insurance Commission already. I just wondered if you could take that on notice and see if there is any HIC money going to FPAs. The main concern that has been raised with me is the question of confidentiality; that people do not want anyone else knowing that they are attending family planning, which I understand is the reason for the funding arrangements as they are. But there has been considerable pressure on FPA or the organisations around the country to look at alternative ways of increasing their income. I just wondered if you could check that, and if there was anything further provide it to me on notice.

**Ms Blazow**—Yes.

**Senator CROWLEY**—Thank you very much.

**Mr Corcoran**—I just want clarification there. Pressure from which areas? I do not know how we can assess—

**Senator CROWLEY**—Can you tell me whether any of these centres are now actually using medical benefits? Are you able to find that out?

**Ms Blazow**—I will have to talk with my colleagues in Health Access and Financing because it is quite a complicated arrangement. Family Planning employ doctors in their clinics and the doctors may also be practising in other environments because they are not all working full-time in family planning, so some of those doctors may be billing but they are not billing in the context of family planning. I will have to talk with our colleagues in Health Access and Financing about the issues of identifying whether a doctor is working in a family planning clinic or working in a private practice.

**Senator CROWLEY**—I would appreciate that.

**Senator DENMAN**—Could I have a breakdown of the hep C and HIV money that goes to each state and a comparison with last year's figure, please. Thank you.

#### **Australia New Zealand Food Authority**

**Senator WEST**—I have questions for ANZFA. Mr Lindenmayer, I am just a bit puzzled: my recollection is that, in last year's agency expenses in the PBS on page 58, you were going to have an actual of \$11.04 million and it ended up being \$11.471 million. You received an additional appropriation, did you not?

**Mr Lindenmayer**—Yes, Senator. As I recall, the provision in the budget last year was \$8.375 million. In that budget the government announced there was going to be a review in the course of the year of the adequacy of the funding for ANZFA. As a result of that reconsideration of our total resourcing, an additional \$3 million was provided through additional estimates, taking us up to \$11.375 million.

**Senator WEST**—Yes, I knew it was in those figures. What are you going to get this year?

**Mr Lindenmayer**—About a million dollars more than that, Senator—\$12.449 million.

**Senator WEST**—Can you explain to me then why, on page 47 of this year's PBS, it says, 'Food safety protection' and then it appears there is an additional \$6.5 million going to you this year, next year, the following year—and on the fourth year you get \$6.6 million. When I do my maths, when I take \$6.5 million from just on \$12.5 million, it looks to me like you are having a cut in your funding of about \$5½ million.

**Mr Lindenmayer**—I do not have with me the forward estimates published from previous years, Senator. To give you approximate figures, as a result of an expectation some years ago that by around the year 2000 ANZFA's major tasks would have been completed, the forward estimates provision from about now on were very much less than had been provided for in the immediate previous years. The \$6.5 million or thereabouts per year being provided this year and over the next three years is there partly to make up the cut that would have occurred on the basis of that assumption which appeared in the forward estimates, together with about another \$1 million net over and above the appropriation for the financial year almost completed.

**Senator WEST**—So on the current financial year's actual expenditure you are really not getting a rise of any significance.

**Mr Lindenmayer**—We are getting a rise of about \$1 million. Incidentally, I mentioned a figure of \$12.449 million. That does include the expected revenue through some user charging of \$146,000. The figure I should have mentioned was \$12.303 million, as the Commonwealth appropriation.

**Senator WEST**—\$12.449 million appears as the total price, yes.

**Mr Lindenmayer**—That is correct—it includes the \$146,000.

**Senator WEST**—Yes, the 'revenue from other sources' is \$146,000.

**Mr Lindenmayer**—Yes.

**Senator WEST**—Are you going to be able to achieve all the goals set out in the PBS description of this \$6.5 million funding initiative with only an actual \$1 million at best?

**Mr Lindenmayer**—I believe we will, to the extent that the major task of last year—the fundamental and comprehensive review of the Australian Food Standards Code and the equivalent New Zealand regulations—has been completed. We are now moving into a task which is still very substantial, but I would argue slightly less labour intensive, which is the negotiation with stakeholders and the 10 governments to which we report to negotiate with them for the adoption of a new joint food standards code. There will be a little bit of relief provided through that which will mean some resources freed up, together with the additional \$1 million which, if properly managed, will help us to cover the things that are mentioned in the PBS.

**Senator WEST**—So you cannot tell me yet whether I am going to have strawberries in my strawberry jam and cream in my cream and whether my Scotch whisky is actually going to be 40 per cent proof or 38 per cent, as the New Zealanders have it?

**Mr Lindenmayer**—Final decisions on those things have not been made, but we certainly have made some recommendations. In particular the recommendations we have made, if adopted, will give you more information than you have ever had in the past about what percentage of your strawberry jam is strawberries, what the level of cream is in your ice-cream and so on.

**Senator WEST**—What about the Scotch whisky?

**Mr Lindenmayer**—In the case of Scotch whisky we expect to retain the 40 per cent standard that is the standard ordained in the United Kingdom and which has been in place in Australia over recent years.



**Senator WEST**—I think you were facing some pressure from the whisky distillers, were you not? They certainly got in my ear when I was in Scotland last year about the 40 per cent proof. It is sacrosanct to a Scot, I think. When is that likely to be decided?

**Mr Lindenmayer**—The draft joint code was circulated on 15 March to stakeholders, state and territory governments, the New Zealand government and the Commonwealth, of course. A process of consultation has been taking place in the two months since. We are now drawing together the comments that have come in with a view to having a preliminary discussion with our ministerial council on the matter in late July. Subject to further guidance we get from the ministerial council at that time our aim is to further modify it and to make it available to the ministerial council in or about October of this year, hopefully for a final decision to be taken then by them which will lead to our gazetting the joint code.

Gazetting it, we believe, should initiate an 18-month transition period during which both that code and the existing Australian and New Zealand equivalent regulations will apply in parallel. That will provide a period of about 18 months in which industry can adjust labelling, composition and other aspects in order to be ready to comply with the full joint code as the only code from about the middle of the year 2002.

**Senator WEST**—Thank you. What is going to happen with the Office of the Gene Technology Regulator?

**Mr Lindenmayer**—I will have to leave that to the department, Senator.

**Senator WEST**—That is not yours. I have not finished with ANZFA yet, because you are doing work on gene technology too, aren't you?

**Mr Lindenmayer**—We are certainly undertaking both the safety assessment work for genetically modified food commodities and labelling of genetically modified foods.

**Senator WEST**—Is it a fact that the funding for that office will expire at the end of this year?

**Mr Slater**—The government allocated \$7.5 million to set up the Office of the Gene Technology Regulator. The government's initial decision was that the regulator would come into force on 1 July 2001. It then sped that process up for us and it now comes into force on 3 January 2001, providing the legislation is passed through the parliament. Funding was set aside to establish the office. That establishment funding was \$7.5 million over two years.

**Senator WEST**—And you are confident that that is going to come in from 3 January 2001?

**Mr Slater**—Providing the Senate and the House of Representatives pass the legislation, Senator.

**Senator WEST**—If there is a bit of a delay, what happens?

**Mr Slater**—If there is a delay in the passage of the legislation there will be a delay in the start-up, but in the meantime there is an interim office operating which is looking after the house, if you like, while the legal framework is passed through parliament.

**Senator WEST**—Thank you—that is all I have on that. Mr Lindenmayer, we have not received answers to questions put on notice in the previous hearing. Can you clarify what the source was for the \$3 million additional funding given to ANZFA in 1999-2000?

**Mr Lindenmayer**—That is something again the department will need to respond to, Senator. As I understand it, consideration was given within the department as to what the source would be.

**Mr Podger**—I will have to see if I can find some further information on that but, as I recall, the department absorbed that, so it reallocated within the portfolio.

**Senator WEST**—Were those funds actually found from within the mental health program?

**Mr Podger**—I do not recall that, but I will check that, Senator.

**Senator WEST**—And if so, what happened? Did that require the deferral or the abolition of programs to find those funds?

**Mr Podger**—As I say, I will check this out. As I recall, the key funding from the portfolio was in the National Hospitals Demonstration Program identified in last year's budget arrangements of about \$1 million on that in particular, but I will have to take on notice the rest.

**Senator WEST**—Yes, but we have to find \$3 million.

**Mr Podger**—I cannot recall. I will have to take the rest on notice. I think the key one, which was mentioned in last year's budget papers, was \$1 million taken out of NHDP.

**Senator WEST**—Were there any funds taken from the mental health program in this financial year?

**Mr Podger**—I will take that on notice.

**Senator WEST**—Can I go to my favourite one of infant formula standards? What is happening? This review that has been going on has been going on for a while, hasn't it?

**Mr Lindenmayer**—It depends on which review you are referring to, Senator.

**Senator WEST**—There is an expert panel with industry experts and experts from ANZFA engaged in providing advice on the standard. Is that correct?

**Mr Liehne**—In relation to infant formula standards, the general process we apply is to set up an external team consisting of experts covering a range of fields in order to advise and assess data to ensure that the standard or the review takes into account all relevant issues. The expert team was in fact our external team.

**Senator WEST**—And that expert team includes representatives of the formula manufacturers?

**Mr Liehne**—We normally have a representative from industry on each team as well as representatives from the medical community and ones nominated by governments and by consumer groups.

**Senator WEST**—They have been doing work on infant formula standards and they called for submissions.

**Mr Liehne**—Yes, that is right.

**Senator WEST**—When did those submissions close?

**Mr Liehne**—They closed two months ago, to my recollection.

**Senator WEST**—Has there been any consultation or have any meetings taken place since that?

**Mr Liehne**—Yes, we have held one meeting. Industry requested the opportunity to put more information and data before ANZFA. We held a workshop which was attended by industry representatives, the external team, plus a number of invited experts from consumer, health and other sectors. That was held about three weeks ago.

**Senator WEST**—Is it possible to have a list of those who attended, please?

**Mr Liehne**—I can take that on notice and provide you with that.

**Senator WEST**—Thank you. Were consumers represented?

**Mr Liehne**—Yes.

**Senator WEST**—You do not know what the outcome of the review is yet?

**Mr Liehne**—There has been a great deal of work done to develop a draft standard. That is the standard which was put out for public comment to which the industry wanted to put further information before ANZFA. That information will be looked at by the external team and we would hope to finalise that review in the coming couple of months.

**Senator WEST**—You do not think that one particular group is getting an inside run?

**Mr Liehne**—I do not believe that is the case. We have a very open and transparent system. We seek to balance all of the views and to ensure that ultimately, particularly when we are dealing with a particularly vulnerable group in society, those issues that go to protecting the safety of that group are paramount. We will be making an independent decision or giving independent advice on that basis.

**Senator WEST**—How well informed were the consumer groups that there was going to be this discussion that was prompted by the industry?

**Mr Liehne**—We wrote to a number of representative groups seeking nominees to come to that meeting. We circulated all the documentation provided by industry as well as a review of that data from our in-house expertise, in order to inform the debate and the discussion that occurred at that meeting.

**Senator WEST**—The two organisations that represent lactation peak bodies and nursing mothers were apprised of all of this?

**Mr Liehne**—I would have to take that on notice. We certainly made sure that lactation consultants were represented, both from Australia and New Zealand. Paediatricians, nursing mothers, et cetera, were all represented at that meeting.

**Senator WEST**—Was this done through their peak bodies or to individuals?

**Mr Liehne**—I would have to take that on notice. We put together a group of people with expertise who had provided comment to us. I am not sure whether it was by invitation through peak bodies or through specific individuals.

**Senator WEST**—I would like the answer to that on notice, please. The APMAIF code has been under review for some considerable time, I think it is fair to say.

**Mr Lindenmayer**—I would like to hand over to Claire.

**Senator WEST**—That code has been under review for some considerable time, hasn't it?

**Ms Pontin**—It has.

**Senator WEST**—How long?

**Ms Pontin**—Eighteen months, two years, I think.

**Senator WEST**—The panel have been asking also in their annual reports for a couple of years now for certain actions to be taken in relation to the code. What has happened to their requests?

**Ms Pontin**—Senator, ANZFA only became involved in July of last year. During that period of time we have familiarised ourselves with some of the issues and we are currently looking at those questions raised by the panel.

**Senator WEST**—Sorry, you are looking at?

**Ms Pontin**—The comments that have been made by the panel in relation to the effectiveness of the code we have under consideration currently.

**Senator WEST**—This has been going on for 10 months with you. Prior to that it was at least 12 to 18 months with the department. There does not seem to be any progress being made.

**Ms Pontin**—The review of the MAIF agreement is something that the panel itself is undertaking and we are waiting for the report to come forward from the panel.

**Mr Lindenmayer**—Perhaps I should add to that that the representative of the Australian and New Zealand infant formula industry interests has been to see me in the last two weeks or so and indicated that, in his view, it is not going to be possible to find a basis that will be acceptable to both industry and to consumers upon which to revise the industry-government-consumer agreement.

**Senator WEST**—Where does this leave us?

**Mr Lindenmayer**—There will be a discussion with the full panel at the next meeting of the ANZFA board, which is on 7 and 8 June, and I am hoping that from that discussion we will be able to form a view about where to go from here.

**Senator WEST**—I have concerns about this. We are not in compliance with the WHO code on breastfeeding and the use of formulas.

**Mr Lindenmayer**—My understanding is that the current agreement when negotiated was negotiated as a means of ensuring compliance. There are, nevertheless, some aspects of the code that might not be being achieved optimally under the current agreement, which is, as I understand it, one of the reasons why the panel some time ago concluded that it would be desirable to reconsider it, review it and renegotiate it.

**Senator WEST**—Did we ever discover whether all of the formula manufacturers were actually members of the peak body? There were several that were not, as I recall.

**Ms Pontin**—Yes. I understand that Amcal and Guardian, which now operate under the name of Sigma, declined to be a party to the agreement because they deal through Snow Brand, which they say has a responsibility as a manufacturer to be a signatory to the agreement.

**Senator WEST**—Why does the industry think they cannot come to an agreement?

**Mr Lindenmayer**—I think the industry believes that consumer and public health interests wish to make the controls more stringent. It is my understanding that the industry is, on the contrary, looking for a less sweeping set of regulatory controls, similar to those that are applicable in New Zealand.

**Senator WEST**—So the industry is wanting to water down controls?

**Mr Lindenmayer**—My understanding is that the industry, among other things, is looking to reduce the scope of the self- or co-regulatory arrangements to cover only the first six months rather than the first 12 months.

**Senator WEST**—I suppose I am talking here with my registered midwife and mothercraft nurse hat on, and I have grave concerns about watering down what is already there. I have grave concerns about what I see on the shelves already because you are seeing products on the shelves now that, close to 20 years ago when I was practising, were not available on the shelves and were given under much more stringent medical supervision. The use of formulas that are for ‘reflux’ seems to be increasing at a very fast rate, but the number of diagnoses made by paediatricians as to children with real reflux does not seem to be increasing at that same rate. In fact, it is not increasing, and I just have concerns about the use of formulas that I think should be under more stringent medical controls—and when I say ‘medical’ here, I mean that controls should be under more stringent professional control, regulation and observation.

I do not have a question here. I guess I am registering my concern to you of the industry’s apparent wish to relax it even more, because children do have special needs for at least the first 12 months with formulas. They should not be fed cow’s milk until they are at least 12 months of age unless it has been modified. It is those sorts of things. That is old practice, it is not new practice, yet we have these formula manufacturers who now appear to be putting out formulas for zero to six months, six months to 12 months, and we now have ones putting them out for 12 to 18 months. When I actually went and read the labels of those for the older child, the sugar levels are absolutely appalling. They are so high that all they are going to do is rot the kids’ teeth and give the child a sweeter tooth than they already have. It is going to increase the incidence of obesity, it is going to increase the incidence of dental decay, and I am just appalled at what they have already on the shelves and I am appalled at the fact they appear to be wanting to relax it even more. Sorry, I do not have a question. I am just so frustrated and annoyed as a former health professional at what is going on there.

**Senator Vanstone**—Senator, I am fitted in only until 4 o’clock. Does it happen often that you forget the question and give us a little discourse? I was just wanting to prepare myself.

**Senator WEST**—No, it does not happen very often but on infant formula, yes, it does, Minister, I am sorry.

**Senator Vanstone**—No, not at all.

**Senator CHRIS EVANS**—You will find it quite therapeutic. It takes the pressure off the department.

**Senator WEST**—I hope it adds to some of the pressure the department can place upon the industry.

**Mr Lindenmayer**—I might say, Senator, we are very aware of the matters you have raised.

**CHAIR**—Any further questions on program 1?

**Senator CROWLEY**—Just one. Mr Secretary, do I understand that, as I read or am advised that one can read in the public records, as a matter of public health you are going to be a torchbearer?

**Mr Podger**—Indeed, I shall be a torchbearer in the Olympics.

**Senator CROWLEY**—Can you tell us how that happened?

**CHAIR**—I am just at a loss to understand how that has anything to do with Senate estimates.

**Senator CROWLEY**—It will become obvious, I would have thought, depending on what the secretary's answer is.

**Mr Podger**—The invitation to carry the torch came to me and the head of the Health Insurance Commission by the major sponsors of the torch.

**Senator CROWLEY**—Who are?

**Mr Podger**—IBM GSA.

**Senator CROWLEY**—IBM GSA.

**Mr Podger**—That is correct.

**Senator CROWLEY**—You and?

**Mr Podger**—Dr Geoff Harmer.

**Senator WEST**—That is the same IBM GSA that has the outsourced IT?

**Mr Podger**—That is correct, Senator.

**Senator CROWLEY**—Well, now, Mr Podger, when did you get this offer?

**Mr Podger**—I received this offer earlier this calendar year.

**Senator CROWLEY**—How much earlier?

**Mr Podger**—I think it was about February. I would have to check.

**Senator CROWLEY**—Were you expecting it?

**Mr Podger**—I was not expecting it, no.

**Senator CROWLEY**—Did IBM offer any more than two places?

**Mr Podger**—They invited me specifically and they invited Dr Harmer specifically.

**Senator CROWLEY**—Invited two only?

**Mr Podger**—I do not know who else they have invited but within the portfolio I am aware of those two invitations.

**Senator CROWLEY**—In the portfolio. I beg your pardon, I am sorry. Within the portfolio?

**Mr Podger**—As far as I know, yes.

**Senator CROWLEY**—Do you understand that I could see some concern that an organisation that has just had a great success in getting a contract with this portfolio then offers two sought-after positions to two people in the department?

**Mr Podger**—I have very strict rules in my chief executive instructions and ethical arrangements and I have abided by those in this particular case.

**Senator CROWLEY**—Well, what are those strict guidelines?

**Mr Podger**—Any gift is to be declared. I also have a discussion with senior officers if there is any gift involving myself to test whether it is regarded as being ethically appropriate or not. We have a major campaign in the department called Fork in the Road Cafe which on ethical issues we encourage our staff to discuss any issues like conflict of interest and come to a view of what is the ethical way to behave.

**Senator CROWLEY**—Did you discuss the invitation to carry the torch?

**Mr Podger**—I have discussed it with my senior officers, yes. I have discussed also an invitation IBM have given to me to go the Olympics and at this stage I have not accepted that invitation.

**Senator CROWLEY**—At this stage?

**Mr Podger**—At this stage. I am reflecting on whether it might be appropriate at a later stage, but at this stage where we have not yet had the handover and we are discussing issues of delaying the handover because of some concerns about IBM's readiness, I said I would not accept that invitation. I have been discussing with my colleagues the appropriateness of that. The main argument in favour of my going to any of that is that IBM are inviting many Fortune 500 chief executives from America and they had suggested it as an opportunity for me and other senior people in the Commonwealth to meet those people. At this stage, as I have said, I have not accepted that invitation.

**Senator CROWLEY**—Why not?

**Mr Podger**—Because I believe it would be sending the wrong signal at the time of our handover to the IBM GSA, which has been a matter of some close negotiation.

**Senator CROWLEY**—How do you judge that accepting tickets for the Olympics might send the wrong signal but carrying the torch may not?

**Mr Podger**—There is never a black and white issue, unless something is extreme. The issue of the torch was before we were having any difficulties about the handover date. It was after the contract time and the value of that particular thing is not a high monetary value. The issue of the Olympics is a more substantial thing and, therefore, raises many more concerns in my mind about whether it ought to be accepted and whether I ought to accept it after the handover date or not, either. That is a matter that I have said I would discuss further with my executive after the handover date, as to whether I should accept any of that or not. These issues are also being discussed amongst departmental secretaries. I have attended several meetings with the head of the Prime Minister's department and other departmental secretaries to discuss the ethics of accepting invitations in the Olympics arena.

**Senator CROWLEY**—I appreciate that there is a broad question about accepting anything as departmental secretaries or members of the departments and so on, but in particular do you feel any concern at all—clearly you have declared you have in terms of Olympic tickets, but this is a huge contract won by this organisation; now two places to carry the torch.

**Mr Podger**—If the invitation had been anywhere before the contract was signed, under no circumstances would I have accepted any gift of any sort, during that whole tender process, and that was the instruction right through the department. Anybody involved with IBM matters or either of the other two tenderers should not accept any invitations of any sort and we did not. Once you have signed a contract and you are into a five-year partnership arrangement there become issues about the way you deal with the contract company. I do not believe that there is a black and white issue around these. You have to deal with the way in which those companies do business and whether there are other benefits to your own organisation in particular arrangements. I took the view, as did Dr Harmer, that there may well be advantage to our portfolio and to the public service to have prominent public servants appearing in the torch relay. That was a view I took as a reasonable case in this particular point.

**Senator CROWLEY**—How do you assess those benefits? What might they be, Mr Podger?

**Mr Podger**—For example, I would expect us to be looking for some publicity about the department, about our participation in the Olympics, about issues to do with health and fitness associated with that.

**Senator CROWLEY**—Will you be required, or are you expected to wear, an ‘I’m running for the IBM’ T-shirt?

**Mr Podger**—No. The SOCOG handles all of that. I understand that we will be wearing SOCOG uniforms without any IBM or other material. In fact, I asked that question specifically at the time when the invitation was made.

**Senator CROWLEY**—In terms of what now might be entered into the country's lexicon—‘doing a Gosper’—do you feel it might be appropriate to reconsider whether you and Dr Harmer should run and whether or not somebody else either in the department of your nomination or your nomination outside of the department might be a more appropriate response?

**Mr Podger**—I gave the issue of this invitation some serious thought and consideration and I believe I have made a reasonable judgment on the matter. I see no new information which would cause me to reflect on that judgment. It is not for me in any case to pass it to anybody else.

**CHAIR**—It is a commercial decision of IBM whom they invite to be their participants and they decide what benefit they are going to get out of it as well.

**Senator CROWLEY**—But, as some people now say, ‘But you don’t have to accept.’ I believe they are the words of a recent good script on television.

**Mr Podger**—That is true. It is also true that there are many other occasions where there are arrangements with companies where you could simply say no to everything. That is not what my instructions say. They say that you need to consider carefully are the ethical considerations and the pros and cons; whether there may be benefits to the organisation out of it, in terms of relationships or anything else. Those are considerations, but it is to be done openly, transparently, and there is not to be anything hidden about it. They are the principles we have in our ethical guidelines and we stick with them and I will stick with them myself.

**Senator CHRIS EVANS**—You were describing the process, Mr Podger. You discussed it with senior colleagues. You and Dr Harmer did that jointly?

**Mr Podger**—I spoke to Dr Harmer about it at the time because we both received invitations. We got invitations at the same time to Olympics events and we agreed to discuss it. I discussed this with my executive. I also know that Dr Harmer and I both discussed it with the HIC board in terms of the offers from IBM. Those are the sorts of processes we would go through.

**Senator CHRIS EVANS**—And you then said you have this requirement to disclose. How do you disclose?

**Mr Podger**—The main way of disclosing in a formal sense is for me to advise the minister on a thing like this, which I have done.

**Senator CHRIS EVANS**—Is that the process laid down in the guidelines? I know for us we have forms we fill in and submit to the registrar and it is—



**Mr Podger**—We have a process where all senior officers must declare their interests. In effect, this is an addition. I have not actually put it on paper, but I have spoken to the minister about it. I have not put it on paper in my disclosure. I disclosed to him my interests. My officers disclose to me their interests.

**Senator CHRIS EVANS**—Do you have a formal register of senior officers' interests?

**Mr Podger**—Yes, I do.

**Senator CHRIS EVANS**—And who keeps that? You do?

**Mr Podger**—It is kept in my office, yes.

**Senator CHRIS EVANS**—And who keeps yours, then?

**Mr Podger**—The minister. I send him a copy. I am not too sure how he keeps it, but there is a copy obviously in my file of what I have sent to him.

**Senator CHRIS EVANS**—Technically you think he is probably the keeper of your declaration and you are the keeper of the staff's declarations.

**Mr Podger**—I would think that is technically the way it goes, yes.

**Senator CHRIS EVANS**—But you have just done it by advising him verbally that you have accepted the invitation?

**Mr Podger**—I have not added it into my written declaration of interests but I have advised him orally about the matter.

**Senator CHRIS EVANS**—And Dr Harmer has done likewise?

**Mr Podger**—I assume he has done likewise. I do know he has raised the matter in the HIC board's discussions. I took advantage of that, being a board director, to discuss my own situation as well.

**Senator CHRIS EVANS**—I want to talk to them later on about another conflict of interest, so I might raise it with him then. Thanks.

**Senator CROWLEY**—Has IBM offered you, anybody else in the department or the minister's office, any other gifts?

**Mr Podger**—I do not know about any offers to the minister's office, but I am not aware of any other gifts being offered within the portfolio. I made clear to IBM from the very beginning that this department does not accept significant gifts, without a process of—well, significant gifts. If they have particular functions on—say a lunch or something like that—we would accept that as part of the way of doing business, if they did it that way.

**Senator CROWLEY**—Has anybody else besides you and Dr Harmer been offered tickets to the Olympics?

**Mr Podger**—Not that I am aware of, no. I would be surprised if they had and I was not aware of it.

**Senator CROWLEY**—Are you in training, Mr Podger?

**Mr Podger**—I believe I will be able to run the half kilometre or so that I need to do.

**CHAIR**—I would have thought that it is evident by looking at Mr Podger, to be honest.

**Senator CROWLEY**—I am resisting questions about which other senior people in this area did not get offered—or maybe did; we might have to check that somewhere else. I

understand from what you are saying, and in the light of what you have told us, you are still minded to carry the torch.

**Mr Podger**—I am still minded to carry the torch. I believe that it was a reasonable decision on my part to proceed with that.

**Senator CROWLEY**—Do you know where you will be carrying the torch, Mr Podger?

**Mr Podger**—Somewhere in Canberra. I believe it is likely to be somewhere in Belconnen but I have not got the details.

**Senator CROWLEY**—We will have to round up the cheer team on the side.

**Mr Podger**—As I said, I am making no secret of this matter. I have already discussed in a preliminary way with our public relations people how we might get some benefits out of the exercise.

**Senator CROWLEY**—Is Dr Harmer following soon after or shall we find him the other end of the ACT?

**Mr Podger**—I do not know.

**Senator CROWLEY**—I should imagine the spies in the department will have the time of their lives now with the Olympic torch going through so long as it makes it safely across the ocean.

**CHAIR**—Are there any further questions relating to the budget?

**Senator CROWLEY**—I think this relates very closely to the budget.

**CHAIR**—No, it does not. There is no Commonwealth expenditure on whether Mr Podger and Dr Harmer actually run with the torch at all.

**Senator CROWLEY**—No, but there is considerable expenditure on IBM and I think that is not without relevance.

**CHAIR**—Exactly. And it is in the interests of the Commonwealth that there be a good working relationship between the department and the supplier. That is commercial interaction. Any further questions? We will move on to program 2.

**Mr Podger**—Can I just add a point about the ANZFA question that was asked before about the funding, if I can settle that. You asked where the money had been redirected from in this year. I had been talking about last year's budget. You may recall in the budget last year there was an extra million dollars provided. That was offset within the portfolio out of the program I mentioned, the National Demonstration Hospitals Program, but \$3 million in the additional estimates was offset by \$1 million of rescheduling of expenses in the mental health program and \$2 million redirected out of the Medical Workforce Reform Program.

**CHAIR**—Thank you. At this stage may I welcome the minister, the Hon. Amanda Vanstone. Thank you for assisting the committee today. I wish to advise the committee that we will be adjourning at 1 o'clock for a one-hour lunch break. We will move on to program 2 because I believe there are some short matters that can be addressed prior to that time. Can I also advise, Mr Podger, that upon agreement that we have reached with the opposition, if there are any officers present for programs 4 and beyond they may leave until at least 5 o'clock this afternoon. We will monitor as time progresses to let them know if there is a push-back of that time. That may allow people to go back and be able to work. Is that satisfactory?

**Mr Podger**—Yes, thank you very much, Senator.

**CHAIR**—We will move on to program 2.

[12.45 p.m.]

### **Outcome 2—Access to Medicare**

**Senator CROWLEY**—Madam Chair, I would like to turn to the item on page 81 about the deletion of nasal sprays from the Pharmaceutical Benefits Scheme. Can I ask about the process of the identifying of nasal sprays as opposed to any other medications? Why them for de-listing from the PBS?

**Dr Morauta**—The Pharmaceutical Benefits Advisory Committee considered this matter and considered that these sprays should be deleted. I might ask Mr Stevens just to describe in a little bit more detail how that process worked, or Mr Lennon.

**Mr Lennon**—The government needs to make sure it can continue to sustain the high cost of subsidising necessary medicines and to subsidise new and important medicines as they are developed. This means that it has to set priorities for its expenditure. The government has taken the position that it should not be subsidising medicines that are for the relief of less serious conditions such as hay fever or medicines that can generally be bought over the counter for self-diagnosed conditions. In broad terms, the rationale for deleting nasal sprays from the PBS is the same as justifying the deletion of certain other medicines such as antihistamines from the PBS under previous governments.

You asked specifically about how the PBAC came to look at nasal sprays. The PBAC regularly looks at medicines that are listed on the PBS. It does this in a fairly structured way and with an eye to determining whether in particular situations particular drugs or classes of drugs should continue to be subsidised. As part of that process the PBAC came to have a look at nasal sprays and whether their continued listing was justified. Having examined the matter carefully, the PBAC took some decisions in relation to nasal sprays. The PBAC indicated that, in broad terms, PBS outlays may be better spent on patients with more severe diseases than those suffering from conditions for which nasal sprays are necessary and the government could consider the need for their continued listing, particularly in view of the fact that they are no longer prescription-only items.

The PBAC, as part of its regular reviews, had a look at the area of nasal sprays and advised the government that in its view the PBS outlays may be better spent in other areas and the government should consider seriously the need for their continued listing, particularly in view of the fact that they are no longer prescription-only items. The government, having taken that advice from the PBAC, took a decision to delete all nasal sprays from the Pharmaceutical Benefits Scheme.

**Senator CROWLEY**—How many members of the Pharmaceutical Benefits Advisory Committee were actually consulted about this change? Was the secretariat involved or outside experts—allergists, for example?

**Mr Lennon**—The Pharmaceutical Benefits Advisory Committee is a committee of scientific and medical experts. There are approximately a dozen members on the committee and they have a wide range of expertise in health and scientific areas.

**Senator CROWLEY**—Are any of them experts in allergies or ear, nose and throat?

**Mr Lennon**—I am not aware that any of them are experts in allergies, but there are a number of general practitioners as well as medical specialists. While they have no specific

expertise in allergies, they have a very broad base of expertise across a range of medical conditions.

**Senator CROWLEY**—Any ear, nose and throat experts?

**Mr Lennon**—No, there is no specific ear, nose and throat expert. Again, there are a number of general practitioners on the Pharmaceutical Benefits Advisory Committee who would be familiar with treating those conditions.

**Senator CROWLEY**—Yes, you have told us that, thank you very much, Mr Lennon. Did the PBAC contact or seek out any allergist or ear, nose and throat specialists in the process of making this decision?

**Mr Lennon**—The PBAC regularly looks at drugs or particular classes of drugs and has looked at issues around listing of nasal sprays—either specific nasal sprays or the general issue around listing of nasal sprays—from time to time. I am sure that over a period of time the committee has consulted widely in this area in relation to the specific decision to take, or to recommend to the government that it should consider taking, nasal sprays off the PBS. I am not aware that there was a specific consultation process with the particular specialists that you mentioned.

**Senator CROWLEY**—Thank you. Will this measure actually lead to direct savings to the PBS?

**Mr Lennon**—Yes, they will lead to direct savings to the PBS, Senator.

**Senator CROWLEY**—Have measures been taken—and, if so, what—to assess the additional cost to MBS and public hospitals as a result of adverse events caused by people not taking their medication because they can no longer afford it?

**Mr Lennon**—No specific steps of that nature have been taken because we do not believe that the adverse medication events to which you referred will be a problem.

**Senator CROWLEY**—What evidence or assurance do we have of that claim, particularly as some people do say that nasal sprays are used in the treatment of hay fever and often are a preventive step in the development of asthma?

**Mr Lennon**—I am going to ask Dr Peter MacIsaac, our senior medical officer, Pharmaceutical Benefits Branch to respond to that question.

**Senator CROWLEY**—Thank you.

**Dr MacIsaac**—Senator, would you mind repeating the question for me please?

**Senator CROWLEY**—I am not sure which question. There was no anticipation that changing the status of nasal sprays would lead to any increased illnesses or pathology. But some of us are concerned that nasal sprays are used to manage hay fever or other allergies and that these sometimes, if not managed, do lead to or often trigger conditions like asthma.

**Dr MacIsaac**—The first issue is that the Pharmaceutical Benefits Branch would not expect that patients who need these treatments for management of conditions like hay fever would stop taking them, but patients would continue to use the best treatment for their condition which their doctor recommends. The nature of the sort of problems that these drugs are commonly used for, such as hay fever, is that they are used for relatively short periods over the difficult months of spring and summer. They will doubtless continue to be used in that way. In terms of your question about are we likely to see an increase in hospital admissions with asthma and preventable diseases, it is my professional opinion that it is unlikely to occur.

**Senator CROWLEY**—We might have to ask you how you are going to measure that professional opinion, Dr MacIsaac. I am not sure whether you or Mr Lennon should answer this, but what percentage of PBS prescriptions are for concessional patients?

**Mr Lennon**—Are you talking generally, Senator?

**Senator CROWLEY**—Overall.

**Mr Lennon**—Around about 80 per cent.

**Senator CROWLEY**—Dr MacIsaac suggests that most people will go on taking their medication as before, but if 80 per cent of the people using these medications are concessional patients, they are not going to have too much of the ready by for increased costs. That is our concern, Dr MacIsaac.

**Mr Lennon**—Senator, most patients only suffer seasonal nasal problems and therefore require treatment for about three months per annum. For this group the additional cost of purchasing the most commonly prescribed nasal spray will only be about \$20 to \$25 per annum at usual doses.

**CHAIR**—Less than 50c a week.

**Mr Lennon**—Correct.

**Senator CROWLEY**—Did you say 50c a week?

**CHAIR**—Less than 50c a week.

**Senator CROWLEY**—That is if you amortise it over a whole year but if it is over three months it is actually \$2, isn't it? Some people nod.

**Mr Lennon**—Looked at over two months that is approximately correct, Senator.

**Senator CROWLEY**—I do not know how many people take their pharmaceutical sprays or nasal sprays on hire purchase, paying 50c a week. The trouble is for many of these folk they are living very close to the limit of their income and \$2 a week is not going to be something that many people can accommodate. That is a major concern, particularly with 80 per cent of these people being concessional.

**Senator CHRIS EVANS**—Senator, I do understand the point you are making about the percentages being up front, but nonetheless it is a common means of comparison as to the cost of something to look at it per week. It is not as if everyone is being deceptive in that sense. It is a pretty common way of allowing comparisons.

**Dr Morauta**—Senator, we could also provide to you a list of currently available, over-the-counter products if that would be of assistance to you in the nasal sprays area. I table those for the information of senators.

**Senator CROWLEY**—How have you actually calculated the maximum cost for these products once they are removed when you cannot control the manufacturers' price increases for OTC products? As I understand it, you do not really control profit mark-up by pharmacists.

**Mr Stevens**—Basically there is a number of products in this area and it is going to be a matter of competition. One would expect that would cause price control in this area. As well as the number of sprays coming off the scheme there is quite a number of sprays currently available OTC. That is the data being currently handed out.

**Senator WEST**—What is the long-term use effect on the nose of the ones that are on prescription? As I understand, a lot of those have a corticosteroid base and there is a long-term effect of using these OTC ones. It is a few years since I worked out there in health, but some of these look like the ones that were almost self-fulfilling, the more you used, the more you had to use, whereas the prescription ones do not have that effect.

**Dr MacIsaac**—Senator, I think what you are alluding to is that some of the drugs on this list, such as the oxymetazoline and the phenylephrine group are nasal vasoconstrictors. They are intended to be used for short-term therapy only, less than five days. That class of drug is primarily used for short-term nasal conditions like upper respiratory infection—a cold. They can be used very short term in hay fever to control the immediate symptoms while waiting for more efficacious and effective long-term treatment, such as an antihistamine or a nasal spray, to come into effect. Those types of treatments take some time. These over-the-counter medicines on the second page are designed for short-term therapy. Pharmacists and general practitioners who normally advise people about this type of therapy are fully aware of the complications of long-term treatment with them.

**Proceedings suspended from 1.00 p.m. to 2.12 p.m.**

**CHAIR**—As committee members know, Mr Podger indicated he wished to make a brief statement prior to this section of our deliberations. I believe the minister is on her way. I invite you, Mr Podger, to make that statement now; it might just save us a couple of minutes.

**Mr Podger**—Thank you, Senator.

**Senator FAULKNER**—Before you invite Mr Podger to address us, Chair, given that Mr Podger is going to make a prepared statement, it might assist the committee members if he has copies of it to give us. That sometimes helps. If you have not, you cannot help us, but I just thought you might have.

**Mr Podger**—I have a few handwritten ones but I can certainly pass them to you.

**Senator FAULKNER**—No, if it is handwritten it does not matter.

**Mr Podger**—Some of it is typed and some is handwritten.

**Senator FAULKNER**—No problems.

**Mr Podger**—Now that the ANAO's report into magnetic resonance imaging services is in the public arena I think it is appropriate that I make some observations on the key findings. The first point to make is that the Auditor-General has correctly identified some shortcomings in departmental processes. I accept his comments in some areas but not in others.

The main findings relating to the department can be addressed under three headings: the lack of documentation, the management of probity arrangements, and the approach to risk management. I accept that departmental documentation on negotiations with the college and in relation to the development of the supply measure was not adequate. However, it also needs to be acknowledged that the policy was formulated as part of the budget process and in that regard all documentary requirements were fully met. I believe that is made clear by the list of documents provided to the Senate on 10 May. Moreover, even though records were not kept of meetings with the college—and that should have occurred—the outcomes were reflected and agreed to in a comprehensive agreement with the college, developed over the period of the negotiations. After a slow start that agreement is working well.

Turning to the probity arrangements, the department accepts that it should have requested formal statements of interest and identified processes for handling conflict of interest and

confidentiality in negotiations with the college. Notwithstanding shortcomings in this instance, the department has placed a high priority on making its own staff aware of ethical issues and how to handle them. A comprehensive training program on how to handle ethical issues has been developed. It is now also standard practice for probity arrangements to be formally set out in any negotiations with professional or industry groups. However, I think it pertinent that whether or not an ethical framework was agreed with the radiology profession in the case in question, individuals have a personal responsibility for ethical behaviour and for obeying the law. I do not myself accept that the absence of an articulated and agreed ethical framework could possibly justify members of the committee ordering machines before the budget or other members breaking the law, as is being alleged.

Turning to the issue of risk management, the ANAO concluded that the department's approach to risk management was uneven. It also concluded that insufficient consideration was given to risk identification and management, particularly in regard to the decision to include machines ordered by budget night. Notwithstanding this observation, I am of a view that sufficient consideration was given to risk management. The only aspect where better attention might have been given to risk concerns the supply decision. Even there it is hindsight which suggests an alternative option should have been pursued. Of course, we shall never know the adverse impact of such an alternative. The policy process commenced with a risk analysis and the measure itself and subsequent implementation arrangements were directed at the key risks. The risks were at first identified in the options paper that was provided to the minister on 9 September 1997. That document has also been tabled. This paper specifically focused on the advantages and disadvantages of various options. The design of the policy that applied from budget night responded to the risks that were identified. Specifically, the department put in place a number of eligibility criteria, including siting arrangements, accreditation arrangements and comprehensive clinical indicators. The implementation of these detailed criteria and their link to MBS benefits was unprecedented in terms of the operation of the MBS.

The department also identified the possibility of non bona fide orders. That is why we drafted regulations which took effect from 1 September 1998, which required there to be unconditional and enforceable contracts in place as at 7.30 p.m. on budget night, with this having to be attested to by way of statutory declarations. It is my firm view that when viewed as a whole the risks were considered at every step during the process and were addressed appropriately through the proposed measure and through the actual implementation arrangements finalised by the legislative and regulatory arrangements. Although 33 machines were ordered in the four working days to budget night, the ANAO did not find that this was due to a leak. Instead, they concluded there were other factors likely to have contributed to the surge of orders as set out on pages 31 and 32 of the Auditor's report. However, there are several points to note about the surge in orders. The veracity of some of these orders is under investigation by the HIC. In other words, it is because of the measures that were introduced that the HIC has been able to pursue its investigations.

I also wish to emphasise that there was no risk to the public purse. There is no evidence that MRI scans were being provided that were not clinically necessary for the patients concerned. The greatest risk the department needed to manage was to provide stability and sustainability to the Medicare budget. With overall diagnostic imaging accounting for 15 per cent of the \$6.3 billion Medicare benefits budget, it was imperative that we obtained a workable agreement on diagnostic imaging. Achieving agreement on MRI, which accounted

for an estimate of \$41.1 million, was integral to that. It is still my judgment that, looking at the arrangements in totality, we addressed risks appropriately.

Let me make some concluding observations in this statement. It is my firm view that the overall objectives for diagnostic imaging, including MRI, have been met. I am of a view that the framework in place is constraining the level of spending for diagnostic imaging as a whole. For the first time we have an agreement with the college which gives us a framework for addressing underlying growth pressures. Those pressures are substantial and undoubtedly greater than were expected at the time of the 1997-98 budget. I believe growth in diagnostic imaging will decline from around 10 per cent per annum prior to the agreement, to an average of 5.5 per cent over the period of the agreement, which has been extended from three years to five years in the last budget.

I would like to table some material which illustrates what is being achieved in containing costs to the budget. I have two graphs here which I think show, firstly, that we probably underestimated the underlying growth pressures in 1998, but with the agreement we have been able to turn that around, particularly in the last 12 months. There has been a marked improvement in access to MRI and in the overall quality of diagnostic imaging services also brought about by the agreement. Thank you, Chairman and senators, for allowing me to put these remarks on the record.

**CHAIR**—Thank you, Mr Podger.

**Senator Vanstone**—I will resist the temptation to take issue with you, Mr Podger. I did not realise it had gone quite that swimmingly well. Senator Faulkner may want to start. We do want to start with this question about the statutory declarations and the tabling. You did not address any remarks to that.

Perhaps as a starting point, I got a question back on notice the other day. I think you told me last time that the department did not have anything to do with the approach to Ms Rogers regarding the statutory declaration. I see on the question on notice which came back in that Mr Keith was involved in the process. Is that right?

**Mr Podger**—That is correct. I think I advised last time that I did not know exactly what the process had been. The answer provided was that the process was that the minister contacted Mr Keith first.

**Senator FAULKNER**—Do we know precisely what time that approach was made by the minister, please, Mr Podger?

**Dr Morauta**—We will have to take it notice. We do not have the information here.

**Mr Podger**—I do not have the exact time of that, Senator, no.

**Senator FAULKNER**—But we have a date. We have the benefit of having Mr Keith here this time.

**Mr Podger**—We do, indeed, Senator.

**Senator FAULKNER**—I was a bit concerned that the evidence given last time might have been a bit misleading, but then I checked the *Hansard* and Mr Keith was not with us. He was not able to assist us and that is probably why we got the wrong impression, but he is here today.

**Mr Podger**—Yes, I am more than happy for Mr Keith to come forward to see if he can help you with these questions.



**Senator FAULKNER**—Mr Keith, what I was interested in knowing first of all was: Senator Vanstone refers to the answer provided to a question on notice asked by Senator Ray on 11 April this year which relates to the request for Ms Rogers to provide a statutory declaration. We are aware in the answer that the minister spoke to you. I just wondered precisely when the minister spoke to you, please.

**Mr Keith**—The minister rang me on Monday, 27 September.

**Senator FAULKNER**—Do you recall at what time of day?

**Mr Keith**—I am sorry, I do not.

**Senator Vanstone**—September, did you say?

**Mr Keith**—Yes. That is as I recollect.

**Dr Morauta**—Is that the right thing? Maybe it is not the right thing.

**Senator Vanstone**—I thought October was the relevant month.

**Dr Morauta**—I am sorry. We are on the wrong thing here.

**Senator Vanstone**—It is up to you to give your evidence. I do not want to put words in your mouth.

**Mr Keith**—Can we take that on notice? Sorry.

**Dr Morauta**—We are not sure about it. Sorry.

**Senator Vanstone**—I would rather not take it on notice. Can't we just get the answer? I do not think anyone is surprised that this is a line of questioning at this estimates hearing.

**Senator FAULKNER**—No, I think 27 September would be right.

**Senator Vanstone**—It may well be right. I am not saying it is wrong.

**Mr Keith**—As far as I am aware, it is 27 September.

**Senator FAULKNER**—That does make sense, can I say, Mr Keith, because Ms Rogers's stat dec was tabled in the House of Representatives on 27 September. The point of my question was that I assumed the approach was made prior to its tabling, but I wondered if you kept a note about when that might have occurred.

**Mr Keith**—No, I did not.

**Senator FAULKNER**—It would be an unusual thing for the minister to ring you, though, wouldn't it?

**Mr Keith**—No, it is not an unusual thing for the minister to ring on matters of policy.

**Senator FAULKNER**—How many calls from the minister would you have received in the last month?

**Mr Keith**—Several.

**Senator FAULKNER**—The minister ringing straight off the bat, just like that?

**Mr Keith**—I do not believe he rang straight off the bat.

**Senator FAULKNER**—Why not?

**Mr Keith**—He had a particular question he wanted to ask. He rang on 27 September to check again if there were any records. I indicated there were not and that I did not know whether Ms Rogers would have any records.

**Senator FAULKNER**—Let us be clear. You are talking about two separate phone calls now, are you, from the minister?

**Mr Keith**—No, I am talking about one phone call.

**Senator FAULKNER**—Could you tell us what the minister asked in the one phone call he made to you of 27 September 1999? What did the minister ask of you?

**Mr Keith**—He basically asked if there were any records of the meeting. Then I indicated there were not and that Ms Rogers was at the meeting, of which he was aware. Then he asked me if Ms Rogers would be prepared to sign a statutory declaration of what occurred at the meeting. I indicated that really it was a matter for him and Ms Rogers.

**Senator FAULKNER**—That is not what the answer to the question on notice says.

**Mr Keith**—He asked me to raise the matter with Ms Rogers, which I did.

**Senator FAULKNER**—So did the minister ask you to raise the matter with Ms Rogers?

**Mr Keith**—He did, and I did.

**Senator FAULKNER**—I know you did not raise the issue with Mr Podger, but did you raise the issue with any of your immediate superiors in the department of health?

**Mr Keith**—I raised it with my immediate supervisor at that time.

**Senator FAULKNER**—Who is that, please, Mr Keith?

**Mr Keith**—Charles Maskell-Knight.

**Senator FAULKNER**—I am sorry to be ignorant about this, but what office did he hold in the department?

**Mr Podger**—He was acting head of the division at the time, in Dr Morauta's absence.

**Senator FAULKNER**—You raised it with Mr Maskell-Knight. What did Mr Maskell-Knight say?

**Mr Keith**—He raised the matter with Ms Rogers.

**Senator FAULKNER**—He raised the matter with Ms Rogers? You didn't talk to Ms Rogers?

**Mr Keith**—I rang Ms Rogers also. I rang Ms Rogers and asked if she was prepared to sign the statutory declaration at the request of the minister. She indicated she was unaware of the process for doing this. I then spoke to Charles Maskell-Knight about the process for arranging a statutory declaration.

**Senator FAULKNER**—What did Ms Rogers express? Some concern or uncertainty, or what? She said she did not know the process. I understand that. What were her concerns?

**Mr Keith**—That was all she said.

**Senator FAULKNER**—She did not know the process?

**Mr Keith**—Yes.

**Senator FAULKNER**—So you tried to establish what the process was. Is that right?

**Mr Keith**—I raised with Charles Maskell-Knight what the process was.

**Senator FAULKNER**—When you raised the process with Mr Charles Maskell-Knight, is that the first occasion that Mr Maskell-Knight is in the picture here? Is that the first contact you made with Mr Maskell-Knight on this issue?

**Mr Keith**—That is correct.

**Senator FAULKNER**—Can you let the committee know what happened then, Mr Keith?

**Mr Keith**—I rang the minister back and indicated I felt it was appropriate that—

**Senator FAULKNER**—No, hang on. What did Mr Maskell-Knight say?

**Mr Keith**—Mr Maskell-Knight indicated that he had some experience in statutory declarations and that, if Ms Rogers was to pursue one, he would take responsibility for assisting her in the preparation of a statutory declaration.

**Senator FAULKNER**—Did Mr Maskell-Knight give you any other suggestions of what to do at this point?

**Mr Keith**—No.

**Senator FAULKNER**—As a result of that conversation and with the benefit of having spoken to Mr Maskell-Knight and Ms Rogers, you then rang the minister, Dr Wooldridge, back?

**Mr Keith**—Yes.

**Senator FAULKNER**—What did you say to Dr Wooldridge in that conversation?

**Mr Keith**—I indicated I thought it was appropriate, if he wanted a statutory declaration from Ms Rogers, that he contact her and ask for one.

**Senator FAULKNER**—I am reading between the lines here and perhaps I am wrong, but it was the view of the department that it was not appropriate for the department to be involved in this. The department was saying to the minister, ‘If you want a stat dec, you ring her.’

**Mr Keith**—I do not think it was the view of the department. I think it was my view.

**Senator FAULKNER**—It was your view?

**Mr Keith**—Yes. I thought it was appropriate for the minister to ask the officer directly.

**Senator FAULKNER**—But Mr Maskell-Knight felt he was happy to help Ms Rogers. Did Mr Maskell-Knight contact Ms Rogers? Do we know that?

**Mr Keith**—I do not know. He subsequently assisted Ms Rogers in the process of making a statutory declaration.

**Senator FAULKNER**—It is all pretty quick. It is all on the same day, isn’t it, Mr Keith?

**Mr Keith**—Indeed.

**Senator FAULKNER**—So he obviously did contact her again if he assisted her with the statutory declaration.

**Mr Keith**—I would not know that. I assumed that was the case, but I was not directly involved in—

**Senator FAULKNER**—Did Mr Maskell-Knight give evidence to the—

**Senator Vanstone**—Senator Faulkner, I am sorry, but there have been just a couple of occasions when it is clear that the respondent has not finished his answer. I know you have been keen to get on to the next answer.

**Senator FAULKNER**—Sorry, I did not mean to cut him off. I do apologise if I cut him off.

**Senator CROWLEY**—I must say that I am having an incredible problem hearing Mr Keith.

**Senator Vanstone**—Perhaps you can lean forward.

**Senator FAULKNER**—I did not mean to cut you off, if I cut off your answer.

**Senator Vanstone**—That may be what it is—that he does not realise there is more coming.

**Senator FAULKNER**—I'm sorry.

**Mr Keith**—I thought I had finished!

**Senator FAULKNER**—the point, Mr Keith, that this was all happening within a matter of hours, I would suggest: first of all, the minister ringing you, you talking to Mr Maskell-Knight, Mr Maskell-Knight contacting Ms Rogers and helping her prepare a statutory declaration, and your ringing the minister back and suggesting the minister directly contact Ms Rogers. There was a lot happening and the phones were running pretty hot because, after all, we had the actual statutory declaration we are talking about being tabled later in the day.

**Mr Podger**—Senator, you are quite right: there was a lot happening, and if you will bear with the officer, he is recollecting the events as best he can from what was obviously a busy day. He may not have all the answers to each of the specifics you raised, but he will do the best he can.

**Senator FAULKNER**—Yes. But you had direct contact with Ms Rogers, anyway.

**Mr Keith**—On one occasion.

**Senator FAULKNER**—On one occasion, but most of the tick-tacking at a departmental level I gather with Ms Rogers occurred with Mr Maskell-Knight. Would that be fair?

**Mr Keith**—That is correct.

**Mr Podger**—I think there was also contact, as I understand it, between Ms Rogers and our legal people about the process of preparing the document.

**Senator FAULKNER**—Yes. I noticed on the statutory declaration that it was sworn before Ms Dorsch, who may or may not be an officer of your department, but obviously that is a requirement anyway in terms of the Oaths Act. But did I understand, Mr Podger, you were saying Ms Rogers got advice from the department's legal officers before completing the statutory declaration?

**Mr Podger**—She spoke to one of our legal officers about the process of preparing a statutory declaration—correct.

**Senator FAULKNER**—I am just wondering how this fits with the evidence the last time that the department had no involvement in or knowledge of the statutory declaration process. It seems that we have two officers and the legal department involved. I am a bit concerned. The impression I got last time was that the department was not involved in the statutory declaration process. I may have a wrong memory, but I thought that was that case.

**Mr Podger**—I think the line of questioning was more to do with the process of any management decision around the statutory declaration, and there was not any pressure put on; there was a management decision whether or not—

**Senator FAULKNER**—What sort of decision? I just could not hear that, Mr Podger.

**Mr Podger**—A management decision to do it. As I understand it, the message was passed on to Ms Rogers, and Ms Rogers then agreed that she would wish to proceed, but there was not a management decision in that process. She spoke to the minister and, having decided she would proceed, she then spoke to our legal people about the process by which one fills in a statutory declaration.

**Senator Vanstone**—When did you become aware of this, Mr Podger?

**Mr Podger**—I did not become aware of this until afterwards.

**Senator CROWLEY**—‘Afterwards’ meaning?

**Mr Podger**—After the things had been tabled.

**Senator CROWLEY**—Do you mean 27 September?

**Mr Podger**—I cannot remember the exact date, but presumably it would have been on the 27th or the 28th, after the documents had been tabled.

**Senator Vanstone**—So neither Mr Keith nor Mr Maskell-Knight raised the issue with you?

**Mr Podger**—Not at that stage, no.

**Senator CROWLEY**—When did they?

**Mr Podger**—I do not recall exactly when they did.

**Senator FAULKNER**—Mr Podger, you have told us before that you were not aware of the stat dec until it was tabled, of course, and I appreciate that. I did find it a little hard to believe that a minister would contact a branch assistant secretary on such a sensitive issue, and not make a formal approach through the departmental secretary, but that is just how operations work between the minister for health and the department, is it?

**Mr Podger**—Senator, I recall that when I first became secretary to the department and the minister became the minister I had some discussions about the arrangements that might apply in communications between the minister, his office, and the department, and I strongly encouraged him to form a relationship where he felt confident he could ring my senior staff directly. I have never changed my mind on that. I think it is a good arrangement for a minister to feel confident in the department. Obviously, with sensitive issues, it is right for senior officers who have made contact with the minister to keep more senior people informed of what is going on.

**Senator FAULKNER**—So we can be assured, Mr Podger, that if Dr Wooldridge had contacted you you would have allowed Ms Rogers to provide a statutory declaration?

**Mr Podger**—I think I would have.

**Senator FAULKNER**—You think you would have?

**Mr Podger**—I think I would have. We are asking a hypothetical question here.

**Senator FAULKNER**—That is true. I acknowledge that it is hypothetical, but it is an important one, isn't it? You think you would have?

**Mr Podger**—I think I would have. But, as I explained to you and the committee the last time we met on this matter, when I did contact her later I sought a reassurance from her—and got it very readily—that she did not feel under any pressure whatsoever about the matter; she felt that she was quite happy about providing the statutory declaration.

**Senator FAULKNER**—But, you see, Mr Podger, the power relationships here are such that when a minister rings an officer like Ms Rogers on this matter, when basically you have a political crisis on your hands, when you have a situation where radiologists attending a meeting are saying one thing and a minister is skating on thin ice, you would have to acknowledge it is a rather imbalanced sort of power relationship, isn't it?

**Senator Vanstone**—If I may say, I do not think it is fair, Senator—through you, Madam Chairman—to ask an officer a question that asks them to accept your presumption and that they answer on the basis of your presumption that the minister was skating on thin ice at the time.

**Senator FAULKNER**—No, but I am talking about power relationships here.

**Senator Vanstone**—I understand you are, but your question was related to the stress that someone might feel where a minister is skating on thin ice, and Mr Podger is entitled to say to you, 'Well, that's a hypothetical situation.' It might have been your view at the time but I do not think you are entitled to expect the answer—

**Senator FAULKNER**—Yes, but this is not hypothetical, you see.

**Senator Vanstone**—Can I just finish, Senator? You are not entitled to ask the officers to answer a question that accepts a political premise put by you.

**Senator FAULKNER**—Yes, but this is not hypothetical, you see. The minister does ring Ms Rogers, and what I am asking Mr Podger to comment on is the power relationships involved here when a minister rings an officer in a department—not a junior officer, but by no means the most senior officer, or close to the most senior officer. in the department—and asks for a statutory declaration in these circumstances.

**Senator Vanstone**—To comment on the power relationships I think is perfectly fair, but to ask the officers to comment on the question as you originally put it, which contained—

**Senator FAULKNER**—No, I have reworked the question because of your sensitivities.

**Senator Vanstone**—So you have dumped that political premise? In which case the question is fine.

**Mr Podger**—Senator, I think I would expect any senior professional public servant to understand the responsibilities in filling out a statutory declaration; whatever power relationships you refer to, I would expect a senior public servant to be extremely careful to be absolutely accurate in a statutory declaration. That is the first point I would make. The second point is, as I indicated from my own answers before, I would have asked her to ensure that she was not feeling under any pressure. I did ask her that subsequently and she gave me a reassurance on that matter, and I have no doubt whatsoever about her reassurance to me in that regard.

**Senator FAULKNER**—There is some pressure here, though, is there not? At least at a minimum it is fair to say that the time frame is short. Here you have a statutory declaration required to be tabled the same day as the minister is talking to the officer. It is tabled in the parliament the same day.

**Senator Vanstone**—They do not take long, Senator. It is just a statement to which you put an attestation.

**Senator FAULKNER**—The trouble is, Senator Vanstone, with respect, that maybe a little bit more time would have been helpful, because it was proved to be flawed, you see.

**Senator Vanstone**—It may have been, but I am simply making the point that your assertion that this was done in a hurry does not fit with my understanding of stat decs. A client comes to see a solicitor to make a stat dec and it might be a half an hour appointment.

**Senator FAULKNER**—Anyway, look, it was done in a hurry. It was done on the same day.

**Senator Vanstone**—That is the point I am making: I do not accept that that is in a hurry.

**Senator CHRIS EVANS**—Maybe that is why there was an error.

**Senator FAULKNER**—The trouble is that it contained inaccuracies.

**Senator Vanstone**—You can postulate all you will. I am simply making the point—no more than this—

**Senator CHRIS EVANS**—I am making a point that we now know there was an error.

**Senator Vanstone**—that a stat dec done on one day is not a stat dec necessarily done in a hurry.

**Senator FAULKNER**—Well, it was done on the same day. Do we know if the minister requested Ms Rogers to provide the statutory declaration by a certain time? In other words, it is one thing to ask an officer for a statutory declaration. It is entirely another thing for a minister to ask for a statutory declaration to be supplied by a certain time. Can an officer at the table provide us any assistance with that?

**Mr Keith**—When the minister spoke to me, there was no issue of timing. He did not mention a time.

**Senator FAULKNER**—I see. Was contact continued between the minister's office and Ms Rogers during the period that this statutory declaration was being prepared?

**Mr Keith**—I am not aware of any contact, Senator.

**Senator FAULKNER**—No, but who would be?

**Mr Podger**—Ms Rogers herself would, of course, Senator. I could pass that question on to her.

**Senator FAULKNER**—Was a draft statutory declaration provided to the minister's office?

**Mr Podger**—I am not aware that there was any draft provided to the minister's office, no. I would have to ask Ms Rogers whether one was.

**Senator FAULKNER**—Could you please do that?

**Mr Podger**—I have just asked the person from my legal area and she says she is not aware of any draft having gone to the minister's office.

**Senator FAULKNER**—She may not be aware of it.

**Mr Podger**—Senator, I will have to put the question to Ms Rogers and take it on notice.

**Senator FAULKNER**—Thank you. Are you aware of a draft statutory declaration being provided to the legal area in your department?

**Mr Podger**—No, I am not aware of any draft being presented to my legal area of the department.

**Senator CHRIS EVANS**—Are you able to answer that question?

**Mr Podger**—Yes. The answer is they were not given a draft.

**Senator FAULKNER**—Is Margaret Mary Dorsch an officer of the department of health?

**Mr Podger**—She is. I think she is in the Public Health Division. No, she is in the blood review, in the staff of Ms Rogers's secretariat.

**Senator FAULKNER**—You would know this, Minister, I am sure. Do you have to currently be a justice of the peace to sign off under what used to be called the Oaths Act? I think it might be something different now.

**Senator Vanstone**—You do not have to be a JP. You could be a commissioner for taking oaths as well. There might be some other requirements. It might vary from state to state.

**Mr Podger**—One of the provisions is public servant for more than five years.

**Senator FAULKNER**—I see, yes. That is how it is signed. Thanks. If you could take that question on notice in relation to the draft I would appreciate it. Of course, what has since occurred is that we have a situation where there is at least one error in the statutory declaration that Ms Rogers signed. Is there any issue here of departmental practice, Mr Podger? I listened carefully to your opening statement about the appropriateness or otherwise of documents that involve recollections nearly 18 months after the events to which they relate are recorded.

**Mr Podger**—There is no particular policy position around something like that. Obviously the original problem was that there should have been records kept at the time, which I have clearly acknowledged.

**Senator FAULKNER**—Yes, but it is not best practice, is it?

**Mr Podger**—That is what I have just clearly acknowledged. It is not best practice not to have records of those meetings prepared at the time of the meetings.

**Senator FAULKNER**—Are you absolutely satisfied that in the preparation of Ms Rogers's statutory declaration she was not able to depend on anything other than memory?

**Mr Podger**—I have no personal basis to make an assessment other than that she, a senior and capable and experienced officer of the department, signed a statutory declaration.

**Senator FAULKNER**—No, with respect, I do not think that is right, because you have told the committee that no notes were in existence, taken either at the meeting or after the meeting relating to the meeting of the 6th.

**Mr Podger**—I am sorry, I am not too sure what the question is, Senator.

**Senator FAULKNER**—I am asking on what basis an officer could draw up a statutory declaration. Is there any basis other than memory and recollection, given the evidence that you have previously definitively and categorically given to the committee that no notes were taken either at the meeting or made subsequent to the meeting?

**Mr Podger**—Ms Rogers says in her statutory declaration, 'These are my recollections of the discussion on this issue.' I assumed, therefore, her statutory declaration was based entirely on that, and my previous answers have been based on her advice to me that there were no notes, as well as no other records kept of those meetings.

**Senator FAULKNER**—Anyway, as it turns out, there is a defect in the statutory declaration to which we refer, and I wonder if you could inform the committee when you became aware that there was a defect in the stat dec.

**Mr Podger**—I believe I became aware about 10 November.



**Senator FAULKNER**—And could you explain to the committee, please, Mr Podger, how you became aware that there was an inaccuracy in the stat dec?

**Mr Podger**—I cannot remember exactly who it was who advised me on 10 November but I was advised by either Ms Rogers or somebody from the division about correspondence suggesting that one of the names mentioned in Ms Rogers's statutory declaration should not have been there because he was not present.

**Senator FAULKNER**—This is Mr Brazier's correspondence.

**Mr Podger**—Dr Brazier's letter; that is right.

**Senator FAULKNER**—I am sorry, did I say 'mister'? Dr Brazier's correspondence—which has been tabled today.

**Mr Podger**—That is correct.

**Senator FAULKNER**—It is not a very clean copy but it is a very brief letter, as you know. If I just read this, could you confirm—it is a very poor copy I have—that this is Dr Brazier's correspondence to Ms Rogers which says:

I have just read your Statutory Declaration concerning the meeting between the minister and Professor Sage and others. I note you mentioned I was present, but in fact on that occasion I was not. While I attended many of the meetings on MRI, I have never met Dr Woolridge.

I'm sorry that events got to the stage where you had to make the Statutory Declaration.

This small inconsistency is probably of no importance, but I thought I should mention it, so there is no potential for you to be compromised in any further dealings on this matter.

Best wishes, David Brazier.

I think that is an accurate rendition of what is a very ordinary copy of the correspondence.

**Mr Podger**—That is exactly what my copy says.

**Senator FAULKNER**—So that was received in the National Blood Review section on 5 November 1999?

**Mr Podger**—That is what is marked on the letter, yes.

**Senator FAULKNER**—I am going on the mark. There is no reason to doubt that that is the case?

**Mr Podger**—I have no reason to doubt that at all.

**Senator FAULKNER**—And this was drawn to your attention on 10 November 1999?

**Mr Podger**—That is my recollection; it was 10 November.

**Senator FAULKNER**—Do you know who drew it to your attention?

**Mr Podger**—Can I take that on notice. I cannot remember the exact person but I should be able to identify who it was who told me on 10 November. I suspect it was Ms Rogers but I do not know for sure.

**Senator FAULKNER**—You would see this as a fairly serious issue, wouldn't you? We have a minister defending himself via the vehicle of statutory declarations tabled in the House of Representatives and one of them is false. What happens then?

**Mr Podger**—I believe that while the letter was received on 5 November 1999, which was a Friday, Ms Rogers believes she did not get it until Monday, the 8th and she made an

appointment to see me on the 10th. That is my understanding. I have no reason to disbelieve that. That makes sense.

**Senator FAULKNER**—Of course it does. It would be centrally received, I assume, and then go to the relevant officer over the ensuing period. That does make sense to me, too. Is that the sort of process we are talking about?

**Mr Podger**—That is right.

**Senator FAULKNER**—So received Friday, the 5th; in Ms Rogers's hands by Monday, the 8th; and an appointment to see you on the 10th. You do recall the meeting you had with Ms Rogers on the 10th?

**Mr Podger**—I do not recall it right now, but I am sure if I look at my diary I will be reminded of the meeting. I cannot remember the actual meeting, but I do remember the matter was raised with me on the 10th. I am trying to make a distinction between personally remembering the actual meeting and knowing that I have checked my diary records to say yes, there was a meeting on the 10th.

**Senator FAULKNER**—Do you remember what was discussed there?

**Mr Podger**—This correspondence.

**Senator FAULKNER**—Can you explain to the committee the detail of the meeting?

**Mr Podger**—No, I cannot remember the full details of the meeting, but obviously the issue—

**Senator FAULKNER**—Why can't you remember them, though?

**Mr Podger**—I do not have detailed notes of every meeting I have in my office. What I do know is that we discussed the need for Ms Rogers to reflect on her statutory declaration and that we would need to draw this to the attention of the minister.

**Senator FAULKNER**—Before we move down the second track, can I draw a distinct—

**Mr Borthwick**—Sorry. I also attended that meeting on the 10th between Mr Podger and Ms Rogers.

**Senator FAULKNER**—Do you recall Mr Borthwick attending, Mr Podger?

**Mr Podger**—I would have to go back to my notes. I do have some diary list.

**Senator FAULKNER**—You know where I am going, don't you, Mr Podger? This is a meeting that was held seven months ago. You do not seem to have very much recollection of it at all, but the minister has asked Ms Rogers to provide a statutory declaration for a meeting that she attended 18 months ago. This is why people are incredulous about the statutory declaration process. I am not surprised and I am not even critical. I am not even critical because, frankly, if you asked me similar questions about meetings I was attending 18 months ago, I might struggle too.

**Mr Podger**—With respect, Senator, this is not a debating point. I have lots of meetings in my office as secretary of my department. If this was the meeting as a culmination of an extensive process of negotiation, I would expect to have a much greater memory of it, particularly if I was the officer in charge of that negotiation. I do think there is a distinction between my recollection of this meeting about this statutory declaration and a letter, as you read out—all of three or four sentences—of a meeting in November. I think the two are of different proportions.

**Senator Vanstone**—Senator Faulkner, I understand the point you are wanting to make. It can be argued in a variety of places. You can drop around to any of the local courts and listen to people arguing about liability for crashes and you will get some junior practitioner who will say, ‘Did the cars pass you?’ ‘Yes.’ ‘What colour were the cars that passed you?’ With any luck you will have a sensible magistrate who will say, ‘Look, we see these things every day. You’re not expected to remember the colour of a car that passed you that you didn’t bash into.’

The point I am making is there is a very clear understanding amongst people who deal with the importance of memory recollection that there are categories of things that you will remember, because they distinguish themselves from things that happen every day, and things that you will not remember. For example, you may well remember things about a crash that happens but you cannot be expected to remember about passing vehicles that you do not have an interaction with. It may well be the case that you have asked Mr Podger about a meeting that fits into the latter category. Typical meetings that happen every day he would not be expected to remember, as opposed to a meeting that you say should be less memorable because it was a longer time away, when in fact it may be more memorable to this person we have been talking about because of the nature of the meeting and the fact that it is not the sort of meeting that happens every day. I am just inviting you to reflect on the importance of saying, ‘Oh, well, you don’t remember this meeting but you do remember that one.’ That alone is not going to get you very far.

**Senator FAULKNER**—Mr Podger, do you know of any instance in your long career as a Commonwealth officer where a departmental officer has been asked by a minister to provide a statutory declaration to be tabled in the House of Representatives or, for that matter, in the Senate?

**Mr Podger**—I do not recall another occasion.

**Senator FAULKNER**—Off the top of my head I must say I cannot either. Wouldn’t this be a matter that was, firstly, quite unique in its nature and of some political significance, particularly when you find that statutory declaration contains a glaring inaccuracy?

**Mr Podger**—‘A small inconsistency’ were the words that Dr David Brazier used.

**Senator FAULKNER**—Whatever spin one cares to put on it, it was inaccurate and it has been tabled in the House by a minister around a contentious issue. I do not think that is a politically partisan comment. I think we would all acknowledge it is contentious and a matter of significant public interest. I merely make the point that such a meeting and such a matter I would have thought would be a significant one for any departmental secretary.

**Mr Borthwick**—It obviously was significant, because both the secretary and myself attended it.

**Senator FAULKNER**—Anyway, Mr Podger, could you tell us what happened as a result of the meeting?

**Mr Podger**—It was agreed that we should prepare some advice for the minister, which we did. I should mention that Ms Rogers was going overseas towards the end of that month—I do not have the exact dates—so there was a break between that meeting on the 10th and when my advice went to the minister on 18 November, a week later.

**Senator FAULKNER**—But at the meeting on 10 November, to be fair about it, I assume Ms Rogers explains to you that she has received the letter from Dr Brazier, there is a problem

and at a pretty early opportunity Ms Rogers is drawing it to your and Mr Borthwick's attention. It is fair to say that, isn't it? That is the process?

**Mr Podger**—That is correct.

**Senator FAULKNER**—You have told us that a brief goes to the minister on 18 November, but do you ask Ms Rogers to respond to Dr Brazier? What do you and Mr Borthwick ask Ms Rogers to do in this circumstance, if anything?

**Mr Podger**—We spoke to her about the need for her to reply to Dr Brazier as well.

**Senator FAULKNER**—She does that and she points out in her letter to Dr Brazier:

**Senator FAULKNER**—She does that and she points out in her letter to Dr Brazier:

Thank you for your letter of 18 October 1999 concerning the Statutory Declaration that I made on the 27 September 1999.

Your advice that you were not present at the 6 May 1998 meeting has been drawn to the attention of the Department and the Minister.

I appreciate your letter to me.

Yours sincerely

That is what Ms Rogers says in a letter signed on 26 November 1999 to Dr Brazier.

**Mr Podger**—That is correct.

**Senator FAULKNER**—She can say that because it is true; it has been drawn to the attention of the department, at least in the meeting you have on 10 November, and you have indicated a brief has gone to the minister on 18 November.

**Mr Podger**—That is correct.

**Senator FAULKNER**—We might get to the timing of the tabling of some of this material at a later stage, but Dr Brazier has been informed. After that on this issue is Ms Rogers effectively out of the loop then?

**Mr Podger**—Yes. As I mentioned to you, she was also out of the country. I am not too sure exactly what period but somewhere between 10 November and 26 November, for some of that period, she was out of the country.

**Senator FAULKNER**—Yes.

**Senator CHRIS EVANS**—Could I ask, Mr Podger, whether she raised it directly with the minister.

**Mr Podger**—I do not know whether she raised it directly with the minister. I suspect that she felt my raising it with the minister was sufficient, but I do not know whether—

**Senator CHRIS EVANS**—Could you take that on notice?

**Mr Podger**—Sure.

**Senator CHRIS EVANS**—Given that the minister contacted her direct, I wonder whether she felt it necessary to contact him. I will be interested to know that. But you think it more likely she went through you as the department head to pursue the matter. Did you tell her at that meeting you would be bringing it to the minister's attention.

**Mr Podger**—Yes.

**Senator FAULKNER**—Mr Podger, that advice goes in the form of a departmental brief, does it, to the minister on 18 November, or do you have a chat about it, or is it in writing or what?

**Mr Podger**—It is a written brief that I sent to the minister on 18 November.

**Senator FAULKNER**—Is there any communication prior to the written brief going across—a phone call to the office or a mention to the minister or anything else—or are you dependent on the brief only?

**Mr Podger**—I do not believe there was a prior phone call. There could have been, but I do not recall a prior phone call before my minute went over.

**Senator FAULKNER**—But you would recall that if it had been made, wouldn't you?

**Mr Podger**—I probably would recall it. I do not recall every phone call I make to a minister's office.

**Senator FAULKNER**—It is a departmental brief. Mr Podger, would you be able to make a copy of that brief available for the benefit of the committee, please.

**Mr Podger**—I do not think it is usual for my comments and advice to be provided to this committee.

**CHAIR**—No, I rule that out of order. A communication from the department to the minister of that nature I think is confidential.

**Senator FAULKNER**—With respect, Madam Chair, I do not think the question is out of order. Perhaps someone can say, 'No, we are not going to provide the advice,' but it is perfectly proper to ask for it. Often departmental briefs are provided to committees.

**CHAIR**—Senator Faulkner, you know as well as I do that advice given directly to the minister is generally protected. The type of advice you are now seeking I think certainly falls into that category.

**Senator CHRIS EVANS**—Perhaps I can make a suggestion, Madam Chairman. This discussion is very interesting but it might be one that the committee might want to have privately at some later stage. I am only here till 4 o'clock. You could argue for hours between yourselves about what question is appropriate, but we have the answer—the information is not coming forward - so why don't we move onto the next question.

**Senator FAULKNER**—Mr Podger said he does not think it is appropriate. What I would like you to do is take the question on notice and ask the minister in these circumstances whether he will provide the brief. The point I am making to Senator Knowles is that the question is not out of order; whether it is provided or not is another issue. We will debate that at a later stage.

**Senator Vanstone**—Senator, if that makes you happy and it allows us to move on, I am happy to do it.

**Senator FAULKNER**—It does not make me particularly happy. I would be much happier if it were provided, but—

**Senator Vanstone**—You do have a dour demeanour, but I am trying to make you happy.

**Senator FAULKNER**—You may not be as informed on this issue, Senator Vanstone, as others around the table. There has been a deliberate cover-up on this sort of material for a very long period of time and it would be in the best interests of the parliament—and certainly in the public interest, I am sure—if this brief was provided.

**CHAIR**—That is your assertion, Senator Faulkner, that there is a deliberate cover-up. There is no evidence that there has been.

**Senator Vanstone**—It is an assertion, and it is not one that I accept.

**CHAIR**—There is no evidence that there has been a cover-up.

**Senator Vanstone**—Senator Faulkner, if you enjoy the indulgence of the camera being on you and being the centre of attention, please continue. Ask your next question.

**Mr Podger**—I must make one comment on that, simply to say, of course, all this material has been available to the Auditor-General, including the fact that there was an error in Ms Rogers's statutory declaration.

**Senator FAULKNER**—That may well be true, Mr Podger—

**Mr Podger**—Sorry, I was just referring to your comment about a cover-up. The information has in fact been available to the Auditor-General.

**Senator FAULKNER**—We do not know what has been made available to the Auditor-General. As time goes on we will try and get to the bottom of that.

**Mr Podger**—In terms of this particular one, I understand there was correspondence between the minister and the Auditor-General last week to confirm that he had been aware of the error in Ms Rogers's statement.

**Senator FAULKNER**—The Auditor-General was aware?

**Mr Podger**—Yes.

**Senator FAULKNER**—I am sure that is the case. The Auditor-General may well have been made aware last week after it became a public issue, after there was press publicity about it. The problem you have, Mr Podger, is that the parliament was not made aware. At the time you sent the brief to the minister, was there any thought given to the Prime Minister's code of ministerial conduct about correcting the record on an issue like this at the earliest possible opportunity?

**Mr Podger**—I feel we are entering into an area where you are asking me to advise this committee of what was in my advice to my minister. I feel very uneasy about that.

**Senator FAULKNER**—Okay. Can you tell us whether parliament was sitting at the time you sent your brief to the minister?

**Mr Podger**—My minute was Thursday the 18th. I do not remember whether parliament was meeting that week, but it was certainly meeting the week after.

**Senator FAULKNER**—Yes. Can you explain to the committee what the process was after this brief was received by the minister informing him that there was an inaccuracy in a document he had tabled in the parliament? I assume he received it close to 18 or 19 November. It is quite a few months ago now. Do we know what happened then?

**Mr Podger**—I can only say there was at least one meeting I had with the minister where the matter was discussed.

**Senator FAULKNER**—Do you know when that meeting was held?

**Mr Podger**—On 24 November.

**Senator FAULKNER**—Did you provide advice to the minister consistent with what was contained within your departmental brief?

**CHAIR**—I am just not going to countenance those questions, Senator Faulkner, where you are directly asking Mr Podger for information he has given directly to the minister. I am sorry.

**Senator FAULKNER**—No, I am not asking for information. I am asking whether the secretary to the department provided advice consistent with the brief. That is all. I do not see any problem with that. I am not asking what the advice was. It is a process question.

**Mr Podger**—My advice was given consistent with my brief.

**Senator FAULKNER**—Thank you. Is the department aware, Mr Podger, of the need to correct, at the earliest possible opportunity, any misleading—deliberate or otherwise—of the parliament made by a minister? This is inadvertent or otherwise, as you would appreciate.

**Mr Podger**—The department is aware of the guidelines in this area.

**Senator FAULKNER**—What happened after your meeting on this issue with the minister on 24 November? The parliament is sitting. The parliament sat through to mid-December, wasn't it?

**Senator CROWLEY**—I think we sat until 11 December or something, as I recollect.

**Senator FAULKNER**—Can you indicate to the committee whether the department provided advice to the minister that he was required to correct the record because an inaccurate statutory declaration had been tabled in the parliament?

**Mr Podger**—I have advised that I had given advice on the 18th and I spoke to the minister on the 24th, but I have not given information on what my advice was.

**Senator FAULKNER**—Yes, and I appreciate you have given that previous answer but my question was a little different. I was asking whether the department advised the minister about the need to correct the public record, to notify the parliament that an inaccurate statutory declaration had been tabled.

**Mr Podger**—Senator, I am unwilling to provide here—without reference to my minister—answers to questions which clearly go to what was or was not in my advice to the minister.

**CHAIR**—That is right.

**Mr Podger**—One way or another, the answer to that question will give a clear indication of what was in my advice. I feel, under the standing orders, I am not meant to do that unless I get the okay from my minister.

**CHAIR**—I will uphold that. Senator Faulkner, I think you know that the line of questioning you are asking is putting Mr Podger in a very difficult position. He has made it very clear—as have I, as has the minister—that that line of questioning will not be accepted and never has been.

**Senator FAULKNER**—The reason we have a problem, Chair, is that I have absolutely no doubt that the department provided advice that there was a need to correct the record and do so at the earliest possible opportunity but, of course, Dr Wooldridge did not do so. It is a matter of fact that it was drawn to Dr Wooldridge's attention by formal brief and in a formal meeting soon after.

**CHAIR**—Do you have any further questions?

**Senator FAULKNER**—Yes, I have a number. Given that this issue is left hanging in late November, Mr Podger, and the department, you have indicated, is well aware—but let me just test you on this again. The department does understand; you indicated you had knowledge and understanding of the requirement of a minister to correct the public record, to notify

parliament when parliament had been misled. The department was well aware of that. You have told the committee that, but let us be clear about this for the record.

**Senator Vanstone**—Madam Chairman, really, these estimates have a time span you can fill, but by repeating questions two or three times in the space of one hour, the same question is not only boring for everyone else, it is a waste of time. That question has been put to Mr Podger and, as Senator Faulkner recognises himself, he has answered the question. There is no need for it to be repeated, other than for the indulgence of Senator Faulkner, or to have everybody here watching him indulge himself—at, I might say, taxpayers' expense.

**CHAIR**—Senator Faulkner, it would be helpful if you could move on to new questions.

**Senator FAULKNER**—What happens after late November in the event that the minister does nothing to correct the record? Does the department draw it to his attention again?

**Senator Vanstone**—Can I say that—

**Senator FAULKNER**—There is nothing wrong with that question.

**Senator Vanstone**—There might not be. There might be, though.

**Senator FAULKNER**—You have to listen.

**Mr Podger**—I do not recall raising the matter directly with the minister again. I do recall the matter being raised with his office after 24 November but I do not recall raising it directly with the minister after that date. The next thing in the list of events is that the minister did provide advice—an annotation to my minute—back to the department on, I believe, 10 December or 13 December that he agreed with the material being tabled.

**Senator FAULKNER**—What material being tabled?

**Mr Podger**—The correspondence between Dr Brazier and Ms Rogers.

**Senator FAULKNER**—Do we know whether that was 10 December, or was it 13 December?

**Mr Podger**—I think 10 December was when the minute was marked out of the minister's office and 13 December was when it was marked into mine.

**CHAIR**—The 13th was what, Mr Podger?

**Mr Podger**—Monday the 13th.

**Senator FAULKNER**—Was that an obligation of the department then?

**Mr Podger**—I think there was an obligation on the department then. It was at that point where there was an administrative oversight by the department in not following through on that matter.

**Senator FAULKNER**—What does the minister annotate? You just said he said the material should be tabled; the minister agrees the material should be tabled.

**Mr Podger**—And, by implication, asks if the department ought to arrange the tabling of the papers.

**Senator FAULKNER**—What do you mean 'by implication'? This is an absolutely crucial point, Minister, and a perfectly reasonable question. The secretary tells us it is by implication and I want to know what 'by implication' means.

**Mr Podger**—I am sorry, Senator. I missed the question.

**Senator Vanstone**—Sorry, it was my fault. I was distracting Mr Podger.



**Senator FAULKNER**—Yes, I noticed. You used the terminology ‘by implication’, Mr Podger.

**Mr Podger**—This is where I get into some difficulty, Chair, because the minister’s annotation referred to words in my minute and by that, one would say by implication, he referred to my advice which implied that the department would arrange the tabling of the relevant material with the tabling office.

**Senator FAULKNER**—Are you aware of any example of a department making such arrangements with the tabling office, as opposed to a minister or a minister’s office?

**Mr Podger**—It does occur from time to time—when parliament is sitting, in particular—that the paperwork is handled between the department and the tabling office.

**Senator CROWLEY**—When was the last time you did it, Mr Podger?

**Senator Vanstone**—You surely would not expect that to be on a hard disk that is easily accessible, would you?

**Senator CROWLEY**—Yes.

**Senator Vanstone**—I think that is unreasonable.

**Senator CROWLEY**—I am not here to answer questions about what I presume. I am asking Mr Podger, who says he reckons it happens from time to time, whether he could tell us when he last did it.

**Senator Vanstone**—I think the notion of public servants walking around with a dated memory of every time they last did an action that someone might later ask them about is frankly incredible, but Mr Podger might have something to tell us.

**Senator CHRIS EVANS**—Sometimes they see fit to put in statutory declarations about it 18 months later, Minister, so they obviously have to have good memories these days because they do not have any notes in their files.

**Senator Vanstone**—It depends. Sometimes they do. It comes back to the point about, ‘What colour is the car that passed you?’ as opposed to ‘What colour was the car that you hit?’ Some things by implication are more memorable than others, Senator.

**Senator CHRIS EVANS**—That analogy was lost on me the first time, Senator.

**Senator Vanstone**—That should be pretty obvious to someone like you.

**Senator CHRIS EVANS**—It missed me the first time.

**Senator Vanstone**—Perhaps I should have made it simpler.

**CHAIR**—I think the meeting of significance that Ms Rogers appeared at, and the timing of lodging something with the tabling office, is very different. Mr Podger, do you have a date to—?

**Mr Podger**—I do not have a particular other example, but I am aware that we have quite frequently handled papers between the department and the tabling office.

**Senator Vanstone**—Madam Chairman, just for the record, Senator Evans has made it perfectly clear he did not understand the analogy that you are likely to remember the colour of a car you hit as opposed to the fact that you are not likely to remember the colour of a car that you passed, but did not hit. I have indicated to him that I will try and make it simpler for him.

**Senator CHRIS EVANS**—Thank you, Minister. You are a great loss to the law, obviously.

**Senator Vanstone**—It is a pretty simple proposition, Senator, about what is memorable and what is not.

**Senator CHRIS EVANS**—Yes. I do not know whether you intend adding any value today, or just sort of distracting but—

**CHAIR**—Are there any further questions?

**Senator CHRIS EVANS**—Yes.

**CHAIR**—Please proceed.

**Senator FAULKNER**—Did you seek advice from the Department of Prime Minister and Cabinet at any stage, Mr Podger, about the appropriateness of the department tabling advice when a minister has misled the parliament?

**Mr Podger**—I do not recall us approaching the Department of Prime Minister and Cabinet on this matter.

**Senator FAULKNER**—So again the department has just fronted up and accepted responsibility on this. This is a failure of the department. The department did not correct the record when the minister misled the parliament. You are willing to cop that one, are you? You will wear that one?

**Senator FAULKNER**—So again the department has just fronted up and accepted responsibility on this. This is a failure of the department. The department did not correct the record when the minister misled the parliament, so you are willing to cop that one, are you? You will wear that one?

**Mr Podger**—There is no doubt that there was an administrative oversight by the department. We were asked by the minister to arrange things in the minute back to me that I got in my office on the 13th, and we should have acted on it. I accept that criticism.

**Senator CHRIS EVANS**—You said earlier ‘by implication’, and now you are saying it was by a minute. I am unclear now what you are saying, Mr Podger. Did the minister minute to you saying, ‘Action this’?

**Mr Podger**—The minister annotated my note of 18 November, and when it came back after parliament had risen the department should have taken action, which it did not.

**Senator FAULKNER**—What should the department have done?

**Mr Podger**—The department should have gone back to the minister about correspondence he would then have had to enter into, as he has done in the last couple of days.

**Senator FAULKNER**—Yes, but the department should have gone back to the minister and done what?

**Mr Podger**—Basically the procedure that has been undertaken in the last few days—that is, write to the Speaker and write to the President of the Senate, as has happened on Friday and today. We should have prepared that material for him after getting the minute back.

**Senator FAULKNER**—You should have prepared the letters?

**Mr Podger**—We should have prepared the material for him, yes.

**Senator FAULKNER**—For his signature.

**Mr Podger**—Yes.

**Senator FAULKNER**—Was it tabled today with his signature, or yesterday or whenever the tabling took place?

**Mr Podger**—He wrote and signed off a letter to the Speaker, I believe on Friday, and to the President today.

**Senator FAULKNER**—Do you really believe, Mr Podger, that we should accept that such a letter should be drafted in the department?

**Mr Podger**—I think under the circumstances we should have, yes.

**Senator FAULKNER**—Under what circumstances?

**Mr Podger**—When the minister advised that he wanted us to proceed with the matter, we should have then helped him to proceed with the matter, and we did not.

**Senator FAULKNER**—You are just the fall guy, aren't you. You are just the fall guy all the time.

**CHAIR**—I think that is an inappropriate question, Senator Faulkner. You are again carrying your loaded political assessment of the situation. The officers have been very helpful. They are happy to answer matters of fact, but political assertions or accepting your personal views is not what they are here to do.

**Senator FAULKNER**—Where is the covering letter? I have the two letters of Dr Brazier to Ms Rogers and Ms Rogers to Dr Brazier, but there is no covering letter.

**Mr Podger**—I have here for tabling, if you like, the letter to the President of the Senate signed by Dr Wooldridge this morning. If you wish, I also separately have the letter signed on Friday to the Speaker.

**Senator FAULKNER**—Thank you. That would be helpful.

**Mr Podger**—I have 10 copies of the letter to the President and we have the other one as well.

**Senator FAULKNER**—Has Dr Wooldridge or his office drawn to your attention the fact that he has not corrected the record for misleading parliament? Was that ever drawn to the department's attention before the matter appeared in the press just a few days ago?

**Mr Podger**—No, nor have I with him.

**Senator FAULKNER**—No, but you did not mislead parliament.

**Mr Podger**—Senator, that is your interpretation.

**Senator FAULKNER**—It is my interpretation on this matter.

**Mr Podger**—I am very reluctant to make any comment.

**Senator FAULKNER**—You did not table the statutory declaration. That is my interpretation and I think it is fair to say it is a matter of fact.

**Mr Podger**—If I may, Ms Rogers did not in fact change her statutory declaration. She noted the correspondence. She felt that she had prepared her statutory declaration conscientiously and to the best of her recollection at the time. She did not actually correct it but she did in correspondence note Dr Brazier's letter. Dr Brazier himself said he did not regard this as a major issue, and Ms Rogers is very firmly of the view that the key point in her statutory declaration about there being no leak on 6 May stands. I just make those points.

**Senator CHRIS EVANS**—I am just not clear on what you are saying, Mr Podger. Are you suggesting that Ms Rogers does not accept that Dr Brazier was not there?

**Mr Podger**—No, she accepts that he was not there but her statutory declaration is in terms of what to the best of her recollection was the case and she actually did not feel she ought to be changing her statutory declaration because that had been the best of her recollection. But she did in correspondence with Dr Brazier note his letter.

**Senator CHRIS EVANS**—The implication of that might well be that there is some dispute about whether he was there or not. I am just trying to clarify it.

**Mr Podger**—She is not trying to dispute that but she felt that she had prepared her statutory declaration conscientiously and to the best of her recollection and that it would not be appropriate then simply to correct it. She felt the best way to handle the situation was in the correspondence she had with Dr Brazier.

**Senator FAULKNER**—After a journalist writes about this, some five months later Dr Wooldridge corrects the record on 19 May.

**Mr Podger**—Is that a question?

**Senator FAULKNER**—I am asking you.

**Mr Podger**—My understanding is that he has now, as I said, written to the President and to the Speaker, providing them with copies of the correspondence, yes.

**Senator FAULKNER**—And nothing happens between 13 December and 19 May at any level by anyone—the minister's office, the minister or anywhere else—to correct the record in relation to this statutory declaration.

**Mr Podger**—Yes.

**Senator FAULKNER**—It is not raised with you or the department.

**Mr Podger**—And it is not raised by me or the department back with the office.

**Senator FAULKNER**—That is correct. It is not your responsibility.

**Mr Podger**—I am accepting that there is—

**Senator FAULKNER**—Of course you are. We know that. As I said, you are always the fall guy, Mr Podger.

**Mr Podger**—That is your view. I am being quite sincere in my comment.

**CHAIR**—I am sorry, Senator. I am not going to allow you to continue to make those assertions about people. If you have questions, that is fine, but stop casting aspersions against people in this manner. It is just not acceptable. If you have got questions, fine. Please proceed.

**Senator FAULKNER**—Does the department believe that it is appropriate for the department to correct the record with the Table Office or with the parliament in this situation?

**Mr Podger**—It is not appropriate for the department just to do it willy-nilly; it can only do it with the decision of the minister. As I advised, the minister did tell us he had decided that it should be provided, and then through an administrative oversight that was not followed through after 10 December.

**CHAIR**—I think that is the fourth time that Mr Podger has answered that question as well.

**Senator FAULKNER**—No, I do not believe it is.

**CHAIR**—It is. I am making notes of all the answers he has given.

**Senator FAULKNER**—There is no need. It will all be in the *Hansard*.

**CHAIR**—I am making notes just to make sure that we are not getting too much repetition—and we are starting to get an enormous amount of repetition.

**Senator FAULKNER**—In your inquiry into the leak of the 6th, your own inquiry you told us about at the special meeting of this committee on 11 April, could you indicate to the committee which departmental officers you interviewed?

**Mr Podger**—I spoke to a couple of the officers and Mr Borthwick also spoke to several of the officers. Obviously we spoke to Ms Rogers. I am a little bit uneasy about naming more junior officers as ones I have spoken to but I am happy to take that on notice about who I spoke to.

**Senator FAULKNER**—If you are uneasy, I will not—

**Mr Podger**—It is not usual to name officers of more junior ranks.

**Senator FAULKNER**—I will not press the issue if you are uneasy about it. You indicated that you spoke to Ms Rogers about it and that seems a logical thing for you to do. I would acknowledge that. When you spoke to Ms Rogers about this issue, did Ms Rogers rely on memory as she spoke to you about this matter?

**Mr Podger**—Yes, she did.

**Senator FAULKNER**—She didn't rely on any notes?

**Mr Podger**—She did not have notes of the meeting. I have answered that before.

**CHAIR**—Many times.

**Senator FAULKNER**—You have not answered it in relation to your inquiry of the budget leak, with respect, Mr Podger. You do stress that there were no notes taken and I have asked a very clear question, I think a broad question, about the meeting of the evening of the 6th. Your response previously to the committee has been clear. I asked a question that was taken on notice. On page 45 of *Hansard* of the meeting of Tuesday, 2 May, Dr Morauta says in answer to my question on notice:

The first question he asked was did Ms Rogers take notes of any kind, either at the meeting or afterwards? The answer is no.

That is in the record. I understand it is there. You have reiterated that. I was asking about your own inquiries in relation to the budget leak, which is a separate matter.

**Mr Podger**—I think the answer is again that she answered my questions on the basis of her recollection, rather than having any documents that she referred to in the meeting I had with her.

**Senator CROWLEY**—Mr Podger, did you prepare this letter for the minister?

**Mr Podger**—I think the department prepared it. The letter to the president was prepared by departmental officers.

**Senator CROWLEY**—The letter to the president was prepared by departmental officers?

**Mr Podger**—Yes.

**Senator CROWLEY**—Is that also the case for the letter to Mr Speaker?

**Mr Podger**—I will have to take that on notice. I do not know. The officer can answer the question in terms of the other letter but I do not know that one. I would have to check that.

**Senator CROWLEY**—One thing that puzzles me a bit, Mr Podger, if I could back up a little: as I recollect it, an appointment was arranged on 10 November with Ms Rogers.

**Mr Podger**—Correct.

**Senator CROWLEY**—You prepared a memo for the department on which day?

**Mr Podger**—I signed the minute to the minister on 18 November.

**Senator CROWLEY**—I do appreciate that you have other things to do besides just that, but it seems to me to be eight days on a matter of some importance.

**Mr Podger**—I cannot remember exactly why I took eight days. I did mention to you that I thought Ms Rogers was away overseas for some of that period. That may be part of the explanation but I cannot recall the exact reasons why there was an eight-day delay between that meeting and getting the minute to the minister.

**Senator CROWLEY**—If it were the case that it was due to Ms Rogers being overseas or away, that would give me to understand that you would have had to have wanted to contact her further to the meeting on the 10th.

**CHAIR**—That is hypothetical.

**Mr Podger**—We did. One of the issues following the 10th was still about the correspondence. As was mentioned, there was not only the issue of advising the minister but the handling of a reply to Dr Brazier.

**Senator WEST**—To refresh my memory, when was the minister advised? A memo went to the minister on the 18th, did it?

**Mr Podger**—That is correct.

**Senator WEST**—You had a further meeting with him on 24 November?

**Mr Podger**—I had a meeting with him on the 24th with a number of other officers on a number of issues, of which this was one.

**Senator WEST**—Maybe Minister Vanstone has to take this question, but can someone give any reason as to why it took the minister so long to get the reply back with the annotation to the department until after—

**Senator Vanstone**—It will have to go on notice to the minister.

**Senator WEST**—I am happy for you to do that, Minister, as to why the minister took so long. It took three weeks basically for the minister to get the annotation back to the department and I would like to know why.

**Senator CHRIS EVANS**—We had a sort of bonanza day in the Senate a couple of weeks ago. We got the Auditor-General's report and return to order. It was just like Christmas. How was it that we managed to make—

**Senator Vanstone**—I am pleased you are so easily pleased.

**Senator CHRIS EVANS**—I am. As you know, it can be a quiet life in the Senate sometimes, Senator Vanstone. Can you explain to me the process by which we were finally able to get the returned order complied with? Last time we talked the minister was reading the documents about a week or so before that and had not got back to you.

**Mr Podger**—Senator Herron, as the minister representing the minister, said in several letters he sent that Minister Wooldridge was considering the issues of public interest immunity and what ought to be released and what ought not to be released. An indication of

those sorts of issues relates to some of the budget related documents which were key to the documentation on the diagnostic imaging agreement. An issue, for example, was whether the draft letter to the Prime Minister dated 5 May 1998, given that it was very much part of the budget process, ought to be released. The final decision that it ought to be released was swung on the fact that the Auditor-General quoted significantly from it in his report. That was a factor in deciding that that ought to be released rather than not released.

**Senator CHRIS EVANS**—That was the only outstanding issue at that stage then, was it?

**Mr Podger**—I think that was the only one of substance. You may recall that in the special hearing we talked about a number of documents. The final number is slightly longer than that. That is because there were some things bundled and then became slightly unbundled. Also, there were a couple of very minor references about the diagnostic imaging in budget papers which we included in the final list that was provided to the Senate on 10 May.

**Senator FAULKNER**—Many of them are departmental briefs to the minister, aren't they?

**Mr Podger**—That is correct.

**Senator FAULKNER**—They have been provided to the Senate now. Could you explain the distinction between that departmental brief and perhaps the one with the annotation from Dr Wooldridge?

**Mr Podger**—Basically, of course, it is a ministerial decision whether or not to release those. We have taken on notice your request.

**Senator FAULKNER**—Yes, I know. I appreciate that. I am making the point for the chairman that this is quite commonplace.

**Senator CHRIS EVANS**—When did the department become aware that the minister had cleared the documents and that they could be tabled?

**Mr Podger**—I cannot remember the exact date. It would have been in the last week or so before the Auditor-General's report was tabled. We were aware of something close to the final version of that some weeks before, but the final version with our comments had been with the Auditor-General only a matter of about two weeks or so. I cannot remember the exact dates. A significant factor was that letter to the Prime Minister and whether or not, given the extent to which it was caught up in the budget process, it might be unusual to release it. But the consideration was that it was given such a highlight in the Auditor-General's report that it was appropriate to release it in full with only a couple of references to the cabinet decision process deleted.

**Senator CHRIS EVANS**—Will you take on notice for me then, Mr Podger, when the department was advised that you were allowed to comply with the order and present those documents, the date on which it was decided?

**Mr Podger**—I will take that on notice.

**Senator CHRIS EVANS**—As I understand, you were waiting for the minister to say yes or no.

**Mr Podger**—That is right.

**Senator CHRIS EVANS**—Or which document he was reviewing in those documents. I would like to know the date on which he advised you that these were the documents that he was going to present in compliance with the order.

**Mr Podger**—Okay.

**Senator CHRIS EVANS**—I think the most recent document you provided under that order was 28 September 1998. Is there any reason why there were not any later documents presented?

**Mr Podger**—I think we took the view that the order referred to documents relating to the policy up until implementation, so we took it as when the new regulation took effect. That was basically a date point at which we said, ‘Right, after that point.’ One had to take a decision as to when was a reasonable time to assume the order applied for and we took the view that it applied up until when the new regulation came into place.

**Dr Morauta**—I think it is the wording of the Senate order—

**Senator CHRIS EVANS**—Yes. I wanted to be clear in my own mind whether you were saying there were not any other documents relevant in the order after that date or there was a reason why that was the last document.

**Mr Podger**—The words in the order, Senator, were copies of all advice provided by the department to the minister on the radiology agreement and the extension of the Medicare rebate for magnetic resonance imaging services. It was our advice to the minister that a reasonable date to take it to was up to when the new rebate took effect.

**Senator CHRIS EVANS**—You did not take that up to the date when you actually revoked the rebate.

**Mr Podger**—No. But that seemed to us to meet the spirit of what the order was—

**Senator CHRIS EVANS**—Was that your decision or was this the directive that the minister gave you in terms of the order? As I understand the evidence last time, the minister provided some advice, didn’t he?

**Mr Podger**—We are into this difficult area of me advising you of my advice again. But to put that to one side for a moment, we, the department in discussion with the office, felt that the order would be met in full and in spirit by using the date up till when the new rebate came into effect. That seemed to us to be a reasonable judgment of what—

**Senator CHRIS EVANS**—And that was agreed with the minister as an appropriate cut-off date?

**Mr Podger**—Yes.

**Senator CHRIS EVANS**—Has anything been brought to your attention since that time that you think might have been included but was not included in the return to order?

**Dr Morauta**—No.

**Senator FAULKNER**—On that particular issue, which may have been dealt with, I am not sure—I was just outside the room for a short moment—in response to an answer to question on notice 226—I do not know if you dealt with this, Senator Evans, about the direction from the minister to the department, relating to the documents? I note you have just said there is a direction. I wondered if you could indicate whether—

**Mr Podger**—Sorry, at that time that was a direction to us that we should answer questions in these hearings and the previous hearings consistent with his decision not to release the material while he was considering the matter. That was the direction we had from him, which clearly does not apply now because the documents have been tabled.

**Senator FAULKNER**—Yes, but that is the only direction that you are referring to?

**Mr Podger**—Yes, that was the direction we were referring to.



**Senator FAULKNER**—That direction was communicated to you by—

**Mr Podger**—By the minister.

**Senator FAULKNER**—How?

**Mr Podger**—In writing.

**Senator FAULKNER**—Could you take on notice whether that could be provided?

**Mr Podger**—Yes, I will take that on notice.

**Senator FAULKNER**—As I understand, the minister was briefed for a meeting on 5 May in his electorate office in Melbourne and that was supposed to occur with Dr Catchlove and Dr Schneider from HCOA present. Is that right? This is my understanding from one of the documents that is produced, BN060.

**Dr Morauta**—What date is it, Senator?

**Senator FAULKNER**—5 February.

**Dr Morauta**—Yes, that is it.

**Senator FAULKNER**—Did that meeting take place or not?

**Mr Podger**—Neither Dr Catchlove nor the minister recall the meeting taking place, so my understanding is it probably did not take place because neither of them can recall it. I have spoken to both the minister and Dr Catchlove about it.

**Senator FAULKNER**—Does Dr Schneider recall it taking place?

**Mr Podger**—I have not spoken to Dr Schneider.

**Senator FAULKNER**—So there was not any departmental officer present at that anyway, if it took place.

**Mr Podger**—No.

**Senator FAULKNER**—This minute that has been prepared by the department seems to make it clear that the intention here was for HCOA to be a preferred provider of MRI services to government. Is that right?

**Dr Morauta**—Where do you find that in the minute, Senator?

**Senator FAULKNER**—That is my interpretation.

**Dr Morauta**—No, I do not think I quite read it that way.

**Senator FAULKNER**—How would you read it, Dr Morauta?

**Dr Morauta**—I think it is a very bland background briefing about what that organisation does. If you are at the bottom of the second page and the third paragraph up from the bottom, I do not think it is about their position. I think the proposition I would read that paragraph to mean is seeking an arrangement whereby MRI services are purchased from particular providers—not just them, but identified providers would be the meaning of it.

**Senator FAULKNER**—Ms Rogers had two meetings, didn't she, in Sydney on 6 May?

**Mr Podger**—If you look carefully at the audit report on 6 May, if you look carefully at the Auditor-General's report, there was a meeting with the minister and there was a discussion prior to that—whether that was a separate meeting; some of the radiologists refer to it as a separate meeting. She saw it as being a preliminary discussion before the minister arrived, so there is a difference of interpretation.

**Senator FAULKNER**—Yes, you are taking issue with my terminology of ‘meeting’.

**Mr Podger**—I am saying that her interpretation is not that there were two meetings but that there was a meeting with a break in between. Some other people’s interpretation is that there were two separate meetings. That is all I was making reference to, Senator.

**Senator FAULKNER**—Do you know when Ms Rogers returned to Canberra after the trip to Sydney for the 6 May meeting?

**Mr Podger**—I believe she returned on 7 May.

**Senator FAULKNER**—Do you know what time of day?

**Mr Podger**—No, I do not know what time.

**Senator FAULKNER**—Did she have any further meetings in Sydney on 7 May?

**Mr Podger**—She did meet some people on 7 May, on my understanding. Can I, Madam Chair, seek your guidance here. We are now into things which are known to the Auditor-General’s processes. I am just a little bit conscious that we are going over ground that he is fully aware of, of meetings and arrangements over that time. I am quite happy to answer those questions but I am mindful that we have an Auditor-General who has done a very comprehensive study who, frankly, knows more about the events before and after the budget 1998 than I do, or than my officers do.

**CHAIR**—The thing that is concerning me is that the questions that are being asked are being asked of your recollection of things that are clearly before us in that report, so then we get into the situation where your recollection is then going to be questioned again.

**Senator FAULKNER**—Where is the meeting on the 7th mentioned in the Auditor-General’s report?

**Mr Podger**—It is not mentioned in the report. I am not trying to make a thing of it.

**Senator FAULKNER**—I do not think it is mentioned in the Auditor-General’s report. I do not pretend to have the thorough knowledge of it that you have, and you would appreciate that I would not have. I have read it a couple of times, but I have not been obsessive about it. I did not read about any meeting on the 7th and that is why I am asking now.

**Mr Podger**—I guess what I am asking a question about is that all the meetings on all those days have been the subject of an exhaustive inquiry by the Auditor-General to check the events.

**Senator FAULKNER**—But he does not mention the 7th.

**Mr Podger**—No, he does not.

**Senator CHRIS EVANS**—Are you suggesting that, because there has been an Auditor-General’s report, this committee is not allowed to inquire into this?

**Mr Podger**—I am just conscious of going over the same ground that the Auditor-General has gone over. I am also conscious that the Auditor-General has a capacity to put this into perspective, given his comprehensive study, that I cannot do. He knows more about it than I do. I am quite happy to answer this question, if you like, but I can see some point at which this starts to duplicate.

**Senator FAULKNER**—It will not be duplicated, because this one is not in the Auditor-General’s report. There may be some assumed knowledge by you and the Auditor-General, I do not know. I did not read it there. I do not know about it, and hence I am

asking about it, which I think is pretty reasonable. Given that we both agree that it is not in the report, any suggestion of overlapping on the report is preposterous, in this instance. There is a meeting of some description—

**Senator Vanstone**—Senator, perhaps I can help make clear what I think is being said. It is not that there is repetition because on the point of the meeting you both agree that that is not referred to. What is being said is that there is repetition of the inquiry. All of this material was before the Auditor-General. It has all been looked at, and now you want to repetitively go over that ground.

**Senator FAULKNER**—No, I do not. I do not want to do anything repetitively. I want to go over some new ground. I want to know about the meeting of 7 May.

**Senator Vanstone**—New to you, is the point that is being made.

**Senator FAULKNER**—And new to you.

**Senator Vanstone**—Yes.

**Senator FAULKNER**—And new to everyone else, apparently, except the Auditor-General and Mr Podger. Well, it is new to me, and I would like to hear about it. And it is not in the Auditor-General's report.

**Senator CHRIS EVANS**—It is competent for us to ask questions about meetings attended by officers to do with MRI on the 7th. It is not covered in the Auditor-General's report, even if it was.

**Mr Podger**—I am happy to proceed, as I said before. I am just conscious of the issues of repeating an inquiry which has been held which was a lot more comprehensive and knows a lot more than I do about each of the events.

**Senator FAULKNER**—We are asking questions, Mr Podger, about —

**Mr Podger**—So I am happy to—

**Senator FAULKNER**—the administration of your department.

**Senator Vanstone**—No, Madam Chair, I am sorry, Mr Podger was answering a question. I am sorry to interrupt you, Senator Faulkner, but you were interrupting the secretary. You have done that time and time again. You have been asked nicely not to. Perhaps you could just bear that in mind and let other people complete their remarks before you rudely overspeak them.

**CHAIR**—I was actually waiting for Mr Podger to finish his contribution before you interrupted Senator Faulkner. Mr Podger, if you have anything that can be usefully added for the information of the committee about anything that is not contained within the report, then please do so. But if it is to go over the ground that is comprehensively reported in the Auditor-General's report, then I think it can be quite easily referred to as such.

**Senator FAULKNER**—Let me ask some specific questions, which ought not take long. Is it true that there was a meeting involving Ms Rogers and two others at 11 a.m. on 7 May 1998 in Sydney?

**Mr Podger**—I do understand that Ms Rogers took up a longstanding invitation to visit a unit at St George Hospital on her way back from Sydney on 7 May.

**Senator FAULKNER**—Did that meeting involve Ms Rogers, Dr Schneider and Mr McCarthy?

**Mr Podger**—I do not know for sure, but I believe that is probably true. But I do not have that level of detail in my knowledge.

**Senator FAULKNER**—Perhaps you could then just take that on notice, if you would not mind, Mr Podger, so that you can confirm it. Can you provide information to the committee about any further orders for MRI machines that were placed that day?

**Dr Morauta**—Sorry, the question of orders is not one for the department, Senator.

**Mr Podger**—I would have to check with the HIC as to that matter. We do not hold the information in the department on the dates and so on of particular contracts or orders. We can take that on notice and pursue it with the HIC.

**Senator FAULKNER**—Specifically, did the meeting that I am referring to take place at 11 a.m.?

**Dr Morauta**—Senator, I have some doubt that it would have done because I was at a meeting on that morning with the pathologists and the little outline that I took to the meeting says that it took place from 10 to 10.45. That was an anticipated time for it. I really do not have an answer on the timing, but I was certainly at a meeting quite close to 11 o'clock, I think, with Ms Rogers with the Australian Association of Pathology Practices.

**Senator FAULKNER**—So we think it took place, and I think we know where, and I think we know with whom, but we are not entirely sure of the time?

**Mr Podger**—That is correct.

**Senator FAULKNER**—But in the morning sometime.

**Senator CHRIS EVANS**—Who did you say was at that meeting?

**Dr Morauta**—This was a different kind of event. This was the Australian Association of Pathology Practices. There were about 30 people from around Australia.

**Senator CHRIS EVANS**—Are you saying that this was the meeting that Senator Faulkner is referring to?

**Dr Morauta**—No. I am just talking about timing. He is saying, 'Did it take place at 11 o'clock?' and I am saying, 'I think we need to check that.' I don't think we know that it was at 11 o'clock because of this other meeting that Ms Rogers and I were at earlier.

**Senator FAULKNER**—Were notes taken of the meeting that I am referring to?

**Mr Podger**—I do not believe so, Senator. Can I repeat that this material and the information around this—and I do not know whether you are trying to make inferences or not, Senator, but—

**Senator FAULKNER**—I am not making any inferences. I am trying to elicit information.

**CHAIR**—Just let Mr Podger finish, please, Senator Faulkner.

**Senator Vanstone**—You really will have to contain yourself—

**Senator FAULKNER**—So will you!

**Senator Vanstone**—and allow the secretary to finish. Well, no, I will not, actually, Senator. Every time you interrupt, it is going to take more time.

**Senator FAULKNER**—That's fine. We've got all the time in the world!

**Senator Vanstone**—It is not fine, actually, because people who might be watching this at some later stage see you behaving badly and, frankly, while *Men Behaving Badly* is a popular

TV program, it is not popular for leaders of the opposition in the Senate to do so. It is a simple matter of manners when you ask a question to let someone answer it.

**Senator CHRIS EVANS**—Mr Podger wanted to ask about inferences. It is a very simple question, and there seems to be a great reluctance to answer any questions about this meeting, Mr Podger. What is the problem here?

**Mr Podger**—As I said from the beginning, I am happy to answer the questions. What is concerning me is that the line of questioning is attempting to make more of something than I think ever existed, because this, along with everything else, has been subject to substantial investigation by the Auditor-General. I do know that Ms Rogers has given on affirmation information over several interviews with the Auditor-General, including on every meeting she has had before and after the budget. I am just simply saying, are we going back through all of that again, given that she has already had that? I am happy to answer questions to the best of my ability. I will not know as much as the Auditor-General will know, and I wonder whether at some point you would find it easier to talk to the Auditor-General about what he knew and how he took it into account in his considered judgments in a comprehensive inquiry rather than my trying to answer particular things that he has already been through. That is the point I was making.

**Senator FAULKNER**—Yes, I appreciate that. We can consider that option. Obviously that is available to members of parliament too. I am asking you because of the implications for department of health personnel and a range of other issues, and I think they are entirely proper, and it may or may not have been dealt with by the Auditor-General. I actually do not know; I have no idea. I know it is not in his report. Hence, you have taken on notice when the meeting was held. You are going to confirm, though I think you are pretty clear on who was there. I wondered if orders for a further three machines were placed at 3 p.m. that day. I wondered if you had that information available and I think you have explained that you do not.

**Mr Podger**—I do not have that information available. I can ask the HIC to have a look at that question.

**Senator FAULKNER**—Yes. Then I asked, and this is where I think our questioning ran off the rails, because Senator Vanstone, who has now decided she has had enough, has left—

**Senator Herron**—No, Senator Vanstone very kindly stood in for me, Senator Faulkner.

**Senator FAULKNER**—That was very good of her.

**Senator Herron**—I was very grateful to her for that, but I am happy to take her place.

**Senator FAULKNER**—Given her performance, we are even pleased to see you, Senator Herron.

**Senator Herron**—I doubt it, Senator Faulkner.

**Senator FAULKNER**—I did ask whether there were any notes of that meeting and I think you were answering that when—

**Mr Podger**—I do not believe so, but I have not asked that question myself. Given there were not notes of the meetings on the 6th, I am assuming that there were not notes of the meeting of the 7th, or the visit. There was a visit at St George Hospital on the 7th.

**Senator CHRIS EVANS**—I was going to say, does Dr Morauta know? You were the supervisor, I think, Dr Morauta.

**Dr Morauta**—We will take it on notice.

**Senator CHRIS EVANS**—I am asking you: do you know whether there were any minutes and notes kept of that meeting of the 7th?

**Dr Morauta**—Of this meeting?

**Senator CHRIS EVANS**—Yes.

**Dr Morauta**—I do not know. I have not seen any. We will double check for you.

**Senator FAULKNER**—Thank you. Are Dr Schneider and Mr McCarthy HCOA executives?

**Dr Morauta**—Yes.

**Mr Podger**—I believe Dr Schneider is the director of MRI services or was at that time.

**Senator FAULKNER**—Can you inform this committee whether Ms Rogers gave the HCOA advice of what had been said in the previous evening's meeting?

**Mr Podger**—No, I cannot give an answer to that. I do not know the answer to that.

**Senator FAULKNER**—Could you take that on notice?

**Mr Podger**—I will take that on notice.

**Senator CHRIS EVANS**—What was the purpose of the meeting then, Dr Morauta?

**Mr Podger**—There was a longstanding invitation, as I understand it, to visit the St George Hospital and see the MRI unit.

**Senator CHRIS EVANS**—To see their MRI unit?

**Mr Podger**—I do not know the circumstances of that, Senator, but it is not unusual for senior officers of the department to get invitations from various hospitals and others, when we are around in Sydney or Melbourne or wherever, to drop in on a hospital and have a look at the particular facilities and services they provide. I try to do that myself every six months or so, drop in on one of the major hospitals and have a look at one of their facilities.

**Senator CHRIS EVANS**—As radiologists they would have obviously been interested in this debate about what was happening with—

**Mr Podger**—No doubt.

**Senator CHRIS EVANS**—Would they have been represented by the college or were their interests separate?

**Mr Podger**—No. The negotiations were always with the college. There were no negotiations—

**Senator CHRIS EVANS**—No. I am saying as a group are they represented by the college? I note in one of your memos that there was an implication that there were other groups you could negotiate with other than the college, and one of them I think was the HCOA.

**Dr Morauta**—The college represents radiologists, not companies, but in the negotiations we were dealing with the radiologists.

**Senator CHRIS EVANS**—And was there a view that the companies may have separate and distinct interests?

**Dr Morauta**—I think subsequently we have developed that idea but not at that time.

**Mr Podger**—We did not at that time, Senator, and I think one of the developments occurring since then, which is very similar to what happened subsequent to the first round of negotiations with the pathologists, was a realisation that there was some advantage in the companies forming some form of association separate from the professional organisations, but we did not have such an arrangement in 1998.

**Senator CHRIS EVANS**—You did not have such an arrangement in 1998?

**Mr Podger**—We did not have; there was not an association of the companies that we were negotiating in any way with during 1998. We were negotiating with the college.

**Senator CHRIS EVANS**—Did you have meetings with those companies— not as a group, as an association, but they obviously have large interests.

**Mr Podger**—I am not aware of any meetings with those companies that could in any way be configured as some negotiation or anything like that, no.

**Senator CHRIS EVANS**—So you think it would be unfair to describe the meetings Rogers had with representatives of a major company as a negotiation? You think it is purely coincidental that she met with them the morning after?

**Mr Podger**—That is what she has told me and I believe her.

**Senator CHRIS EVANS**—So there was no attempt during this process for you to deal with, keep informed, those other company interests in MRI matters?

**Dr Morauta**—Can we take that one on notice, Senator?

**Mr Podger**—It was suggested that there might have been some other discussion at some other time, so I will need to take that on notice.

**Senator CHRIS EVANS**—Your own minute of 18 August suggests that. I will read you the line. I will not give you the page number because my copy is not great. It says:

Moreover, there are strong internal and external pressures on the RACR to ensure the package works. Otherwise they will default to other groups wishing to make deals on MRI.

Who are these other groups? You obviously knew about them by 18 August.

**Mr Keith**—Senator, I think there was some confusion about what particular companies you were relating to. When the Commonwealth was negotiating with the college, the college was the only organisation representing the providers. Subsequently there has been an association established, the Australian Diagnostic Imaging Association, which represents the private sector companies, the provider companies. The companies mentioned in here to which you refer in that minute are the manufacturers, hence the confusion.

**Senator CHRIS EVANS**—You say in that minute that you are referring to manufacturers?

**Dr Morauta**—Can we just get the page?

**Senator CHRIS EVANS**—It is the fourth page of the minute to the minister of 8 August at the top of the page, the last bit. To be fair, Mr Keith, your explanation does not seem to make sense.

**Mr Keith**—No, I was not there. I was trying to recollect. Would you mind us taking that on notice and we can provide you with that information.

**Mr Podger**—Can you refer to the exact—

**Senator CHRIS EVANS**—The quotation on my copy is:

Moreover, there are strong internal and external pressures on the RACR to ensure the package works.

this is the document discussing your difficulties with the implementation—

Otherwise they will default to other groups wishing to make deals on MRI.

You are saying to me that there are no other groups you are dealing with, but as early as August you are talking about it in a memo to the minister about other groups who have an interest and are wishing to deal with you.

**Dr Morauta**—I am sorry, Senator, we cannot find the spot.

**Senator CHRIS EVANS**—Do you think I have invented a page or—

**Dr Morauta**—No. This is a stuff-up, Senator.

**Senator CHRIS EVANS**—What is purported to be the minute that I thought was part of the documents you tabled eventually that I have been waiting for for so long.

**Dr Morauta**—Yes, that is right. I am in the right folder, Senator.

**Senator CHRIS EVANS**—Right, 18 August, the minute to the minister, page 4 of mine. It may well be that I have missed a page. It may be page 5.

**Mr Podger**—Above title C?

**Senator CHRIS EVANS**—No, the last line above title B—Low strength magnets.

**Dr Morauta**—Can we get it off you?

**Mr Keith**—Can we borrow your page?

**Dr Morauta**—I think it might be 7 August. Yes, we were in the 7th.

**Mr Keith**—The one on 8 August is a different one. Sorry, Senator.

**Dr Morauta**—Let me go back. What we believe is going on there is that there was the beginning of a group of companies considering forming themselves into an arrangement, which now has actually occurred. That is a sign that such a group might emerge, and perhaps the awareness of the college of the possibility of such a group emerging would put them under some pressure.

**Senator CHRIS EVANS**—To be honest, Dr Morauta, it is a much stronger statement than that, isn't it? It reads:

Moreover, there are strong internal and external pressures on the RACR to ensure the package works. Otherwise they will default to other groups wishing to make deals on MRI.

Now you tell me that they are not strong and the groups had not formed.

**Dr Morauta**—I think it means that, if the agreement with the radiologists fell down, other people would be likely to step into the breach. You do not need to have groups formed, it would be just the way things would work. That is the kind of sentence it is.

**Senator CHRIS EVANS**—We started off this discussion by saying that there were no other groups to talk to, there were no other commercial interests in MRI. It seemed to me that we had this relevant officer meeting with two other representatives of a company which also in this memo, although it is blotted out, you thought had ordered 12 machines. That makes them a very big player, doesn't it?

**Dr Morauta**—We are not going to what is blotted out here, Senator.

**Senator CHRIS EVANS**—A company had, according to your information, ordered 12 machines. It later turned out to be six. I do not know that that is a secret anymore but we can play that.



**Dr Morauta**—We cannot comment on that, Senator. Can I go back to your question about other groups. I think the model that people would be looking at would be the pathology arrangements where there is both an industry group and a college involved. The radiologists understood that it was only the college but they could imagine circumstances in which they might be joined by another group, and that is the issue that is being raised here. It is not that another group was just ready to go but that possibility was certainly around and that would be important to them in considering their role in the agreement.

**Senator CHRIS EVANS**—As I say, given the wording of your memo which says ‘strong external pressures’, it does seem to be that you are now looking to understate the matter. Anyway, I do not want to labour it.

**Mr Podger**—This is 7 August rather than in the pre-budget period.

**Senator CROWLEY**—Just one question to you if I might, Mr Podger. I understood you to say in answer to Senator Evans, I think, a few minutes ago when Senator Evans said—I am not sure exactly what he said, but we were talking about a possible meeting of Ms Rogers and two representatives on the 7th. You said something like, as I understand it, ‘Well, that wasn’t really a meeting. At least that’s what Ms Rogers told me.’ Do you recollect saying that?

**Mr Podger**—Yes, I did. In fact, Ms Rogers did not speak to me directly, that information came to my office from Ms Rogers. So saying that she spoke to me directly about that is incorrect. She advised my office that she did not believe that the visit to the St George Hospital could be called a meeting as such.

**Senator CROWLEY**—When did that information get provided to your office?

**Mr Podger**—Late last week.

**Senator CROWLEY**—Last week?

**Mr Podger**—Senator, as I said, there are all sorts of meetings and so on which have been investigated by the Auditor-General which I wouldn’t know about in detail. This was drawn to my attention last week and I sought some information in response to it.

**Senator CROWLEY**—I appreciate that but it is a bit like extracting teeth. Over the months we have had a lot of discussion about the matters of 6 May. Now, almost out of the blue, information comes to you a mere week ago about the day after with the same officer and two people who are significant players within this whole radiology area.

**Mr Podger**—I would seek your sympathy with my situation on this. We have had an exhaustive inquiry with the Auditor-General. There has been nothing talked about this afternoon, as far as I know, that the Auditor-General was not fully aware of. There are lots of other things that might come out of the woodwork, or whatever you might call it, which start to get moment and attention but they should not because they have already been looked at in some detail by the Auditor-General and he has taken them into account in coming to his balanced findings and conclusions.

This issue was raised by a journalist with my department at the end of last week. I sought information on two matters: (a) did the Auditor-General know about this? The answer was a clear-cut yes. And (b) what was the information anyway, so I know what the situation was? But the key thing I keep raising is that the Auditor-General has got this information and we should not be making a mountain out of stuff that I did not know about or you did not know about if the Auditor-General knew about it, looked at it in his inquiry and came to his findings.

**CHAIR**—And (c) did the Auditor-General make an adverse finding as a consequence of knowing about it.

**Mr Podger**—And he did not.

**CHAIR**—The answer is no.

**Senator CHRIS EVANS**—I think we are missing the point here. I do not know about the 7 May meeting by reading the Auditor-General's report. That is the first point. You, like I, found out about it some time last week, Mr Podger, so I think it is fair for this committee to inquire as to what occurred at that meeting: when were your departmental officers involved in those negotiations; what they were doing, who they briefed, what they said, what was the purpose of the meeting. That is the first thing.

The second thing I would make as an overall point is that the Auditor-General's inquiry and report do not preclude inquiries by the estimates committee from continuing into whatever area the committee, in terms of the role of the department, would like to pursue. I want to make it very clear that I am not going to be ruled out of order on the basis that the Auditor-General may or may not have inquired into it. In this particular case I do not know that other than that you now tell me that you asked that particular question, but from reading the Auditor-General's report I do not know that.

As I say, there is a first point, which is to say, 'So what, I may want to ask you about it anyway.' We have spent a lot of time shadow boxing about why we should not place too much importance on this meeting and I get more interested the more we do that. But can we actually get back to what we know about the meeting and who was there? We got off the topic a bit. Who does the department know to have been at this meeting? Was it only the two gentlemen mentioned and Ms Rogers or were there others there.

**Mr Podger**—I have already taken on notice that I will check who was there.

**Senator CHRIS EVANS**—That is all right. I was just getting a little lost in that other stuff about where we are at with that. So we do not know.

**Mr Podger**—Senator, I have not been trying to avoid answering the question. I am simply trying to get the point across about the Auditor-General's knowledge of it.

**Senator WEST**—Can I just clarify in my own mind that we are talking about Dr Schneider and Mr McCarthy. Is that correct?

**Mr Podger**—I believe so.

**Senator WEST**—Are they radiologists?

**Dr Morauta**—I think we had better take it on notice.

**Senator WEST**—I want to know what their role is. Do they have a role with Health Care of Australia and its subsidiary, Sydney Imaging Group?

**Mr Podger**—I think I have just mentioned that Dr Schneider has a role in HCOA.

**Senator WEST**—And the Sydney Imaging Group as well? It is a subsidiary of HCOA, I understand.

**Mr Podger**—I will have to take that on notice. That is not in the information I have got here but it could be. I do not know.

**Senator WEST**—But HCOA had not been a party to the meeting the previous night. Is that correct?

**Dr Morauta**—No, the meeting was at the college.

**Senator WEST**—And HCOA had no role in that?

**Dr Morauta**—No.

**Senator CHRIS EVANS**—Is Mr Watzlaff able to join us at the table to provide some information about orders? I think in answer to an earlier question you said that you would advise the HIC. Mr Watzlaff, are you able to tell us whether or not HCOA lodged purchase orders for three machines on 7 May.

**Mr Watzlaff**—I could not give you the exact date. I understand that they did order three machines around that date.

**Senator CHRIS EVANS**—Did they order a further three machines the next day?

**Mr Watzlaff**—I cannot really say.

**Senator CHRIS EVANS**—What can you tell me about HCOA orders around 7 and 8 May?

**Dr Harmer**—Senator, given the current state of the DPP's investigation and given the profile that this issue has in the press, I think it would be very unwise for the Health Insurance Commission to provide information about individual companies, primarily because it could in some way prejudice the case. The DPP would not be very happy with us if we started to give information about individual companies while they were doing their investigation and which may prejudice either the investigation itself or a prosecution.

**Senator CHRIS EVANS**—I am caught really. Mr Podger does not want me to talk about it if it was in the Auditor-General's report and I am not allowed to ask about it if it is with the DPP. I expect the cone of silence to come down shortly. I do understand your problem. I am only being facetious.

**Dr Harmer**—Senator, let me assure you that I would be as helpful as I can and if you wished we could check with the DPP and perhaps give you information in camera. But I think it would be very unwise for us to give it—

**Senator CHRIS EVANS**—Yes. I am not interested in information in camera.

**Dr Harmer**—Okay.

**Senator CHRIS EVANS**—The next thing I know it is in the paper and we have an investigation as to where it went. I think either you can tell me on the public record or you cannot tell me.

**Dr Harmer**—I think it would be very unwise for us to tell you on the public record.

**Senator CHRIS EVANS**—No, I am not pursuing you about that. If you are concerned that it might have some implications for prosecutions, despite my frustration, I will wait.

**Dr Harmer**—Excuse me, Senator. Mr Watzlaff tells me that there is some public information which we can provide to you which may be helpful.

**Senator CHRIS EVANS**—All right.

**Mr Watzlaff**—I think some time ago you did ask the question about whether or not there had been a disclosure in the annual report about the purchase of six machines. At that point I said that I did not know. I did check on that and it was the case, that there were six machines ordered by the group that you refer to now.

**Senator CHRIS EVANS**—But you are not able to tell me on what date they were ordered.

**Mr Watzlaff**—No, I cannot tell you that.

**Senator CHRIS EVANS**—That is right, yes. I do remember that was on the public record. Dr Morauta, you were at a meeting with Ms Rogers on that morning of the 7th. She must have gone on to that meeting afterwards. Is that what you were saying earlier?

**Dr Morauta**—No. I just do not know the timing. I do not know the sequence of it. I know where I was at what time, but I am not sure if she joined me at that other meeting.

**Senator CHRIS EVANS**—It was not your intention to go to that other meeting?

**Dr Morauta**—No.

**Senator CHRIS EVANS**—As far as you know we do not have a minute or a file note on that meeting on your department files?

**Dr Morauta**—On the meeting with the people at the hospital?

**Senator CHRIS EVANS**—Of 7 May.

**Dr Morauta**—No, but we are going to check that for you.

**Senator CROWLEY**—Did you know she was going on to that address?

**Dr Morauta**—Yes, I think I would have known. I was meeting her on the same day in Sydney. But I cannot remember.

**Senator CROWLEY**—Can you check whether you knew?

**Dr Morauta**—I think it would be very difficult to check something like that. It would be logical that I knew, but I cannot play around and say that I can remember things exactly.

**Senator CROWLEY**—You had meetings with pathology people.

**Dr Morauta**—Yes.

**Senator CROWLEY**—Do you have notes about that meeting?

**Dr Morauta**—I have the notes that were background for me and also my speaking notes.

**Senator CHRIS EVANS**—What was the purpose of that meeting, Dr Morauta?

**Dr Morauta**—That was an opening salvo for the pathology agreement negotiations which were starting that year and sometimes it is useful to give a broad perspective on some of the issues that they are going to be considering. That was my job at that meeting.

**Senator CHRIS EVANS**—You have a file note or minutes of that meeting?

**Dr Morauta**—No, but I have my speaking notes, which would be roughly what I said.

**Senator CHRIS EVANS**—I am sure you were very careful what you said. You did not keep a formal minute of the meeting?

**Dr Morauta**—No.

**Senator CHRIS EVANS**—You were sort of briefing them, were you?

**Dr Morauta**—That is right.

**Senator CHRIS EVANS**—I want to ask some questions about Dr Catchlove's appointment, Mr Podger. Obviously it is given quite extensive treatment in the Auditor-General's report. What was the date of the advice provided by the department to the minister in regard to the appointment of a new chairman of the HIC?

**Mr Podger**—Senator, I would have to take that on notice. I have not brought that sort of information with me.

**Senator CHRIS EVANS**—Can you take me through the sequence of events regarding the concern about the potential conflict of interest of Dr Catchlove?

**Mr Podger**—I am sorry, I think you are making an assumption there about the nature of any advice I gave.

**Senator CHRIS EVANS**—I was careful not to ask you for the advice. I was trying to follow the sequence of events.

**Mr Podger**—About the consideration of conflict of interest, I think were the words you used.

**Senator CHRIS EVANS**—Yes.

**Mr Podger**—I would have to take on notice the question about the sequence, but there is a standard process about handling conflict of interest about appointments. Appointees or people who are being proposed for appointments are required to prepare a piece of paper, which is attached to documents that go to the cabinet, about possible conflict of interest and how that would be handled. That would be the standard process.

**Senator CHRIS EVANS**—Are you able to help me with any detail at all about how that applied in Dr Catchlove's instance?

**Mr Podger**—I have just had pointed out to me the paragraph in the Auditor-General's report, around paragraph 5.36, mentions that there were comments on the short list by the department which noted the potential for conflict of interest.

**Senator CHRIS EVANS**—This is the sort of territory I was hoping to take you through, yes, as to what your involvement was.

**Mr Podger**—The department provided advice to the minister on the matter, drew attention to issues of conflict of interest, as the Auditor-General's report refers to. It mentions that the minister indicated that he thought the conflict of interest was manageable if Dr Catchlove took the action that he intimated he would take—about standing down from HCOA. He also obtained some advice from the Department of the Prime Minister and Cabinet on the same matter and that was covered in the material which then went to cabinet, as I recall, for the final cabinet decision on the appointment.

**Senator CHRIS EVANS**—I have read the section myself, Mr Podger. I am trying to be clear on what your evidence is and what the Auditor-General's evidence is. I do not want to confuse those.

**Mr Podger**—The department is responsible for advising the minister on appointments to various boards and committees and so on. In that process we have a standard arrangement for raising the issue of conflict of interest.

**Senator CHRIS EVANS**—Is that raised by you or by the applicant?

**Mr Podger**—It is raised by the department at the point where the minister is close to making a final decision. We then go through a process of telling the person that they are likely to be nominated but, before such a nomination could go forward, could they provide some information around the potential for conflict of interest so that that can be attached to the papers before a final decision is taken.

**Senator CHRIS EVANS**—Did you short list Dr Catchlove, or was that done by the minister's office?

**Mr Podger**—I would have to take that on notice. My recollection is that Dr Catchlove was on the department's list of possible nominees.

**Senator CHRIS EVANS**—Generated by you and not by the minister's office?

**Mr Podger**—A bit of both. In handling nominees for the board of the HIC, the department also drew on some search company assistance as to possible names. Dr Catchlove's name was certainly part of that process as well. It is a bit of a fluid process. We have a search company to help us. We also internally consider possible names to add into that and ask the search company to consider these other names and there is a toing-and-froing with the minister's office as that goes forward to try and see that we have a good array of possible candidates.

**Senator CHRIS EVANS**—You will take on notice for me where the nomination of Dr Catchlove actually originated. You said that you were not sure.

**Mr Podger**—I will check for sure, but my recollection here, Senator, is that his name was raised by the search firm, but his name was an obvious name to consider by anybody in the business.

**Senator CHRIS EVANS**—All right. At some stage the minister indicates to you that he is likely to be appointed and therefore you go about your process of discussing with him potential conflicts of interest and putting a file note attached to the CV, is that it?

**Mr Podger**—Dr Catchlove himself had to sign—I cannot remember what the document actually looked like. It was a single sheet of paper where he clarifies, if there are any conflicts of interest, how they would be handled. That matter is then available to the cabinet when they are making their decisions.

**Senator CHRIS EVANS**—Dr Catchlove filled out one of those and signed one of those?

**Mr Podger**—He filled out a document of that sort, yes.

**Senator CHRIS EVANS**—Is this the one the Auditor-General could not get a copy of?

**Mr Podger**—I am sorry, can you give me the reference?

**Senator CHRIS EVANS**—There is a notice in the Auditor-General's report which talks about—sorry, I think it is the letter that the chairman wrote to the minister. That is something different again, is it? The Auditor-General, in section 539, refers to the new chairman writing to the minister to 'make sure there is a complete understanding about his role in the parent company' and about full disclosure. This is a separate document to the one which was attached to the cabinet submission. Is that right?

**Mr Podger**—Yes, there is a shorter one. I will have to take that on notice. There was a short form of assurance about the handling of the conflict of interest, separate from the more detailed document referred to here.

**Senator CHRIS EVANS**—Is that document available?

**Mr Podger**—It ought to be. I will check our files on that.

**Senator CHRIS EVANS**—Can you check whether you are able to make that available? Do you know whether the Auditor-General saw that or not?

**Mr Podger**—Can I check that and also take it on notice. Again, I would be surprised if he was not aware of that.

**Senator CHRIS EVANS**—It seems from the way the Auditor-General wrote it that he had seen it. I presume he had but—

**Mr Podger**—I think so.

**Senator CHRIS EVANS**—The Auditor-General says the Prime Minister confirmed the cabinet's endorsement of the new chairman on 23 July 1998. 'He asked the minister to ensure that the chairman fully discloses his interest at HIC board meetings and absents himself if and when issues specific to the parent company are raised. He also asked that his position as director on the parent company board be kept under review.' Where did that advice from the Prime Minister on the cabinet decision go to? Who was responsible for actioning that?

**Mr Podger**—It would have come back to the department. I do not know whether a copy of that would have gone to the HIC. I do not know that.

**Senator CHRIS EVANS**—Mr Harmer, can you help us?

**Dr Harmer**—Yes, I think we did get a copy because, from memory, the commission secretary and I had quite a long meeting with Dr Catchlove before he attended his first HIC board meeting. I think my commission secretary and I almost certainly did point out to Dr Catchlove—and I think we used the Prime Minister's letter as a basis for briefing him—about what he needed to do at his very first meeting, which he subsequently did, which the ANAO people acknowledge in here.

**Senator CHRIS EVANS**—Yes. But they also go on to say that subsequently—but I will come to the history of that later.

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—It was obviously enough of a concern for the Prime Minister and Cabinet to make specific mention of how this was to be handled, which I presume is not all that usual, Mr Podger, or is it?

**Mr Podger**—It is fair to say that the issue of conflict of interest as a matter to be carefully managed was more significant with this one than has occurred on most occasions. It was given very close attention. Again, I do not want to reveal my advice on it, but to the extent that the Auditor-General has clearly highlighted that we did make reference to this and the minister discussed it, including with the Department of Prime Minister and Cabinet, it was given very close attention right throughout the process.

**Senator CHRIS EVANS**—When the Prime Minister and Cabinet made that decision, it went to you and you forwarded it to Dr Harmer. Dr Harmer, did you see yourself as being responsible for enforcement of that cabinet decision?

**Dr Harmer**—Not entirely, but I saw myself being responsible for making sure that the newly appointed chairman was aware of his responsibilities to the board in terms of declaring at the first meeting his interests, et cetera, yes.

**Senator CHRIS EVANS**—Who had the job of following up the Prime Minister's request that 'I also ask that his position as director of the parent company board be kept under review?' Whose job was it to review that?

**Mr Podger**—It was probably the department's, but we would expect Dr Catchlove, being aware of it, to also keep us informed if there were any changes in that area.

**Senator CHRIS EVANS**—It is certainly worded as if it was not a self-reviewing function. ‘I ask that his position as director of the parent company board be kept under review,’ implies not self-regulation.

**Mr Podger**—No. But, Senator, the board itself has responsibilities for managing conflict of interest issues and keeping itself informed of those matters. In addition, I am a member of that board and I can use that to meet my responsibilities to let the minister know if there is something additional that was not around already in the previous considerations which ought to be drawn to the minister’s attention.

**Senator CHRIS EVANS**—You and Dr Harmer knew about that cabinet decision. Dr Harmer, you briefed Dr Catchlove about his responsibilities in that regard. You said you had a fairly lengthy discussion about that.

**Dr Harmer**—Yes, we did.

**Senator CHRIS EVANS**—That was so as to make sure he understood exactly what he had to do in terms of managing that potential conflict of interest.

**Dr Harmer**—Correct.

**Senator CHRIS EVANS**—Going back, Mr Podger, did you see a copy of the advice from PM&C that was part of that discussion? Was that something you were involved with?

**Mr Podger**—No, I did not see that advice. I believe it was oral advice from the head of the Department of Prime Minister and Cabinet to Dr Wooldridge.

**Senator CHRIS EVANS**—Right. This letter he wrote on 30 July was another document in addition to what you had him sign as part of the cabinet nomination process.

**Mr Podger**—It would seem so.

**Senator CHRIS EVANS**—Yes. Mr Podger, what was the date of that document he would have attached to his CV for the cabinet consideration?

**Mr Podger**—Can I take that on notice. It was clearly some days before the matter went to cabinet, but it was a considerable time after I would have initially provided advice to the minister about the possible candidates and issues, such as conflict of interest, around them.

**Senator CHRIS EVANS**—All right. This letter he wrote to the minister’s office is described in the Auditor-General’s report. Did you see a copy of that?

**Mr Podger**—I do not recall seeing a copy of that.

**Senator CHRIS EVANS**—Is the full disclosure of his relationships and shareholdings, et cetera, kept by you or by the minister?

**Mr Podger**—They are not kept by me.

**Senator CHRIS EVANS**—Do you know who they are kept by? A person in his position. Dr Harmer, are they kept by you?

**Mr Podger**—Can I check? I have an area within the department which looks after portfolio corporate responsibilities, if you like, such as appointments to boards and things of that sort. It is possible they would hold something like that, but I would have to ask them and take that on notice. That is the place where they would have prepared documentation such as the briefing I sent to the minister about appointments.

**Senator CHRIS EVANS**—I suppose it is possible it might be held by the minister as well, though, a senior appointment like that.



**Mr Podger**—It could be. Can I take that on notice.

**Senator CHRIS EVANS**—Yes, I would appreciate that. Take it on notice. At the first board meeting Dr Catchlove actually made clear his intentions in terms of conflict of interests in speaking to the board, did he?

**Dr Harmer**—Yes, he did. This was, I might say, no news to the HIC board. The board was well aware of Dr Catchlove's very significant involvement in HCOA and other health organisations before he came in.

**Senator CHRIS EVANS**—Is it correct that after that he wrote to you about this issue?

**Dr Harmer**—Yes, he did.

**Senator CHRIS EVANS**—What brought that about? Given that you had the discussion, he had declared it at the board meeting, what triggered another letter to you?

**Dr Harmer**—I have no idea what triggered the other letter.

**Senator CHRIS EVANS**—But he specifically asked you to ensure 'That any HIC matters which may have any commercial relevance to the acquisition of diagnostic businesses be identified and that I not be party to any related commission deliberations.'

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—And you have no idea why he wrote that to you?

**Dr Harmer**—I took it when he was appointed, given his background, that as managing director of the Health Insurance Commission and as custodian of the papers that go to the commission for discussion, and given our significant knowledge of Dr Catchlove's previous involvement, we would be extremely careful around this area. And we were.

**Senator CHRIS EVANS**—What did you do with that letter? Did you present that to the board?

**Dr Harmer**—I passed it to my commission secretary and had a discussion with him. As a gatekeeper of paper, I clear all the papers that go to the board. I regarded that as an administrative matter, something that it was well within my control to manage. I was already very conscious that nothing of any significance around MRI or any of those issues would be discussed in the board while Dr Catchlove was there. While ANAO noted a couple of minor lapses when we talked about progress, we did that extremely well and in difficult circumstances, given that it was the chairman who was involved.

**Senator CHRIS EVANS**—You say 'a couple of minor lapses'. It is a relatively critical report, I would have thought, about the process of this declaration of interest and exempting the chairman from the meetings. Why do you say you thought you managed it well?

**Dr Harmer**—Because there were only a couple of occasions where the issue of the progress of the report was discussed while Dr Catchlove was there. The board took a very significant decision quite early in the process to have the issue of the investigation of MRI discussed in a subcommittee of the board where Dr Catchlove was not present.

**Senator CHRIS EVANS**—You say to me that you think it was acceptable that he was at discussions in June, July and September when you discussed the progress of inquiries that may well have been into his own dealings or dealings he had knowledge of?

**Dr Harmer**—Dr Catchlove absented himself on one occasion. I think there were only two or three occasions where one or other of the board members asked—because it had quite a profile at the time and because we had indicated that we would finish in July—'How are we

going on the review?' We said, 'We still think we'll finish in July,' or 'We're running a bit late. We'll get more resources.' That was the extent of the discussion. In hindsight, and having discussions with the ANAO, it would have been better for us, even for that minor discussion, to have asked Dr Catchlove to leave the room or for him to declare he ought to leave the room.

**Senator CHRIS EVANS**—To be honest, Dr Harmer, I am a bit incredulous, given that not only is there a potential conflict of interest but you have a note from the Prime Minister saying, 'Hey, this is potentially a problem. I made this appointment but I want you to monitor it because it's a very serious issue,' yet after the first meeting it was all, 'Well, off we go.'

**Dr Harmer**—Senator, it was certainly not all 'Off we go'.

**Senator CHRIS EVANS**—Well, it does look a bit like that, Dr Harmer, and the Auditor-General was fairly critical. I know you are keen to downplay it but I am incredulous that the Prime Minister himself thought it important enough to raise it with you. I do not see why there was not a bit more concern at your level about that matter.

**Dr Harmer**—There was a great deal of concern, both at my level, Senator, and amongst other board members. As I indicated before, no detailed discussion of the MRI issue, even on progress, took place in the board meeting with Dr Catchlove there. All of the detailed discussion on the HIC's investigation took place in our fraud and audit service committee where Dr Catchlove was not present.

**Senator CHRIS EVANS**—Do you think that the detail wasn't discussed in front of him was enough?

**Dr Harmer**—I believe so. The only thing we discussed in front of him was the progress, primarily in terms of resourcing and timing. At one point, as the ANAO indicate, there was a progress report attached to the papers that went to the board. Again in hindsight it would have been clever if we had not done that with Dr Catchlove's copy but there was nothing in it that would have given him any advantage.

**Mr Podger**—Senator, I take on board, like Dr Harmer, that there are some criticisms in the ANAO report by way of saying there would have been a better practice to adopt. But I do not read the report as enormously critical of the HIC on this. Indeed, they do say there is no audit evidence that the course of the investigation was influenced improperly. I also was at the board meetings. When we discussed the MRI issue it was, as Dr Harmer mentioned, a discussion of whether there were sufficient resources being put into the investigation. Dr Catchlove I do not recall entering into that discussion. It was only on that, and the board members asking were concerned to ensure there were sufficient resources being put into the thing. In terms of detailed discussions of the inquiry, it never occurred at the board level. It was always left to the committee, of which Dr Catchlove was not a member.

**Senator CHRIS EVANS**—I am not even necessarily questioning that, Mr Podger. As I say, I find it difficult to understand how this was mismanaged as a process, given that you had an instruction from the Prime Minister about it. You usually accuse me of being wise after the event and say, 'That's not fair, Senator.' I figure you have pretty good warning when the PM writes a note to you saying, 'Hey, this is a problem.' Then you say to me it was mismanaged.

**Dr Harmer**—Even given the ANAO comments, I do not think you could fairly label it 'mismanagement' of a conflict of interest. As Mr Podger pointed out, the ANAO certainly concluded that the investigation was not influenced improperly. We went to great lengths in relation to this. As you can imagine, within the Health Insurance Commission it was quite a

big issue and had quite a profile. The significance of this was known by the fraud and audit service committee quite early on. So all of the discussion about how we were conducting the investigation—progress, et cetera—was conducted there and not in the presence of Dr Catchlove. I do not know if the ANAO used the words but there were relatively minor lapses where progress was actually discussed by way of mention on a couple of instances, which is the only significant breach.

**Senator CHRIS EVANS**—Clearly, Dr Harmer, I have a much stronger view of this. You and I obviously have different views about that.

**Mr Podger**—Senator, can I simply reiterate that the board had discussed the issue of Dr Catchlove's potential conflict of interest, not only at the very first meeting he was there but extensively at previous meetings before his appointment was announced and confirmed. There was a need to handle that very carefully. There were some lapses in the process. Having been in all those conversations, I do not regard those as major lapses. There was no improper pressure put on. As soon as the issue reached the point where there were serious concerns—not about what Dr Catchlove had done while chair, but what he may have been involved in prior to being the chair—that it might be under some investigation, it was at that point that the issue was raised again and action was taken. I do not believe the particular points of lapsing were mismanagement. I think there are lessons to be learned about doing these things better, but I would be surprised if there would be many boards who would have done as much, let alone more, than we had done over this process.

**Senator CHRIS EVANS**—I think, Mr Podger, this is not the place to have that debate. We will just have to agree to disagree about that one as well. In terms of the HIC investigations, was Dr Catchlove interviewed as part of that investigation process?

**Dr Harmer**—No, he was not.

**Senator CHRIS EVANS**—No? Were other officers from HCOA interviewed?

**Dr Harmer**—Yes, they were.

**Senator CHRIS EVANS**—And how was the decision taken as to who would interview from HCOA?

**Dr Harmer**—I will let Mr Watzlaff comment on the details, Senator. Our interest in the investigation was whether the statutory declarations were correctly, appropriately signed. The signatories to the statutory declarations were I think overwhelming the radiologists in the organisations, and they were the people who we spent most of our time on in the investigation. That was our focus: on whether the statutory declarations were legitimate. So in terms of heads of organisations, which is what Dr Catchlove was I think at the time of the taking out of the contracts, I do not think we interviewed any of the heads of organisations. We were focusing our attention on those who signed statutory declarations and their immediate supervisors. Mr Watzlaff may have more detail.

**Mr Watzlaff**—Of course it was the case that all 52 contracts that were lodged were examined by our investigators. So all of the uninstalled contracts were examined by our investigators. The decision as to who should be examined and who should be interviewed was taken by our senior investigator. He took that decision based upon his knowledge of the involvement of the particular individual in the process of purchasing and ordering the scanners. So the criteria for selection for interview was based upon involvement in the ordering process, which was the issue that we were looking at. On that basis, it was not found

necessary to interview Dr Catchlove, and that remains the view of our senior investigator—that it would not have served any useful purpose to interview Dr Catchlove.

**Dr Harmer**—But, Senator, if I could just add to that, had it been necessary in the view of our investigators at any stage, he would have been interviewed.

**Senator CHRIS EVANS**—Were any allegations put to you about the involvement of Dr Catchlove in this process?

**Mr Watzlaff**—No.

**Dr Harmer**—No.

**Senator CHRIS EVANS**—So you had no reason to involve him in the investigative process?

**Dr Harmer**—No.

**Mr Watzlaff**—No, there was not.

**Senator CHRIS EVANS**—At what level was there discussion occurring as to the potential difficulty of interviewing representatives from HCOA given Dr Catchlove's position in the organisation?

**Dr Harmer**—Mr Watzlaff can answer for himself, but I gave Mr Watzlaff instructions and he would have given his instructions to his investigators that there was to be no special treatment or difference in the treatment of HCOA compared to any other body under investigation, and I believe that was carried out correctly.

**Senator CHRIS EVANS**—But at some stage you must have known that you were investigating, if you like, the chairman of the board's own company.

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—That obviously places pressure on, or creates newsworthiness or causes notoriety inside any organisation, and I am just wanting to know how it was handled. It was not discussed at the board meeting?

**Dr Harmer**—No, it certainly was not, and in fact it was difficult for us, I have to say, in the sense that we were investigating issues that involved the previous company of our chairman. But I believe again we handled that very well. In fact, Dr Catchlove would not have known—certainly would not have known from the HIC—that the HCOA were under any investigation. It certainly did not come up in the board meetings where he was present, so he would not have learned that until the very end.

**Senator CHRIS EVANS**—Other than I suppose he would have known if you were investigating all the contracts.

**Dr Harmer**—Yes, he would have known that.

**Senator CHRIS EVANS**—You have even shared that with me, so it is common knowledge.

**Dr Harmer**—And he could have also known, of course, from the people inside his previous organisation who were being interviewed.

**Senator CHRIS EVANS**—Yes. Could I just ask you, Mr Watzlaff: you have said to me you did not actually get referred to you from the department the question of the potential difficulties with MRI ordering. Is that correct? I just want to go back over earlier evidence

you have given that the HIC's involvement occurred because of an anonymous letter to the HIC.

**Mr Watzlaff**—In relation to a specific matter, yes.

**Senator CHRIS EVANS**—And when was that?

**Mr Watzlaff**—That letter was received by me on 3 December.

**Senator CHRIS EVANS**—1998?

**Mr Watzlaff**—Yes.

**Senator CHRIS EVANS**—What was the HIC's involvement, then, in the statutory declaration process—the decision to seek to use statutory declarations?

**Mr Watzlaff**—The issue, as I understand it, was raised shortly after the budget announcement—that there were concerns. The department moved to put in place a process which required the lodgment of statutory declarations, and that was a process that was taking place, as I understood it, in about June and July of 1998. At a point after that, the HIC was involved in the preparation of the actual regulations, because there were issues there to do with the eligibility of particular providers and things of that kind.

**Senator CHRIS EVANS**—So you must have had some knowledge then that there was concern in the department about the—

**Mr Watzlaff**—Indeed. That was the whole purpose for setting the system up with statutory declarations.

**Senator CHRIS EVANS**—I am just trying to get into my own mind where you came into it because, while you say the HIC was involved in the December when you had your complaint, clearly the whole statutory declaration process that preceded that was the department's response to its concern about potential rotting, potential abuse of the decision. So the HIC was aware there were concerns about the system much earlier.

**Mr Watzlaff**—It was announced at a meeting—

**Senator CHRIS EVANS**—I am not trying to catch you out here, I am just trying to get this clear.

**Mr Watzlaff**—No. It was announced by the department at a meeting in June that I attended that they were moving to introduce a system of having statutory declarations, and were aware there were concerns about the system much earlier. It was announced at the meeting.

**Senator CHRIS EVANS**—I am not trying to catch you out here.

**Mr Watzlaff**—No, it was announced by the department at the meeting on 11 June that I attended that they were moving to introduce a system of having statutory declarations.

**Senator CHRIS EVANS**—And that was because of concern about the potential abuse of the budget decision?

**Mr Watzlaff**—Quite.

**Senator CHRIS EVANS**—So as early as June 1998 there was contact from the department with the HIC about their concern about potential abuse of the budget decision.

**Mr Watzlaff**—Indeed, yes, there was.

**Senator CHRIS EVANS**—And did you recommend the statutory declaration response?

**Mr Watzlaff**—No, I did not. It was mentioned by the department that there was a problem and the solution that had been decided upon was to introduce statutory declarations as a way of addressing the problem.

**Senator CHRIS EVANS**—But you had used those before, or the HIC had been involved in using them before, hadn't you? I thought you told me earlier, or not?

**Mr Watzlaff**—No, sorry. I think I said—

**Senator CHRIS EVANS**—I did not mean to put words in your mouth. That was my recollection. If that is wrong, I am sorry.

**Mr Watzlaff**—I think I said it was not unusual in government generally to have systems for the lodgment of documents supported by declaration.

**Senator CHRIS EVANS**—Yes.

**Mr Watzlaff**—I made that as a general proposition.

**Senator CHRIS EVANS**—All right. I will phrase it the other way. Was the use of statutory declarations as a means of addressing a concern about the process something that you recommended, had used before, or would have recommended?

**Mr Watzlaff**—No, I did not recommend it. Yes, I had used it in the past and, the final point, would I have recommended it? That issue never arose.

**Senator CHRIS EVANS**—So you then became involved in the technical side of the statutory declaration process in terms of the regulations. Is that right?

**Mr Watzlaff**—As I said before, our role was to monitor usage of the scanning system that was introduced, and to conduct audits for areas of perceived abuse, such as inappropriate requesting.

**Senator CHRIS EVANS**—And did the department detail to you their concerns about the budget process and what might be occurring?

**Mr Watzlaff**—Insofar as I just mentioned, that there was a concern about whether the orders were actually firm orders and the solution that was being adopted was the regulatory scheme by statutory declaration.

**Senator CHRIS EVANS**—So they had effectively raised this problem of a potential backdating of contracts, and that is what they thought the stat declaration might overcome.

**Mr Watzlaff**—That was the whole reason the regulations were in place the way they were, yes.

**Dr Morauta**—When developing regulations like that, the department does not have the hands-on experience. The HIC is going to administer it so they are involved then in the thing, just as the auditor reports, to say what on the ground would be the best form of the thing to take.

**Senator CHRIS EVANS**—I was just interested because there is a note in this minute of 7 August which says—I am not sure whether you have this page, Dr Morauta.

**Dr Morauta**—I am getting worried about it.

**Senator CHRIS EVANS**—It is on my page 3. It says:

The aim is to place the onus on providers, suppliers and manufacturers to have an auditable and enforceable paper trail, to make clear what penalties will apply if false statements are made but also to

give those who have played the system the opportunity to reconsider without any threat of follow-up action by the Commonwealth.

It seems there was a hope that the statutory declaration route would deter those who had applied from pursuing their applications.

**Dr Morauta**—Yes, I think that is what that says, Senator.

**Senator CHRIS EVANS**—And were you aware of that, Mr Watzlaff?

**Mr Watzlaff**—I knew that was the intention of the regulation, yes.

**Senator CHRIS EVANS**—Obviously it did not, but one hoped that the requirement to put the stat dec in would actually make them think twice.

**Mr Watzlaff**—That was the intention, yes.

**Dr Morauta**—Senator, it is difficult to know whether it deterred anyone or not.

**Senator CHRIS EVANS**—It did not deter many, from what we have seen, Dr Morauta. I do not think I am talking out of school when I say that. I do not think even the minister would claim it deterred many. Also in that minute, Dr Morauta, there is a section at the top of page 3 about the company which we are not allowed to name. You say, ‘There may have been some overstating of the problem; e.g., it was rumoured that—‘ X marks the spot ‘—had ordered 12 MRIs prior to the budget, while in fact the order was for six.’ How did the department ascertain that that particular company had ordered six?

**Dr Morauta**—I think I need to take on notice, that question of how the number was narrowed down. We were receiving a lot of rumours but obviously people felt as a result of some process—I think possibly ringing around—that they had narrowed it down to six in their comments. But let me take it on notice and see if I can confirm that.

**Senator CHRIS EVANS**—Yes, because you obviously had fairly good information and that proved to be correct, as I understand it. So you had got to that point of being fairly confident you had been able to track the rumour down and find out that it was overstated and get the correct figure. I am just trying to understand how you did that.

**Dr Morauta**—My thought would be that there was some contact with suppliers, but I need to check that for you, Senator.

**Senator CHRIS EVANS**—In February 1999 at the estimates committee I got to speak to Ms Rogers. She gave evidence essentially confirming the view which I got from the department consistently over that sort of period, that we would end up with about 80 MRI units. But I notice that in August the previous year, on the documents tabled, in fact you had an estimate of 103. All through the estimates process I had been reassured by the department and others, ‘We’ve planned on 60-odd, we might have as many as 10 or 15 more. There may be a couple more, Senator.’ Each time we were surprised and amazed that more came in and more came in, and the figure went up each estimates round until we ended up with 111, I think at last count. I note that in August of that year in your document to the minister—in fact you advised the minister of this—there was a potential for 103 units, and you detailed those which were confirmed, those which were unsure, et cetera. I just was a bit concerned when I read that, that it was not consistent with the advice that was given to me throughout the estimates process last year.

**Dr Morauta**—This famous attachment B of that minute is a picture of all the MRIs sort of knocking around in Australia or thought to be knocking around or thought to have been approaching Australia, whereas the numbers I think we might have been talking about were

the numbers that came forward for Medicare eligibility, and I think there is a distinction between those two numbers but I do not know whether Mr Watzlaff can add anything to that.

**Mr Watzlaff**—I do not think that would have been coming forward from Medicare eligibility because we were not receiving many applications in August 1998. The applications—

**Dr Morauta**—Yes. No, I mean the piece of advice we gave the minister said that we had found out about the possibility of 103 machines being around. I think that subsequent questions would have been dealt with on the question of how many we thought were going to come forward for Medicare eligibility.

**Senator CHRIS EVANS**—I think there is a slight distinction in there, Dr Morauta. But when I asked you how many you thought, you kept saying 80, maybe 85, 89, and all along you had prepared a brief for the minister back in the previous year, when you were telling me this, that said you thought you would end up at 103.

**Dr Morauta**—Let us take it on notice and have a look at that, but I think the answer lies in the broad direction I have sketched out to you.

**Senator CHRIS EVANS**—Quite frankly, Dr Morauta, I was a bit concerned when I read this, about the answers I got at successive estimates committees about this. I feel that at the very least people were less than frank with me about this, that the department in a minute to the minister were prepared to say that they were concerned that there were 103 potential MRI machines liable to come under the budget decision. In February Ms Rogers was telling me 80.

I will deal with Mr Watzlaff separately because I asked him different questions about the applications formally received. But the department all along reassured me that there were only a couple more to come, that suggestions of more than 100 were alarmist, that the rumours were not correct, and yet your own advice to the minister back in August 1999 really was pretty close to the mark. It was a lot closer to the mark than what you said to us at estimates. You were only eight out.

**Dr Morauta**—Senator, I said that we would take it on notice and see if the broad direction of my answer to you can be elaborated in some way. The question you must have been asking was: how many machines did we expect to come on to Medicare? That must have been what we were discussing.

**Senator CHRIS EVANS**—Yes, and that is what your memo says here.

**Dr Morauta**—But this table is a total number of machines. I think we need to work our way through those issues, but it is—

**Senator CHRIS EVANS**—Why would this represent a different figure?

**Dr Morauta**—I think it is in the context of advice as to how to deal with access to Medicare. So if there are 103 washing around out there, what is the filter you use to get them into Medicare? So that is the broad scope. Then what filter do we put on? We put on this stat dec, we put on these 18-month control measures, and see what comes out of that.

**Senator CHRIS EVANS**—But this is after the budget decision. These are machines that you say to the minister are on order, or suspected of being on order.

**Dr Morauta**—Yes.

**Senator CHRIS EVANS**—You were right; you were pretty well close to the mark, but every time I asked you at estimates you were way off the mark. Your advice to the minister



was much better than it was to this estimates committee—it was consistently to downplay the suggestion that there might be over 100 machines.

**Dr Morauta**—Senator, let me take that on notice and have a look at it.

**Senator CHRIS EVANS**—I am happy for you to take that on notice, Dr Morauta, but we have been around this before. I am concerned that the department deliberately downplayed the seriousness of the problem with MRIs to this estimates committee over a period of a year and a half. I am concerned that you deliberately understated the numbers when advice you gave to the minister was much more accurate, much more honest, and that you knew the extent of the problem, the extent of the budget blow-out on MRI orders, as far back as August 1998.

**Senator Herron**—Senator Evans, I personally suggest you withdraw the implication that dishonesty occurred. You said ‘much more honest’ as a qualification. There may be quite a logical explanation to this, as I understand it, and that is what Dr Morauta has suggested. If she checks what was asked and what was answered, there may be a perfectly logical explanation in relation to the machines that would be available and covered under Medicare and those that were not.

**Senator CHRIS EVANS**—There may be, Senator Herron, and I appreciate your intervention. I do not wish to and I do not make accusations lightly. But I am concerned that I have pursued this matter for such a long period of time and taken officers through this evidence time and time again, to the point where I have been accused of being repetitive and of perhaps wasting the committee’s time, when it seems that as early as August 1998 the department had a pretty good idea of the extent of the problem of the abuse of that budget decision, and got to a figure very close to the final figure on the number of applications. But all along, each time we came back to estimates, the figure went up and there was a greater admission of the extent of the problem.

I am concerned that the department has not been frank with us, so I am raising it as a serious issue of concern that the whole tenor of the evidence was to downplay the problem, no doubt in the hope that somehow it would get fixed up and the stat decs process would work. But the department knew the extent of the problem back in August.

**Dr Morauta**—I think your last comment is the crux of the matter. If we thought—as we did—that there might be 100 or so machines out there, the minute that you are talking to is a minute about how to limit access to Medicare to genuinely eligible machines, and the process of stat decs and everything else was put in in order to restrict the number. It was therefore our view when we provided advice to you that there were not 100 out there, but that we would be successful in limiting the amount that came forward to Medicare to around the numbers we were telling you about. We may have misjudged that, Senator, but I do not believe that we were misleading you. We thought that the effect of these mechanisms would be to do that.

**Senator CHRIS EVANS**—I asked Ms Rogers very specifically on 8 February 1999:

How many units now fall within the group that were pre-ordered and therefore now attract the rebate?

She replied:

At the moment we have about 68 operating. However, a number of other people with units have sought eligibility from the Health Insurance Commission to get rebates for their services once they are operational. It appears that that figure would take it up to around 80 units all up.

I said:

So we would go from a budgeted figure of 62 to 80?

She said:

No. As I said, 62 was what we knew were currently operating. We also knew that there were people who had put in MRI facilities, had set it up.

She continued:

We expected something like 10 to 15.

And all through that process we have had the impression that they would just keep coming in. You yourself, Dr Morauta, said that the reason the government was taken so belatedly to remove the rebate was because the applications kept coming in. But on your August document you knew they were coming in.

**Dr Morauta**—No, the August document does not say that we are going to receive 103 orders. It says a summary table of installed and reported ordered equipment is at attachment B. That is just equipment that is in Australia or likely to come to Australia. It is not saying that we think 103 will apply for Medicare eligibility.

**Senator CHRIS EVANS**—The key point for Medicare eligibility was whether they were ordered or not on budget night. Wasn't that right, Dr Morauta?

**Dr Morauta**—Yes.

**Senator CHRIS EVANS**—And the table says 'Number of MRI machines' and there are two categories, installed and ordered. The installed numbers comply with everything else you told me. The ordered numbers bring it up to 103. I do not get your point. You are saying they were ordered but were not going to get Medicare rebates?

**Dr Morauta**—We could not be sure. Sorry, this table does not go to the dates of the orders particularly.

**Senator CHRIS EVANS**—No. So you are saying to me the table represented orders that you did not think would be eligible under the budget decision?

**Dr Morauta**—No. I think it is just a general set of orders. It is non-specific in relation to the date and other eligibility requirements.

**Senator CHRIS EVANS**—This is a table provided as an attachment to a memo raising with the minister for his consideration your concerns that the MRI orders problem be handled. That is what the memo is about. The memo is not about the MRI machine orders that might come in that were not eligible for rebates. The issue was the budget decision to provide rebates. That is the whole context of the minute. And you provide the scenario to the minister that, contrary to pre-budget discussion, you might have 103 MRI machines subject to the rebate—the problem of the budget decision being anticipated or leaked.

**Dr Morauta**—I do not think I can add to what I have said. The way we described it was that we thought that the stat decs would cut back the number of those that came forward for Medicare eligibility.

**Senator CHRIS EVANS**—I can see that, but I make the point that when consistently asked about it we did not get to the number of 103 until some 18 months down the track. Mr Watzlaff, can you just clarify for me that the figures you have given to the committee over the period were actually applications. You relied on the actual number of applications lodged with you. Have you noticed that there are some discrepancies between your evidence and the Auditor-General's figures? There are only one or two, and I am not saying they are major. I just want to understand. I am saying when you say 83, he says 84, or when you say 92 he says 93. I am just trying to understand what happened there.

**Mr Watzlaff**—The process within the HIC is that documents were being lodged at our state offices, we were collecting the data centrally, and there could well be a number of discrepancies in terms of what the final figures were, because there was work in progress that had not been finalised. I think in one part of the report there is a reference to the fact we had given a figure of so many to the department, but it turned out that the figure was slightly different. I would suggest that the reason for that discrepancy is because after that period of time had elapsed and we had actually looked and found how many were there at that particular time, it was slightly different from the number we gave because there was work being subject to requisition; people might lodge a statutory declaration without the contract. We would insist that the contract be produced and that led to some discrepancies in the numbers. I think that has probably been the case on a number of occasions because the process did not lend itself to exact numbers at various points in time.

**Senator CHRIS EVANS**—No, that is fine. I just thought I would get that on the record because, as I say, there just seemed to be—it is like that debate about the number of communists in the State Department—one or two discrepancies with various common dates from your evidence and the Auditor-General's. I just wanted to get on the record why that might have been, but as I say, they were not major.

**Senator CROWLEY**—I am sure you will remind me if this has been answered but I am just interested in pursuing some further questions about the 7 August 1998 minute. What was it that led you to suggest that there should be stat decs about the legitimacy for rebates at this time?

**Dr Morauta**—I think as the minute makes clear, we were concerned that not all the machines would meet the eligibility requirement and that by raising the bar, if you like, for making a claim for eligibility, people would be taking more seriously what they were saying.

**Senator CROWLEY**—That makes sense but what made you sniff something in the wind?

**Dr Morauta**—The pattern of rumours and the information we were getting about the possible numbers of orders out there and so on, and we thought that there might be a situation in which people might be tempted to portray their machines as eligible when they were not, and if we added this extra hurdle it would make it more difficult for them to do so.

**Senator CROWLEY**—Had you had any sense that people up to this time were?

**Dr Morauta**—We had not received any applications. Mr Watzlaff can correct me but this is fairly early in the piece and at this stage we are not getting applications from the far out body of the thing at all. I do not know whether we had received any applications.

**Mr Watzlaff**—In fact at this point in time no applications would have been received by the HIC because there was a lag period between the announcement of the budget decision and the actual implementation of the arrangements, and in that interim period we obviously were not receiving any formal applications.

**Senator CROWLEY**—At some stage though, Dr Morauta, you actually got the score, the bit of paper that told you 103. Can you tell us whether this was the first time you actually toted up 103 or was it a bit before this?

**Dr Morauta**—No, we attached this to the minute to the minister and I think we made an effort to try to get to what we thought was going on out there. I believe the method we used—though I need to confirm it—was phoning around. As you can see from the table, we got some that we were pretty sure of the information about on orders—that was 14. We put

another 25 where we were not assured of our information. This was an attempt to portray, if you like, the outside edges of the maximum size of the problem.

**Senator CROWLEY**—Is this the first time you actually got all of this down on a bit of paper?

**Dr Morauta**—I think in preparation for this minute to the minister. It might have been several days before the minute went up but we were working our way through it.

**Senator CROWLEY**—Quite. But this was the first time you actually came up with a score of 103.

**Dr Morauta**—Yes, I would think so.

**Senator CROWLEY**—Having toted up 103, I imagine there was some sucking in of breath in various places. Is that a fair description?

**Dr Morauta**—We just set about dealing with the probabilities then, as set out in the minute.

**Senator CROWLEY**—That somehow or another it seemed this was a very high number, significantly higher than may have been anticipated. I am just trying to work this out, but it seems to me that at that time you have got this number and you then think, ‘We’d better find a way in which we can deal with the fact that our budget estimates might be shockingly out of sync.’ Is that why the idea of attaching the stat dec appears at this time?

**Dr Morauta**—I think the minute makes it clear on the second page that we were hearing about speculation on a budget decision or whatever it was, that claims backdating the extent of the problem had been difficult to quantify, given claims and counterclaims, so we were not sure of the numbers but we perceived there might be a problem. I do not think we would say that it had a necessary impact on budget estimates, given the other levers available to us but we thought the first point to go to was Medicare eligibility. We needed to set out how we could confirm that, consistent with the budget announcement and the budget decision announced on budget night, we would get only those machines that were eligible into Medicare. That was this first hurdle that we were addressing here.

**Senator CHRIS EVANS**—Can I ask where we are at with the Blandford committee recommendations?

**Dr Morauta**—The minister has referred it to the department for advice and we are considering our advice at this time.

**Senator CHRIS EVANS**—There is no timetable necessarily in place?

**Dr Morauta**—No specific target date, Senator, but we are obviously working on it expeditiously.

**Senator CHRIS EVANS**—Has there been any sense of endorsing any of the recommendations?

**Dr Morauta**—I cannot comment on government policy before it has been made.

**Senator CHRIS EVANS**—No, I was inquiring whether the minister in referring it to you for advice had endorsed a particular approach, or were you still at the point of ‘We’ve got the report’ and that is it?

**Dr Morauta**—I think there is no detail there that I can give you.

**Senator CHRIS EVANS**—Where are we at with the freeze on the MRI rebates and those applying to those exceptions? Is there any movement likely on those in the near future?

**Dr Morauta**—That is still in place until the decisions are taken on the Blandford recommendations.

**Senator CHRIS EVANS**—I see. They will be consequential on the Blandford recommendations, will they, as a process?

**Dr Morauta**—Yes.

**Senator CHRIS EVANS**—What about decisions announced by the DPP in relation to charges, et cetera? Will they impact? That is, will machines bought in good faith by providers who complied with the regulations become eligible for the rebate if there is no suggestion of them being prosecuted, no suggestion of charges being laid?

**Dr Morauta**—I do not think a decision has been taken about that yet, Senator.

**Senator CHRIS EVANS**—What about if any of those providers who were given the exemption because of the location of their machines, if they are referred for prosecution is there then an implication for their continuing to receive the rebate?

**Mr Podger**—That will certainly have to be looked at at that point, yes.

**Senator CHRIS EVANS**—Are you saying, Mr Podger, that if they were charged there would of necessity need to be some decision taken then?

**Mr Podger**—There would have to be a consideration around that, yes.

**Senator CHRIS EVANS**—That leads us to the question about when we are likely to get advice from the DPP about prosecutions. Are we any the wiser about that, Mr Watzlaff? Are you able to help us there?

**Mr Watzlaff**—I mentioned last time there were five matters that we were still working on and we hope to have that work completed by the end of this month. That may lead to further matters going to the DPP and at that point we would really have our work complete in terms of the investigation and the preparation of evidence. We would expect then a view to be taken by the DPP on the advice of senior counsel as to whether charges should be laid and against whom.

**Senator CHRIS EVANS**—So the DPP is not going to proceed with anything until that is completed. Is that right?

**Mr Watzlaff**—The matter has been referred to counsel and counsel have provided us with some interim opinions, as has been mentioned in our report. So we are working through that and that is guiding the way in which we are preparing and basically revising the earlier work that was done to get it all into admissible form. So that work is ongoing.

**Dr Harmer**—There is quite a lot of toing-and-froing between HIC and DPP to make sure that we provide them with everything they need and that we have done all the work they need.

**Senator CHRIS EVANS**—You advised that you had referred 18 briefs at the last hearing. Is that right? Has that number been reduced at all?

**Mr Watzlaff**—I think the position is that work has been completed on the 18 matters. In our previous reports we have mentioned scanners rather than briefs. There is not necessarily a one-to-one relationship. The work is completed on the 18.

**Senator CHRIS EVANS**—Yes, I noticed one press report mentioned 11 briefs and I wondered whether there had been any changes or whether it was just an error in reporting.

**Mr Watzlaff**—No, there are 11 briefs with the DPP, but there are another five matters being worked on.

**Senator CHRIS EVANS**—Where does the 18 come from?

**Mr Watzlaff**—The 18 means that we have completed work on some other matters which are not in the form of briefs, but they can be shaped into briefs if need be.

**Senator CHRIS EVANS**—I see. Do you have any advice as to when the DPP is likely to make a decision?

**Mr Watzlaff**—Not at this point, no.

**Senator CHRIS EVANS**—I notice the minister was talking about 250 individual radiologists at one stage. Is that a figure you can confirm?

**Mr Watzlaff**—I think it is necessary to bear in mind, in relation to the MRI arrangements, that not all radiologists within a particular practice will necessarily be eligible to claim MRI services. But in terms of looking at the associations and the group of practitioners in those practices, the number of providers that we have, being both MRI eligible providers and other radiologists, is, I think, 204 providers—in that category—who are, if you like, associated with the practices that have lodged applications.

**Senator CHRIS EVANS**—Yes. What about those civil cases you were referring to?

**Mr Watzlaff**—Earlier on I mentioned there had been some proceedings instituted in the Federal Court. That matter has been discontinued. We are working up other cases and we have suspended benefits where we have concerns about the eligibility of the machine. That may lead to other litigation as well, but where we have a case where the machine is still eligible and we believe there have been false statements, we have stopped payment on those particular locations.

**Dr Harmer**—It is also possible, Senator, that some of the eight civil cases may also be referred to the DPP as we complete those.

**Senator CHRIS EVANS**—How many providers have you suspended payments to?

**Mr Watzlaff**—I think there are two in that category.

**Senator CHRIS EVANS**—When were those payments suspended?

**Mr Watzlaff**—I think they were both last year.

**Senator CHRIS EVANS**—Late last year?

**Mr Watzlaff**—I think one was about mid-year and the other was towards the end of the year.

**Senator CHRIS EVANS**—What is the process that follows from those, in the sense of them being reinstated if you cannot establish a case?

**Mr Watzlaff**—That would be the way of it, yes. We might get a judgment saying they were eligible all the time, or we may change our view based upon the advice of our legal advisers.

**Senator CHRIS EVANS**—They could potentially reclaim?

**Mr Watzlaff**—In respect of the second one, we have pended the claims so, yes, they could be eligible at a later point in time if our concerns were proven to be erroneous.

**Senator CHRIS EVANS**—What does ‘pended’ mean?

**Mr Watzlaff**—‘Pended’ means that the claim has been received but it has not been paid. It is pended until resolution of the particular machine.

**Senator CHRIS EVANS**—So you are recording those?

**Mr Watzlaff**—Yes.

**Senator CHRIS EVANS**—With the other one that is not the case, though.

**Mr Watzlaff**—No, that one has been discontinued. That is no longer an issue. That was a matter where they took us to the Federal Court but they did not go on with it.

**Senator CHRIS EVANS**—Can I ask the department about the budget implications. What basis are we using for the MRI usage for 2000-01?

**Dr Morauta**—We probably have our regular tables to give you on the progress on DI agreements, but when you say ‘what basis’, are you saying what is our target for this year?

**Senator CHRIS EVANS**—Yes. Have you a target in the agreement? I

**Dr Morauta**—Yes, 148,000 I am advised, Senator.

**Senator CHRIS EVANS**—Is that down?

**Dr Morauta**—The projected scans were initially 100,000 in the first year, 148,000 in the second and 155,000 in the third year, being a total of 403,000.

**Senator CHRIS EVANS**—Which year are we in?

**Dr Morauta**—We are in the second year. That is where we are now— 148,000.

**Senator CHRIS EVANS**—For the year 2000-01?

**Dr Morauta**—Yes.

**Senator CHRIS EVANS**—What does the Auditor-General mean when he says there will be an expenditure of around \$6 million in 2000-01 above the amount provided for in the agreement?

**Dr Morauta**—The number of scans and the cost per scan is likely to lead to a result above the amount that was initially put in there in dollar terms. The cause of that is due to two things: one is the actual number of scans and the other is the mix of scans. They were originally costed at 80 per cent public outpatients and 20 per cent in-patients. The mix has turned out to be slightly different, which makes the scans slightly more expensive per scan than in the original estimates too.

**Senator CROWLEY**—Which is more expensive?

**Dr Morauta**—The 85 per cent rebate rather than the 75 per cent. There is an 85 per cent rebate if they are not in-patients and a 75 per cent rebate if they are in-patients.

**Senator CHRIS EVANS**—So there are more outpatient scans?

**Dr Morauta**—Yes, the proportion is of more outpatients.

**Senator CHRIS EVANS**—Do you agree with the Auditor-General’s forecast?

**Dr Morauta**—I believe we gave him that.

**Senator CHRIS EVANS**—I presume he got it from you.

**Dr Morauta**—Yes, that is right.

**Senator CHRIS EVANS**—Where is that reflected in the budget statement then?

**Dr Morauta**—In the budget papers for this year?

**Senator CHRIS EVANS**—Yes. Is that forecast then or was that after the budget?

**Dr Morauta**—I think it is buried in the seven point something billion of the MBS estimates.

**Senator CHRIS EVANS**—No wonder I didn't notice it! But it is accounted for in the budget already?

**Dr Morauta**—Yes.

**Senator CHRIS EVANS**—The extra 6.1?

**Dr Morauta**—Yes. We put the forecast in and it is something that is not part of the agreement. It is outside the cap. For anything like that we put our best estimate in.

**Senator CHRIS EVANS**—Professor Blandford's suggestion about increasing the number of scans has not been acted upon or reflected in the agreement?

**Dr Morauta**—That is right.

**Senator CHRIS EVANS**—So that would be advice that you might consider and, what, renegotiate in the agreement?

**Dr Morauta**—It is something we would consider in providing our advice to the minister on his response to the Blandford review.

**Senator CHRIS EVANS**—Technically you are locked in for another year on the agreement, aren't you?

**Dr Morauta**—Another year and then another two years beyond that as a result of a budget decision.

**Senator WEST**—Does that budget decision require further negotiation?

**Dr Morauta**—No.

**Senator WEST**—It is going to be imposed upon not only MRIs but pathology and other diagnostic imaging as well, isn't it?

**Dr Morauta**—Both the DI and the pathology agreement have been extended by two years. Government took that decision in the budget process.

**Senator CHRIS EVANS**—Does that mean you have decided the numbers or just the framework?

**Dr Morauta**—The numbers were decided. The question of what happens to MRIs as a result of the Blandford review is outside that.

**Mr Keith**—We have negotiated an extension to the diagnostic imaging agreement which contains the window for MRI for the three years. For the two years extension, we have agreed to await the outcome and implementation of the Blandford review and then negotiate on that particular issue.

**Senator CHRIS EVANS**—What have you budgeted for the out years?



**Mr Keith**—In the current agreement, the MRI, we purchased a number of scans and those scans were purchased for a particular amount—that was the 403,000 scans. Negotiations about how many additional scans might be purchased in the out years will be subject to negotiation.

**Senator CHRIS EVANS**—Yes. I am trying to get what the basis is— you have obviously put some figures in the—

**Dr Morauta**—What is in the budget is the non-MRI part of the DI agreement. Those numbers have been taken forward.

**Senator CHRIS EVANS**—What have you done, though? Have you added the old MRI budgets, plus five per cent?

**Mr Keith**—Yes, the old MRI budget, plus five per cent.

**Dr Morauta**—No, no—

**Senator CHRIS EVANS**—That was a guess, so I doubt if it is right.

**Dr Morauta**—The question is: how did we put the numbers in for the DI agreement in years 3 and 4? The answer is at a fixed percentage rate of growth.

**Senator WEST**—Do you have figures for what the current usage of the DI is and expenditure generally?

**Dr Morauta**—Yes. We have a regular table that we—

**Senator WEST**—We have not had that table yet. It is getting well into the debate and I am feeling lost without it.

**Senator CHRIS EVANS**—Mr Keith has the answer to the previous question, while Dr Morauta is looking for that.

**Mr Keith**—Basically, we took the out year number—the 155—and added five per cent to that. Then any renegotiation or changes will be negotiated with the profession, understanding that the Blandford review also said there were suggestions that CT may be overpriced which stopped some of the substitution and, therefore, there will be negotiations around realigning the prices of CT and the cost of the substitution.

**Senator CHRIS EVANS**—I bet there is a whole range of officers lining up to do those negotiations.

**Senator WEST**—I bet there will be good notes kept.

**Senator CROWLEY**—Is there criteria yet about the distribution of those extra places? We do not want them all in—

**Senator WEST**—Private facilities when there is an acute hospital without a—

**Mr Keith**—Indeed. That will be looked at as part of the response to Blandford.

**Senator CHRIS EVANS**—That is originally how we got into this, isn't it?

**Mr Keith**—Yes.

**Senator CHRIS EVANS**—We were going to put a couple of machines out in the rural areas and fix up the problem.

**Senator Herron**—That was one of the factors.

**Senator CHRIS EVANS**—I think I noticed on your note we only needed 12 more, didn't we?

**Senator WEST**—I do not think there are any more in the rural public hospitals, in the base hospitals.

**Mr Keith**—I think it is fair to say that the Blandford review sets out the criteria for where these machines should be. The supporting material to the recommendation suggests that it would be difficult to see where a machine could be located unless it was supported by a population of at least 150,000, and that there was a need for such machines to be located in tertiary referral hospitals. The issues you raise were canvassed by the review and will be canvassed in the government's response to that.

**Senator WEST**—I am thinking of base hospitals in the rural areas. I am not thinking of the small hospitals. I am thinking of base hospitals which are class 4 or whatever it is.

**Dr Morauta**—What was the question, Senator?

**Senator WEST**—Mr Keith just talked about major referral hospitals.

**Mr Keith**—If a base hospital has a catchment that exceeds 150,000, then presumably with that other criteria it could be considered eligible. We have to be careful with descriptions of base hospitals. The Blandford report canvasses that very well and I would suggest we await the government's response on that.

**Senator CROWLEY**—Further to the changes of 1 December, does the department or the HIC have any data that indicates the impact of those changes?

**Dr Morauta**—Senator, we have just circulated our regular table. On the second page is benefits paid and, if you look across the bottom line, generally in that table you can see there is beginning to show some slowing in growth.

**Senator CROWLEY**—If I am reading the same figures— December 1999, 4.89; January—

**Dr Morauta**—That is it, yes.

**Senator CROWLEY**—You are down from 4.11 in January to 1.51 in April.

**Dr Morauta**—Yes.

**Senator CROWLEY**—That seems to be more than a modest decline.

**Mr Watzlaff**—That is the growth rate. It is still growing, but at a slower rate.

**Mr Keith**—That was part of the government's and the profession's response to bringing the diagnostic imaging agreement back on within the budget parameters. You may remember at previous hearings you have asked the question: did we consider we would get the diagnostic imaging back within the budget parameters? My response to that has always been yes. Now you are seeing the first major step to getting it back on target so that it does become within the budget envelope within the three years.

**Dr Morauta**—This 1.51, I have to say, is in April. There were fewer working days than in many months.

**Senator CROWLEY**—In Easter there was almost a week off, wasn't there?

**Dr Morauta**—Yes, so that is probably an exaggerated version of what is going on, but it is lower.

**Mr Keith**—There were two extra working days the previous month too, so it probably is giving an exaggerated view. As you would appreciate, it seems to be on the right track.

**Senator WEST**—You must have been panicking in October last year with the MRI rate of increase when you saw that come through.

**Mr Keith**—You would expect it because there was no previous year, in a sense. The number of services provided was very low, so if there was one service provider last October and 500 this October you have a 500 per cent increase.

**Dr Morauta**—Those numbers do not really make sense because there is no previous year. The table is built on changing—

**Senator CROWLEY**—That should have been a base of zero and there would have been no increase, Mr Keith.

**Mr Keith**—Unfortunately somebody actually did one.

**Mr Podger**—We tend to put ‘n/a’ at that point.

**Senator CROWLEY**—So you can have a percentage increase with n/a?

**Dr Morauta**—We appear to be able to, Senator, but it is a wonder of modern science that we could, I must say.

**Mr Podger**—These figures give you a lot more detail but one of the graphs I tabled earlier also shows you over the full number of years. You can see to April this year, across a whole range of things, a considerable drop-off we have achieved from the negotiations over the last six to 12 months.

**Senator CROWLEY**—You said a few minutes ago that the budget was \$6 million up—at least the Auditor-General on your advice estimates that—because of more being out of rather than in institutions.

**Dr Morauta**—Partly because of that and partly because of a larger number of services.

**Senator CROWLEY**—Has there been any significant level of reduction in bulk-billing for the services?

**Dr Morauta**—On MRIs, Senator? I think it is about the same all the way through, isn’t it? Yes, it is a new modality. It is relatively consistent across the month.

**Mr Podger**—We are not aware of anything happening in our negotiations leading to holding back our spending but bumping up the co-payments. That has not come up in any of the figures we have.

**Senator CROWLEY**—Can you give us a percentage of the bulk-billing?

**Dr Morauta**—Bulk-billing for MRI for the three quarters here—September 1999, 65 per cent; December 1999, 65 per cent; March 2000, 66 per cent bulk-billing—no, sorry, schedule fee observance. I am so sorry, I am reading it wrong. Bulk-billing is 47, 46 and 49 for the same three quarters.

**Senator CROWLEY**—Bulk-billing for MRIs?

**Dr Morauta**—Yes and then schedule fee observance is that 65 per cent figure.

**Senator CROWLEY**—What is at 65?

**Dr Morauta**—Schedule fee observance. That is charging against the Medicare schedule fee, not anything above that. They are charging 100 per cent of what the 85 per cent or 75 per cent rebate is.

**Senator CROWLEY**—Do you know where the 35 or so per cent of people who are not schedule fee observing are?

**Dr Morauta**—Not in front of me, no, Senator.

**Senator CROWLEY**—Is it possible to find out?

**Dr Morauta**—Yes, we can take that on notice.

**Senator CROWLEY**—Thank you very much. If you have those figures, could you provide for us what is the least and the most that people are paying outside of—patient moiety I think is the—

**Dr Morauta**—The least will be bulk-billing, Senator.

**Senator CROWLEY**—No, above bulk-billing. It could be 1c, I know, but I do not mean that. If 35 per cent are outside of—

**Dr Morauta**—Outside the schedule fee, what is the range of—

**Senator CROWLEY**—Yes.

**Dr Morauta**—That data is not ever particularly good on Medicare because it is a sort of self-reported figure. It is not intrinsic to Medicare. We'll give you what we've got.

**Senator CROWLEY**—Perhaps we should do it on stat dec. Sorry, I should not be so mean. Is there any evidence you have about the increase of the average gap? I guess it is the same question. If you have anything of that sort, that would be really helpful, thank you. Have you had any complaints? Has either the department or the HIC had any complaints—or shall I say a significant number of complaints—about the impact of reductions in access to things like ultrasound or mammography?

**Dr Morauta**—A small number of complaints but nothing that stands out as significant, Senator.

**Senator CROWLEY**—There have only been a small number of complaints?

**Mr Keith**—A small number of complaints. The complaints we received on the changes to O and G ultrasound were a consequence of the misreporting in the press of the actions that have been taken.

**Senator CROWLEY**—What does 'a small number of complaints' mean?

**Mr Keith**—Can we provide that on notice?

**Senator CROWLEY**—Thank you. Does the department have any small number of complaints of its own or are the complaints only being received by the HIC?

**Mr Keith**—No, it is the department that has received those complaints.

**Senator CROWLEY**—You don't get any?

**Mr Watzlaff**—Perhaps the HIC has received some. I will take that on notice and provide you with the figures.

**Senator CROWLEY**—By and large these are complaints about ultrasound and wrong information; so right information—complaint goes away?

**Mr Keith**—As I say, we have not had many complaints. The one complaint we had from rural providers was that one of the regulations required them to have a particular qualification but that qualification was not widely available for GPs in rural areas. Our advice, as we understood it, was that it was. We changed the regulation to allow people who had privileges at rural hospitals to be able to order that subsequent more difficult ultrasound test.

**Senator CROWLEY**—In fact what that means is you are allowing people who are not qualified to do the test.

**Mr Keith**—No, people who have O and G admitting privileges in rural areas can actually order the test. There was a restriction on who could actually order the test. Following representations from various rural doctor groups, the same groups that advised us that their members would have these qualifications, we broadened that criterion.

**Senator CROWLEY**—How did you get it wrong in the first place?

**Mr Keith**—We were advised by the various representatives of ACRAM and the RACGP that this was an appropriate qualification that people would have in rural areas to be able to order the ultrasound test. As I say, a number of people then, when push came to shove, realised that qualification probably was not as widely available as they believed. An appropriate change was that those rural GPs that had obstetric privileges at the local hospital would be an appropriate prerequisite for ordering that test.

**Senator CROWLEY**—This would suggest that your first group of advisers was not fully cognisant of the qualifications out there.

**Mr Keith**—That would seem to be so, Senator.

**Senator CROWLEY**—Will you qualify your information or advice you take from them next time?

**Mr Keith**—They were representatives of the same groups that asked for the change, Senator, so it is difficult.

**Senator CROWLEY**—Your presumption is that they too have learnt?

**Mr Keith**—One would hope so.

**Senator CROWLEY**—One question I may not have put to you in this series, I am sorry: has the department or the HIC undertaken any surveys of the prices currently being charged for the use of MRI when Medicare is not operating? I might have left you with the impression I was only seeking information about—

**Senator CHRIS EVANS**—Basically, what do we know about what is going on about prices and charges with MRIs in terms of the rebate.

**Mr Keith**—We only have anecdotal evidence.

**Senator CROWLEY**—And what is it telling you?

**Mr Keith**—Basically, as you would expect, if it is in an area where there are MRI machines that have benefits available, the charge is likely to be lower than if there is an MRI machine in a place which is some distance from an eligible MRI unit.

**Senator CROWLEY**—Have you any idea of what those figures are anecdotally? I mean, is \$800 a pop now down to \$500?

**Mr Watzlaff**—The only figure I have heard is that in one large country area the fee is \$300 a scan.

**Senator CROWLEY**—Without any—

**Mr Watzlaff**—Without the rebate.

**Mr Keith**—I have heard they are about \$350 in a regional area in another state.

**Senator Herron**—Are they for head scans or for other body scans?

**Mr Keith**—We do not know because there is usually just one fee for MRI scans. That is just the anecdotal evidence we are getting in. We do not have that detail.

**Senator CROWLEY**—So the anecdotal evidence is that the price in some areas is now down to about \$300?

**Mr Keith**—Yes.

**Senator CHRIS EVANS**—What are the Medicare rebate fee structures?

**Mr Keith**—The fee is \$475 and the benefit is \$425.

**Senator CHRIS EVANS**—The fee?

**Mr Keith**—The scheduled fee is \$475, sorry, Senator.

**Senator CHRIS EVANS**—There are always three or four different figures lurking. And the benefit is \$425.

**Senator CROWLEY**—So roughly what people are doing is competing with a \$50 cost.

**Mr Keith**—Yes.

**Dr Morauta**—We have about half bulk-billing, another tranche that are just charging the \$475 and then, as you said, another one above that. I mean, the basic market has changed as a result of the rebate being introduced, and that is what we are describing—the effect on the private market charging.

**Senator CHRIS EVANS**—So what do we know about usage in the private market? Do they use them?

**Dr Morauta**—There must be a lot of machines out there in the private market.

**Senator CHRIS EVANS**—So if they are not claiming the rebate you do not know anything about them, basically.

**Mr Keith**—No.

**Senator CROWLEY**—Given that bit of anecdotal evidence that both of you suggest a figure of \$300, \$350—\$300 for Dr Watzlaff, and \$350 was bid by Mr Keith—and, as I understand it, you said, Mr Keith, ‘from another state’—

**Mr Keith**—Yes.

**Senator CROWLEY**—I do not want you to necessarily name the states but can you say, in that anecdotal evidence, whether there was a public sector or a rebatable machine operating within cooee—‘cooee’ being country, I guess?

**Mr Keith**—In the state to which I am referring, everything is within cooee.

**Mr Watzlaff**—I do not believe there is another location in the same town. My guess is, it is at least 80 or 90 kilometres to the nearest MRI from the location I am thinking of.

**Senator CHRIS EVANS**—But do we know anything about the overall demand for MRI services? It seems if you are a footballer you cannot have a headache without getting an MRI these days.

**Mr Keith**—Well, if you are a good footballer!

**Dr Morauta**—I think you have in the end a particular set of clinical indications for which we pay MBS rebates. There is a whole world of other indications and public hospital in-patient type activity that we do not have a handle on at all, which is clearly outside the MBS. There would be a considerable amount of activity there, I think.

**Senator CROWLEY**—Is your anecdotal evidence telling you that your price for MRIs specifically, but any of this imaging—well, not any of it—is higher for privately insured people?

**Dr Morauta**—Sorry, what are we comparing?

**Senator CROWLEY**—I beg your pardon, I have given you the wrong insurance. People who are within the ambit of accident or sporting claims where they may indeed be making a claim, either under a special contract with a football team or through accident insurance, for example. It costs more to get your car fixed; does it cost more to get your knee fixed?

**Mr Keith**—Certainly through private health insurance there would be no payment because it is not a benefit, but there may be in certain insurance schemes. If you insure yourself to play football, or somebody insures you, presumably that insurance may be liable. We would have to take that on notice and see if we could find out.

**Dr Morauta**—I do not think it would be very easy to find that.

**Senator CHRIS EVANS**—Given you are going to need to make recommendations to the minister arising from the Blandford report, and the fact that the whole medical rebate thing has been in a sort of hiatus caused by the budget difficulties, what work will be done about what is happening out there in the market before we make those sorts of decisions? Our knowledge seems to be limited very much to what we know about what we pay for, but obviously now there are a lot of machines out there on which a rebate is not paid in terms of overall supply and those sorts of issues. What work will the department do in addition to Blandford before those sorts of recommendations or decisions are made?

**Mr Podger**—I am not too sure how much more work we will do around what is happening in the market. The Blandford inquiry raises a number of points that we will need to take on board. For example, Blandford suggests that the number of scans that ought to be covered by benefits ought to be increased. He raises whether there are some other clinical conditions that we might want to examine to widen the scope. So we have that as well. Then, of course, there is the issue about the number of machines he suggests we look at. We will have to take into account the points you raised before: where are the machines that are currently not able to claim, and how do we handle those and bring them within the processes of tender arrangements or whatever? Those are the things we are going to have to explore. But I do not think we will be doing a great deal of work about what is happening right now about the machines that are not claiming.

**Mr Keith**—Certainly we have the benefit of more data than Blandford had for the indications that we pay for, so we will be able to look at that. We have data about how far people travel and where the cluster of activity is. That cluster tends to be around large hospitals that provide neurological services. Those are the issues that we need to look at.

**Dr Morauta**—The thing we are ahead of in responding to the Blandford review from where we were two years ago is that we have data on how it is running under Medicare. We have data on bulk-billing, on the number of scans per machine. We have a lot more data on

how it is working there than we had before, and that should put us in a better position to respond.

**Senator CHRIS EVANS**—Yes.

**Senator DENMAN**—We thought there was no overuse of ultrasound and then we discovered through an inquiry that there was. Is there any mechanism to do surveys to see that the MRIs are being used properly and not being overused for profit?

**Mr Keith**—Certainly the medical benefit schedule provides specific indications on which MRI can be used. People, in ordering MRIs, have to be quite specific, so there is not such scope for moving outside of those tram tracks, really. We are as confident as we can be that MRIs are being used appropriately.

**Dr Morauta**—And, of course, there are the normal audit procedures which would occur from the HIC side.

**Mr Watzlaff**—I think I have mentioned previously that we do do some audit work to ensure that the requesting limitation is observed, bearing in mind that it is only specialists that can request MRI services and they have to specify the condition. We are also doing some audit work, too, on whether or not the machines that are being used are truly eligible machines, as well. They are risk factors in terms of looking at whether the claiming is appropriate and in accordance with the regulations.

**CHAIR**—The issue of MRIs is now concluded. Before progressing to the other issues relating to outcome 2 we will have a dinner break.

**Proceedings suspended from 6.07 p.m. to 7.21 p.m.**

**CHAIR**—I advise the minister, Mr Podger and the officers that it has been suggested that tonight we might go through until we finish outcome 2 and then adjourn until tomorrow. Then we will go through into aged care and follow the program straight through. So we will start with aged care in the morning and then just go through each outcome and see where we end up tomorrow night.

**Mr Podger**—Thank you very much. That will help our officers' arrangements.

**CHAIR**—Thank you.

**Senator CROWLEY**—I really just wanted to pick up on the decision to keep nasal sprays on the RPBS. What was the medical basis for that decision? Particularly, could you explain how you estimate what elderly patients will benefit on the RPBS, as apart from elderly patients who rely on PBS?

**Dr Morauta**—I do not think one would describe the grounds as medical. I think the difference between the two schemes is that the RPBS—it is not in our portfolio—goes to a different set of principles from the PBS in relation to the clients on the schemes and particularly goes to a sense in the community of a debt owed to these people of a different type from the PBS. I do not know whether that is a fair summation, but it is a different base. I do not think you could describe the difference as being medically based.

**Mr Lennon**—There are a number of drugs on the RPBS which are not on the PBS.

**Senator CROWLEY**—This I know. To what extent is the decision based on other than medical reasons?

**Dr Morauta**—I do not think I have anything to add to what I said.



**Mr Podger**—I cannot add anything further to that. I think you would have to address that question to the Department of Veterans' Affairs.

**Senator CROWLEY**—The reason I have it here is that the figures are there on page 81 of the budget statement. It is curious that the elderly people under the RPBS have a different need for nasal sprays than the rest of the community. Maybe we will pursue that in other places. It is for other than medical reasons you say, Doctor—just for the record, to be clear?

**Dr Morauta**—Yes, I think that would be correct.

**Senator CROWLEY**—What measures might you take to make sure that there is not a cost increase by manufacturers for OTC products and profit mark-up on private prescriptions?

**Dr Morauta**—What is the context here, Senator? Are you talking about nasal sprays?

**Senator CROWLEY**—Yes, we can start with nasal sprays. The principles should apply.

**Dr Morauta**—As a result of what, though? What might cause this?

**Senator CROWLEY**—My question is: what measures will you be taking to prevent cost increases for over-the-counter products?

**Dr Morauta**—In the context of removing nasal sprays from the PBS?

**Senator CROWLEY**—And in the context of GST not increasing prices by certain amounts, et cetera. Just what measures will you be taking to prevent these items dramatically increasing in cost?

**Dr Morauta**—I think the normal constraints apply to pharmaceutical products as to other products in the marketplace in relation to price and overpricing—normal competitive principles and also at the back always the ACCC. But I think it is basically the normal principles of the marketplace apply.

**Mr Lennon**—There is a healthy, competitive market out there already with OTCs. There is no reason to suggest that there will be anything else but a healthy, competitive market for the foreseeable future.

**Senator CROWLEY**—I have a thousand questions, but in the interest of progress this evening I will resist temptation. How much money, in dispensing fees and additional fees, will pharmacists lose as a result of this measure?

**Dr Morauta**—I do not think we have the exact figure here on the nasal sprays, do we?

**Mr Stevens**—I have not got any details here on the impact on actual pharmacists, but bear in mind that they will be sold over the counter. Any sales would still be going through a pharmacy.

**Senator CROWLEY**—Following the signing of the third agreement, how will pharmacists be compensated for this loss?

**Dr Morauta**—The third agreement contains risk sharing arrangements. When volume gets below a certain level, there will be a repayment to pharmacists. But this measure does not trigger that level, so there is no repayment to pharmacists.

**Senator CROWLEY**—It does not trigger it?

**Dr Morauta**—I assume you are referring to the risk sharing arrangements in the pharmacy agreement?

**Senator CROWLEY**—Yes.

**Dr Morauta**—If the volume of prescriptions goes below certain levels, then there will be an additional price per prescription to pharmacists. But this measure and the measures in this budget are not going to have that effect. It is really prospective—into the future. I think we have lost each other, Senator.

**Senator CROWLEY**—Are you suggesting that if there is a fall in the volume of sales the third agreement cuts in?

**Dr Morauta**—A fall in volume of PBS prescriptions.

**Senator CROWLEY**—So once they are off the PBS, they are not part of that third agreement?

**Dr Morauta**—No.

**Senator CHRIS EVANS**—I think I might have asked representatives of the HIC to stay behind because there were a couple of issues I wanted to raise with them. I thought Madam Chair might do that first, starting with the ACT division of GPs and moving on to the corporatisation of Health. Dr Harmer, I think last time I raised some concerns about an issue involving some appointments to the HIC. I think the officer who was with us at the time did not have some of the detail. I thought as you were personally involved you would have some more information for us. You would be aware of concerns raised about the appointment of Dr Richards and Ms McNally. I just wanted to take you through some of those issues. Could you clarify for me when Dr Richards was offered a position in the HIC?

**Dr Harmer**—Dr Richards commenced work on 13 September and I think he was finally offered a position—in a letter of offer of 28 August.

**Senator CHRIS EVANS**—So the offer to him would have gone on 28 August. Would he have been advised formally of the offer before that?

**Dr Harmer**—No, I think a letter of offer would have gone. In fact, there was quite a bit of discussion between him and me then about the remuneration for him. I think he finally accepted on the 6th, but I sent an offer a week earlier.

**Senator CHRIS EVANS**—Sorry, the discussion between you and him about his remuneration was subsequent to your making the offer?

**Dr Harmer**—Yes, it was.

**Senator CHRIS EVANS**—Can you just take me through the interview process for Dr Richards? We had some confusion about the one applying to Dr Richards and the one applying to Ms McNally. Was he the only recommended applicant?

**Dr Harmer**—Yes, he was. They were both the only recommended applicants for the two jobs.

**Senator CHRIS EVANS**—We had better deal with Dr Richards first, then.

**Dr Harmer**—Okay.

**Senator CHRIS EVANS**—Because the officer got into trouble last time by discussing them jointly.

**Dr Harmer**—Okay.

**Senator CHRIS EVANS**—At the end, I did not know whether we were talking about Arthur or Martha. So that was my fault. So let us deal with Dr Richards.

**Dr Harmer**—Okay.

**Senator CHRIS EVANS**—Dr Richards was interviewed by a selection panel?

**Dr Harmer**—Yes, he was.

**Senator CHRIS EVANS**—Were you on that selection panel?

**Dr Harmer**—I was the chair of it.

**Senator CHRIS EVANS**—And he was the recommended applicant?

**Dr Harmer**—Yes, he was. In fact, we went through quite a process of the selection of the head of my new information management division. We advertised and got a range of applicants and I was not satisfied after the first round of interviews that I had someone in that group who would fill the bill. So I asked Morgan and Banks, who were our agents, and Ian Hansen, the head of Morgan and Banks, who was sitting with me on the panel, whether they had anyone else on their books who looked like they might be a prospect for this job. I had a couple of people who looked pretty good, but I was not satisfied that they were the best for the job. Ian Hansen had interviewed Brian Richards for a couple of other positions at some point—I am not sure when—but he remembered him and suggested his name. I said, ‘Great, organise for him to send me a CV’, and we interviewed him some time later with the same panel.

**Senator CHRIS EVANS**—So he was not an original applicant for the job?

**Dr Harmer**—No.

**Senator CHRIS EVANS**—You had already got through the short listing and the interview process. Subsequent to that, you asked Morgan and Banks if they had any ideas. Was he the only extra one you interviewed?

**Dr Harmer**—I think he was, from memory, Senator, but I am not sure. I would like to check that.

**Senator CHRIS EVANS**—Perhaps you could take that on notice.

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—So he was suggested to you by a Mr Hansen from Morgan and Banks?

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—Did you know Dr Richards prior to that?

**Dr Harmer**—No, I did not.

**Senator CHRIS EVANS**—Did you know of him by reputation?

**Dr Harmer**—No, I do not think I even knew of him by reputation.

**Senator CHRIS EVANS**—So you then interviewed him and thought that he was the right pea for the pod.

**Dr Harmer**—He was outstanding at the interview.

**Senator CHRIS EVANS**—So you would then have to take it to the board; is that the way it works?

**Dr Harmer**—Yes. I talked it over with the board, as I do with senior appointments at that level.

**Senator CHRIS EVANS**—And they approved the appointment?

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—I think I stretched Mr Podger's memory a bit on this one last time, because he has enough to worry about with his own department, but—

**Dr Harmer**—Sorry, I should just clarify. I always give the board, in a sense, a look at the preferred candidate, but it was my appointment, not the board's appointment.

**Senator CHRIS EVANS**—Perhaps you might want to go back and take me through the process then, Dr Harmer. Did you, after interviewing him—

**Dr Harmer**—After interviewing him and deciding that he was the preferred candidate, given that it was a very significant position, because it was a new position in the Health Insurance Commission—the head of my new information management division—I wanted to make sure that the board were comfortable with it. In fact, I am not sure I took it to the full board—I think I may have taken it to the chairman. I am not sure of the details, Senator. I could find that out. But the letter of offer would not have gone to Dr Richards until after I had gone through that process.

**Senator CHRIS EVANS**—Sorry, Dr Harmer, I am getting a bit confused. I think that it is probably best if I just ask you what it is you remember.

**Dr Harmer**—Sure.

**Senator CHRIS EVANS**—And if you do not, with all due respect to Mr Podger, I think that we are going to end up in a bit of a mess, because Mr Podger went through this earlier about what he remembered and what someone told him he should have remembered. I just want to be clear, because we got into this confusion the last time about what you recall, and if you do not know, I think that it is probably better that you take it on notice.

**Dr Harmer**—Sure, okay.

**Senator CHRIS EVANS**—I am not trying to give you advice.

**Dr Harmer**—No, I understand.

**Senator CHRIS EVANS**—I am not clear on what you are saying about the process. Did you take it to the board, or not?

**Dr Harmer**—After interview, and before the final offer, I raised Dr Richards' name with the board—to see whether anyone on the board knew of him. I think at the time I asked the chairman to meet with me and Dr Richards to have a brief discussion. I had done that in the past with other positions.

**Senator CHRIS EVANS**—Who was the chairman at the time?

**Dr Harmer**—Dr Catchlove.

**Senator CHRIS EVANS**—So you and Dr Catchlove met with him? It was like a second interview process, was it?

**Dr Harmer**—I would not have said that it was a second interview process, but it was a process to make sure that the chairman of the board was comfortable with the appointment.

**Senator CHRIS EVANS**—So after that meeting, did you then speak with Dr Catchlove about that?

**Dr Harmer**—No, we had lunch. Dr Catchlove indicated that he seemed fine to him. I do not think he knew him well.

**Senator CHRIS EVANS**—So, at that meeting, Dr Catchlove said, ‘If that is your choice it is fine by me’ sort of thing?

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—So did Dr Catchlove know him or not?

**Dr Harmer**—I think he had probably heard of him, but I do not believe he knew him.

**Senator CHRIS EVANS**—So after that lunch with Dr Catchlove, you then went about appointing him. The power to appoint is yours, is it?

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—So it did not have to be ratified by the board?

**Dr Harmer**—No.

**Senator CHRIS EVANS**—So there will not be any board minutes of a discussion of that appointment?

**Dr Harmer**—No.

**Senator CHRIS EVANS**—Were you aware at the time that Dr Richards might be seeking to negotiate some sort of redundancy payment from his current employer?

**Dr Harmer**—No.

**Senator CHRIS EVANS**—When did you find out about that?

**Dr Harmer**—This is some time ago—I do not believe I knew. I think I found out when there were some questions in the Senate about that. I do not believe I knew before. It is of no interest to the Health Insurance Commission when we make appointments about what arrangements people have with previous employers.

**Senator CHRIS EVANS**—No. For instance, sometimes you have got to give a month’s notice, or something. I just thought that you might well have been made aware that he was—

**Dr Harmer**—I do not believe so.

**Senator CHRIS EVANS**—So you were not aware that he was seeking a redundancy payment. Were you aware that there was a defamation argument going on as well? Did you get any of that sort of background?

**Dr Harmer**—No, I was not.

**Senator CHRIS EVANS**—Did you speak to any referees?

**Dr Harmer**—Yes, I did.

**Senator CHRIS EVANS**—So did you speak to anyone at his current employment?

**Dr Harmer**—He had a range of referees. I would need to take that on notice, Senator.

**Senator CHRIS EVANS**—If you could, that would be fine. So he was then appointed and he started on 13 September?

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—What do you know about the appointment of Ms McNally?

**Dr Harmer**—Her appointment was a similar process in that we went to interview. We engaged Morgan and Banks, as we do for senior appointments. I was not on the panel for that.

**Senator CHRIS EVANS**—Were you aware that hers was a late application?

**Dr Harmer**—Yes, I was.

**Senator CHRIS EVANS**—Perhaps you could take me through that, because there was some confusion the last time. Was she an original applicant?

**Dr Harmer**—No, she was not.

**Senator CHRIS EVANS**—So applications had closed. She was not an applicant. Did they interview from the established field?

**Dr Harmer**—Yes, they did. I cannot recall—I need to take it on notice—whether they interviewed at the same time, but Morgan and Banks, for all of our senior positions, do a search as well as get applications in. Ms McNally's name came to the attention of Ian Hansen and the Morgan and Banks team before we had made the decision on the job. She was interviewed—I think it must have been about the same time—because, as I do on these matters of people at the SES level, I ask the panel for the top two candidates before they make a recommendation. I would like to have a chat with them as part of the process, in the same way that I gave my previous chairman a chance to have a chat with the preferred candidate.

**Senator CHRIS EVANS**—But you do know that she was not an original applicant? Again, this Mr Hansen managed to discover her from some other process.

**Dr Harmer**—He had, I think, interviewed her or she had expressed some interest in a position he had previously and saw her CV.

**Senator CHRIS EVANS**—She was not referred to him by Dr Richards?

**Dr Harmer**—I do not believe so, no.

**Senator CHRIS EVANS**—Could you check that for me?

**Dr Harmer**—Sure.

**Senator CHRIS EVANS**—As to whether or not Dr Richards brought her availability to Mr Hansen's notice. So Mr Hansen, when he originally short-listed the applicants for the job, did not put her in? It was subsequent to that. As I understand it, he is doing this job for you anyway, is he?

**Dr Harmer**—Yes, he is.

**Senator CHRIS EVANS**—So he had a list. You say he does this for you, but I assume, in the normal course of events, he does it on time as the applications close rather than subsequently?

**Dr Harmer**—For SES and for senior appointments, we engage Morgan and Banks, because sometimes we use their search to assist us to get the field.

**Senator CHRIS EVANS**—Did you do that on this occasion?

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—I guess that begs the question: why was she not in the first cut?

**Dr Harmer**—I would like to just check the first cut—I think she was in before they convened the panel to do the interview.

**Senator CHRIS EVANS**—You conceded to me that she was not in by the time applications closed.

**Dr Harmer**—No, I do not think so.

**Senator CHRIS EVANS**—So I assume you expected Morgan and Banks to give you the short list about the same time as the applications closed. I am not trying to jump, but I assume that therefore meant that this happened later. If I have got it wrong, please correct me.

**Dr Harmer**—I think it happened shortly after, but I would need to check the dates.

**Senator CHRIS EVANS**—If you could check when she came into the field, what date, how she came in and whether or not there had already been a short list established, I would appreciate that.

**Dr Harmer**—I think we may have taken some of these questions on notice last time and I do not know whether you have got those yet.

**Senator CHRIS EVANS**—I do not think so. I was getting emails on Friday so—

**Dr Harmer**—I think some of the questions have probably been answered in the set I cleared.

**Senator CHRIS EVANS**—Yes, they may be in the minister's office. I have not seen them yet, but there were certainly some coming through on Friday. I think the secretariat are indicating that that set have not come through so they might still be in transit.

**Dr Harmer**—I just remember clearing a set of answers to questions along these lines.

**Senator CHRIS EVANS**—I know that the department clearing them is not the same thing as us getting them.

**Dr Harmer**—No.

**Senator CHRIS EVANS**—I have learnt that from bitter experience.

**Dr Harmer**—I understand from Mr Podger that they probably have not gone through to you yet.

**Senator CHRIS EVANS**—We will get the answers to some of those questions. It has been described to us that there were two recommended applicants. You say you like them to give you the final two. Is that your usual procedure?

**Dr Harmer**—Yes, it is, for SES appointments.

**Senator CHRIS EVANS**—So you interviewed the two?

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—Did you do that alone or in company?

**Dr Harmer**—Alone.

**Senator CHRIS EVANS**—Had the selection panel distinguished between the original two?

**Dr Harmer**—Yes, they had quite a strong preference, as they often do, but I like to see who are the top two.

**Senator CHRIS EVANS**—They gave them to you in order, not as a—

**Dr Harmer**—Yes.

**Senator CHRIS EVANS**—Was Ms McNally their preferred candidate?

**Dr Harmer**—By quite a margin.

**Senator CHRIS EVANS**—So you then interviewed both and you confirmed the selection?

**Dr Harmer**—Absolutely.

**Senator CHRIS EVANS**—What then happened with that appointment?

**Dr Harmer**—Because there had been what I would call some unfortunate controversy within the organisation, I decided that I needed to reconvene the selection panel to make sure that the decision was absolutely legitimate—there had been some questions and some unfortunate rumour.

**Senator CHRIS EVANS**—I do not want you to detail the rumour necessarily to me—

**Dr Harmer**—I was not planning to, but I just wanted to—

**Senator CHRIS EVANS**—I just wanted to follow through the process with you. I do not want to add to that development, but I do want to know how it was raised with you and, if not the allegation, what the context was.

**Dr Harmer**—The reason I went through that is that I wanted to explain to you what I did. I reconvened the whole interview panel—

**Senator CHRIS EVANS**—I just want to be clear about what you are saying prompted this—that is all—without necessarily detailing it blow by blow. But I do want to understand: not the allegations, but what is it that brought concern?

**Dr Harmer**—There were issues about whether the selection panel was truly objective. Although, as I said earlier, I interviewed the two and agreed absolutely with the inclination of the selection panel, I decided to reconvene the whole selection panel, with the head of Morgan and Banks, at the Morgan and Banks offices in Canberra. We went through all of the interview reports, the referees reports and the other testing that Morgan and Banks do for a senior appointment, which absolutely confirmed the decision.

**Senator CHRIS EVANS**—If we can just go back a step, who was on the original panel?

**Dr Harmer**—Dr Richards, Mr Hall, my commission secretary and a member of Morgan and Banks. I have got that outlined in the answer.

**Senator CHRIS EVANS**—Is that Mr Hansen, or is it somebody else?

**Dr Harmer**—No, it was someone else.

**Senator CHRIS EVANS**—You were concerned about some suggestions made. How were those suggestions—concerns—raised with you?

**Dr Harmer**—By one of the staff members who was interviewed.

**Senator CHRIS EVANS**—One of your current staff members?

**Dr Harmer**—Yes, one who was in the field.

**Senator CHRIS EVANS**—And they brought those concerns to you or you just heard about it?

**Dr Harmer**—Yes, they brought them to me.

**Senator CHRIS EVANS**—Was that the only person who raised it with you? You did not receive any correspondence or—

**Dr Harmer**—No, I believe it was that person.

**Senator CHRIS EVANS**—So as a result of that approach from a staff member, who I presume was not one of the preferred candidates, or the person was one of the candidates—

**Dr Harmer**—One of the candidates.



**Senator CHRIS EVANS**—So you reconvened the committee; you did not reinterview the candidates? You just—

**Dr Harmer**—I had already interviewed the first and second. I reconvened the committee to make sure, because I could tell by some of the things going on that this was going to be a sensitive appointment and I had better make sure I could defend it.

**Senator CHRIS EVANS**—And here I am confirming your worst fears.

**Dr Harmer**—You are, absolutely, Senator.

**Senator CHRIS EVANS**—I am glad to have been of service. It teaches you that those precautions are worth while!

**Dr Harmer**—I should say for the record that both appointments of Dr Richards and Ms McNally have turned out to be excellent appointments. They are both doing very well.

**Senator CHRIS EVANS**—I am glad to hear it. So you had this workshop with the panel again, went through the evidence and confirmed the selection. You therefore offered Ms McNally the position?

**Dr Harmer**—Correct.

**Senator CHRIS EVANS**—Did that have to go to the board?

**Dr Harmer**—No.

**Senator CHRIS EVANS**—Did you take those issues that were raised with you to the board?

**Dr Harmer**—I cannot recall. I think I regard that as a management issue for me to sort out within the organisation.

**Senator CHRIS EVANS**—At what level was Ms McNally's appointment?

**Dr Harmer**—She was at branch head level.

**Senator CHRIS EVANS**—That is SES?

**Dr Harmer**—Yes. First level in the SES.

**Senator CHRIS EVANS**—When was she appointed?

**Dr Harmer**—Again, I am sure it is in the answers that I have cleared but I may be able to find it quickly. She was appointed on 9 December 1999.

**Senator CHRIS EVANS**—Did the concerns that were raised with you include the concerns about Ms McNally being involved in the negotiation or authorisation of Dr Richards' termination payment?

**Dr Harmer**—No, nothing to do with it.

**Senator CHRIS EVANS**—That was not an issue that was raised with you?

**Dr Harmer**—No, that was not an issue at all and I was not aware of that at all.

**Senator CHRIS EVANS**—So when did you become aware of that?

**Dr Harmer**—When I read the Senate questions.

**Senator CHRIS EVANS**—That was not an issue in the appointment process at all?

**Dr Harmer**—Not at all.

**Senator CHRIS EVANS**—Thanks for that, Dr Harmer. I just want to ask the department whether there have been any further developments on this question of the payment to the ACT Division of GPs.

**Mr Tongue**—The head of our ACT regional office has written to the ACT division seeking further details of any payments made to Dr Richards.

**Senator CHRIS EVANS**—Just seeking the details?

**Mr Tongue**—Yes, and querying the nature of the payment.

**Senator CHRIS EVANS**—Didn't you have the details already? I am taking my mind back to the last time we debated this matter but, as I understood it, your department was involved with the okaying of the payment and your advice was sought about whether you had any objections to the process. I am just trying to understand where that leads to you then seeking advice, that is all. I thought you were involved a bit more than that.

**Mr Tongue**—The process of events was that we were asked a question about redundancy payments and replied that our policy position on staffing matters for the divisions—divisions employ something like 700 people nationally— was that managing staff relations was an issue for divisions. The ACT division sought a meeting with our ACT office and Dr Richards and the respective legal representatives to discuss our position. At that meeting we reiterated our policy position that we would not interfere in matters that were to do with the employment of staff by the division and settled on that position. We have not approved a payment to Dr Richards.

**Senator CHRIS EVANS**—What about you writing to the ACT division to seek more details?

**Mr Tongue**—An allegation was made, as I recall, and reached our office in mid-December. Subsequently, this matter has, if you like, not settled as one might expect the usual string of GP political issues to settle, and in the course of events we decided it was better to seek that information from the ACT division.

**Senator CHRIS EVANS**—What form did the allegation you received in mid-December take? Did you get a letter?

**Mr Tongue**—We received a quite detailed letter. The principal issue of concern to us is an allegation that part of the settlement may be related to a settlement of a private defamation action and, of course, the Commonwealth does not normally settle or become involved with the settlement of private defamation actions.

**Senator CHRIS EVANS**—But then again your view is that it is not your business, anyway, is it not; that you just fund the organisation? You were not interested in whether or not the person was redundant. Why would you be interested in whether or not they had been defamed?

**Mr Tongue**—There are two different issues. In a redundancy situation, that is an issue of an employment contract between the ACT division and its employee. In the case of the use of Commonwealth moneys to settle a private defamation action, that is not something the Commonwealth normally does and that is quite a different nature of payment.

**Senator CHRIS EVANS**—I think you made the point last time that you do not have any interest in the quantum or the circumstances surrounding the redundancy payment, provided it is—

**Mr Tongue**—Provided—

**Senator CHRIS EVANS**—I do not understand the difference of approach.

**Mr Tongue**—Provided it is a redundancy payment. That is an issue for the division.

**Senator CHRIS EVANS**—Would you be concerned if it was an excessive redundancy not based on normal industrial practice?

**Mr Tongue**—It depends on the nature of the case. The difficulty for us is that, if we dive down into the detail of every issue between a division and its staff, that is all we would do. So we tend to take the policy position that it is up to divisions to manage their own staff and, if they need to make redundancy payments as a result of a falling out between an executive officer and the division, we allow them to do that. From time to time, as in this case, aggrieved doctors might draw it to our attention, and we have to look at it on a case by case basis. But we try not to get drawn, as a matter of principle, into every staffing problem in a division.

**Senator CHRIS EVANS**—I accept what you are saying. Your own example highlighted the problem, did it not? It is a question of whether there is a redundancy or a personality dispute. A redundancy implies that the job no longer exists. That is quite different from a settlement. You say you draw a distinction over the question of defamation. I understand why the Commonwealth would be concerned about that. I was a bit surprised that there was not a greater concern about the broader issue of the payment of people for reasons that may not be justified using Commonwealth funds. Anyway, I do not want to belabour the point. We have had that discussion.

**Mr Podger**—We had that discussion last time, and I think I said that at some point we do get concerned. That is a judgment as to at what point we get concerned. As a general rule—

**Senator CHRIS EVANS**—I am just trying to narrow down where that point is.

**Mr Podger**—I think two areas would be if there was clear evidence that the payment had been made for something other than redundancy which ought not be paid by Commonwealth moneys or if the quantum of money was disproportionate and raised questions about whether the divisions were able to meet the outcomes and outputs that we expect of them. I think that was the nature of the last one. But I do not think I can put down an absolute rule about when we would draw that line. I think the very fact that you raised them here did influence us about following the things through further.

**Senator CHRIS EVANS**—Could you explain this to me: the action taken by the department at this stage is purely to write to the divisions asking them for what—a ‘please explain’?

**Mr Tongue**—Basically, seeking further details of the nature of the payment and addressing the issue of whether any part of the payment was associated with, as claimed, a settlement of a private defamation issue.

**Senator CHRIS EVANS**—Is the department prepared to make that correspondence available?

**Mr Tongue**—Yes, certainly.

**Senator CHRIS EVANS**—I would appreciate that. What about any inquiries internally? Are there any inquiries into the role of the department in this process?

**Mr Tongue**—No.

**Senator CHRIS EVANS**—So your inquiries at this stage are linked to the concern about the defamation settlement potential and limited to inquiring with the GPs as to whether that was justified and whether they could provide you with further information?

**Mr Tongue**—Yes, that is correct.

**Senator CHRIS EVANS**—When did you write to them?

**Mr Tongue**—It was not me that wrote; it was our ACT manager. My recollection is that the date of the letter was 17 May.

**Senator CHRIS EVANS**—Had you taken any action on that complaint you received prior to that?

**Mr Tongue**—No.

**Senator CHRIS EVANS**—Why is that?

**Mr Tongue**—In our dealings with 123 divisions across the country in a \$70 million program we deal with all sorts of issues raised by divisions. With the benefit of hindsight, and in glorious technicolour, we should have responded more quickly to that allegation. However, we were slow to recognise the link between the redundancy issue and the defamation issue. We should have picked that up more quickly.

**Senator CHRIS EVANS**—And you will be able to table that letter today, will you?

**Mr Tongue**—Yes, certainly.

**Senator CHRIS EVANS**—Thank you for that.

**Senator WEST**—Can I turn to the pharmacy agreement? I understand that on 15 May the minister and the guild signed a new five-year agreement; is that correct?

**Dr Morauta**—Is that the 16th or the 15th?

**Senator WEST**—I might be wrong. You tell me. I just understand there was one signed at about that time.

**Mr Lennon**—It was about that time—the 15th or the 16th.

**Senator WEST**—The 15th or the 16th; you cannot remember which?

**Dr Morauta**—The 16th.

**Senator WEST**—That was my information. I thought my information was fairly accurate. Is this a five-year agreement?

**Dr Morauta**—Yes.

**Senator WEST**—The third of such agreements?

**Dr Morauta**—Yes.

**Senator WEST**—With whom did the negotiations take place, the guild and—

**Dr Morauta**—The department.

**Senator WEST**—The department. What measures were put in place to ensure that the negotiations would remain confidential and that there were no conflicts of interest?

**Dr Morauta**—There are two separate issues. On the conflict of interest, we sought and received the statement of interest from each member of the negotiating team, and there was an exchange of letters between us and the guild. On the question of confidentiality, we turned it around and said that it was not confidential unless specified—unless we were dealing with

matters that had 'in confidence' written on them—because it is our expectation that the guild would be consulting its members about the issues that we were dealing with, and we had no intention that that negotiating committee should confine their discussions to their own group. There were, for example, not the whole of the guild council. And then each state has its own system. It was our expectation—and in fact the case—that the guilds consulted widely about the agreement.

**Senator WEST**—When were these measures put in place?

**Dr Morauta**—I have got them all here. We can table for you the exchange of letters and the statement.

**Senator WEST**—Thank you. So you actually hold the conflict of interest statements?

**Dr Morauta**—It is a statement of their interests—the interests of each member of the negotiating team. You can see from the correspondence the way that we handled it.

**Senator WEST**—Did that include—I have not seen it—disclosure of the interests of participants in relation to the Wilkinson report recommendations?

**Dr Morauta**—No, it was a statement more or less of their shareholdings in pharmacies—which pharmacies they had shareholdings in, with whom and that kind of thing. It is towards the back of the second statement.

**Senator WEST**—So there was nothing in this to indicate whether they might have. One of the Wilkinson report recommendations was about pharmacies being able to be licensed in medical centres; is that correct?

**Dr Morauta**—Yes, it related to medical centres.

**Senator WEST**—There was nothing in this to indicate whether people had interests in that or were planning to go that way or anything like that?

**Dr Morauta**—No.

**Senator WEST**—I am interested to know when these were put in place.

**Dr Morauta**—I think the dates are on the correspondence.

**Senator WEST**—They were put in place in the beginning?

**Dr Morauta**—I do not have a copy in front of me. They wrote to us in December.

**Senator WEST**—On 29 December?

**Dr Morauta**—Yes.

**Senator WEST**—How long had these negotiations been under way?

**Dr Morauta**—I think it was 1 December.

**Senator WEST**—The letter from you to Stephen Greenwood is February, but the letter from the guild was 21 December—

**Dr Morauta**—Our base is the first formal meeting, and I think this letter followed a week or two later—something like that.

**Senator WEST**—How long were negotiations under way?

**Dr Morauta**—Probably about six months all up, I think.

**Senator WEST**—Or a bit longer? It was not eight months, was it?

**Dr Morauta**—I was away September-October. I think it would not have really started in earnest. I had a period away from work and I think it was when I returned that we really got going. So it was late November-December.

**Senator WEST**—I am interested also in knowing the reason why the *Courier-Mail*, I think it was, was able to leak details of the rural pharmacy maintenance allowance prior to the release of the budget and prior to the signing of the agreement. Did that take place?

**Dr Morauta**—I am not aware of the particular article. But the process by which we developed the rural pharmacy maintenance allowance was a consultative process within the guild. It may be that something in that area was spread more widely than the people who were designing the thing. They would, for example, have consulted with rural pharmacists.

**Senator WEST**—So this was not something that had confidential on it in any way, shape or form despite the fact that it was a budget announcement?

**Dr Morauta**—It was the nature of the thing that we were getting the views of pharmacists as to what would be the most effective way to retain pharmacies in rural areas. That is the fundamental question.

**Senator WEST**—Is there not a difference between getting the views of pharmacists as to what would be the most effective measures and mechanisms and the *Courier Mail* being able to print an article, as I understand it, with details of the rural pharmacy maintenance allowance?

**Dr Morauta**—Can I take that on notice? I am not familiar with the article and what they had in it. It could well be that what they had in it was not what eventually emerged in the budget measure or something like that. I really do not know the details of the case. Can we take it on notice for you?

**Senator WEST**—Okay. Given all the problems with the MRI discussions, how did we go this time around with keeping minutes and notes of all the meetings between the pharmacy negotiating team, the minister, his staff and the department? Is there a good paper trail?

**Dr Morauta**—We did our very best.

**Senator WEST**—So the Auditor-General is going to be able to come through and find it squeaky clean and perfect and hold it up as an example as to what you should do?

**Dr Morauta**—He will find an enormous amount of paper, yes.

**Senator WEST**—That is very good. At any stage during the negotiations did the guild discuss the fact that it had a \$6 million fighting fund that had been set up to cover the cost of a public anti-government campaign should the agreement not be resolved to their satisfaction?

**Dr Morauta**—No.

**Senator WEST**—So you were not aware that there was a \$6 million fighting fund?

**Dr Morauta**—No.

**Senator WEST**—You were not aware that they would conduct a public campaign if they did not get what they wanted?

**Dr Morauta**—I have no knowledge of this matter.

**Senator WEST**—I have recollections of them undertaking a number of these campaigns a number of years ago. That was not concerning you?

**Dr Morauta**—No.

**Mr Podger**—The guild has always held the right to campaign from time to time against governments of all persuasions.

**Senator WEST**—Do you know if there was an emergency meeting held which finished at 2 a.m. the next morning between the minister and the pharmacy guild negotiating team on 6 April this year?

**Dr Morauta**—I cannot remember the date, but there was certainly such a meeting.

**Senator WEST**—An emergency meeting?

**Dr Morauta**—I would not describe it as an emergency, but it was a meeting.

**Senator WEST**—What was that meeting about? Are you able to tell us?

**Dr Morauta**—It was about some aspects of the agreement where it was thought we had not got a good enough result. The minister and the guild pressed the issues a bit harder and sorted some issues out.

**Senator WEST**—So they got what they wanted?

**Dr Morauta**—That would not be the way to characterise the result of the meeting. It was around the funding. I think both sides made concessions to get a better result.

**Senator WEST**—Was it to discuss the fact that the treasury department wanted to cut some programs and payments out of the agreement?

**Dr Morauta**—I think the context was the pressure on the department and the minister in relation to the broad financing. It was about the financing of the agreement; it was not about some other aspects of it. But the issue that was mainly addressed was the new pharmacy development program. That was the main issue that was discussed and how that would be funded.

**Senator WEST**—What was the end result? How did that pan out in comparison to what they initially wanted or what their demands were?

**Dr Morauta**—I just think the two parties moved closer together as a result of the discussions.

**Senator WEST**—This next question is both for the minister—it may have to go on notice—and the department. Were the minister and his staff or the department aware that the guild was having communications with its members in the days leading up to the budget readying themselves for a massive public protest due to its concern about Treasury cuts to the agreement? I am happy for the relevant part to go on notice.

**Dr Morauta**—The department was not aware.

**Senator WEST**—The minister and his staff part of the question can go on notice. Can you tell me what recommendation 13 of the national competition policy review is?

**Dr Morauta**—Is that the one about medical centres?

**Senator WEST**—I understand it is the one that allowed pharmacies to set up under defined circumstances in medical centres, private hospitals and nursing homes within a two kilometre zone. Is that right?

**Dr Morauta**—Yes.

**Senator WEST**—Was that dropped from the agreement?

**Dr Morauta**—No. That recommendation was not taken up in the agreement.

**Senator WEST**—So it remains?

**Dr Morauta**—No. The recommendation is a recommendation for change on the current arrangements. No change was made with respect to this matter in the agreement.

**CHAIR**—It was never in the previous agreement.

**Senator WEST**—No, but it was a recommendation of the review.

**CHAIR**—That is right.

**Senator WEST**—I want to know this: if it was a recommendation in the review, at what stage was recommendation 13 dropped, or when was it decided not to proceed with that recommendation?

**Dr Morauta**—In what sense?

**Senator WEST**—When in the negotiations—beginning, late, early? What were the reasons behind it?

**Dr Morauta**—All the issues that arise on the location of pharmacies from the Wilkinson review were obviously a major part of the negotiations right through. It would be fair to say that the last issues on location were settled very close to the end of the agreement. Sorry; what was the second part of your question?

**Senator WEST**—When was it dealt with? Who requested that this recommendation be rejected?

**Dr Morauta**—I think it is the other way around. Each recommendation was considered but some of them were not supported by either party and others were supported by one or the other.

**Senator WEST**—I am interested in knowing which one was not supported and by whom.

**Dr Morauta**—The final agreement does not contain, by agreement of both parties, any change to the arrangements around medical centres.

**Senator WEST**—Who was the first party to object to it being—

**Dr Morauta**—I do not think we need to go into the bits and pieces of it. I think the sequencing of it is not as important as the fact that both parties agreed on this. I think it is quite difficult to identify who said what. We were in a full-on negotiation discussion across a broad range of issues.

**Senator WEST**—Were there any pharmacists involved in the negotiating team whose pharmacies might have been adversely affected by increased competition?

**Dr Morauta**—There were people on the negotiating team whose pharmacies were very close to medical centres.

**Senator WEST**—And therefore would have been affected by the increased competition.

**Dr Morauta**—The proposal from Wilkinson was that new pharmacies could move into medical centres without any regard to where other pharmacies were around them. So what you say would be the case. Some of them were far away and some of them were close.

**Senator WEST**—And you do not have any idea how many in the negotiating team were affected by that.

**Dr Morauta**—I think several. However, I would say that the guild are very aware of the need to get a broad range of views. They polled members on this issue so that they could be



seen to be taking a broad view of the issue. They did take polling of their members. They also did a survey of members at the beginning of the agreement in preparation for their submission to the Wilkinson review. They took a very large number of samplings.

**Senator WEST**—My questioning is prompted by an article that appeared in the *Sydney Morning Herald* that says that the ‘pharmacy lobby wins healthy protection’. If the media is out there making comments about it, I think it is relevant to pursue the actual situation.

**Mr Podger**—I think it is also fair to say that, because of the nature of these things, once an agreement has been reached, the guild will wish to put the best gloss on the agreement, so they will highlight the things that they believe they have gained and so on. There will be a process of selling that goes on as well.

**Senator WEST**—No doubt there is a process of selling going on, but it is important—

**Senator CHRIS EVANS**—We are so lucky that the departments never do that in the estimates process.

**Mr Podger**—The department has had a significant number of attacks. I think from time to time it is right for the departmental secretary to defend his department.

**Senator CHRIS EVANS**—Both parties to an agreement have to go out and sell it to their constituencies.

**Senator WEST**—The requirement for pharmacists to declare any additional patient charged for already prepared and extemporaneously prepared items priced below the maximum general patient contribution was not extended to include transparency in relation to profit mark-ups added to private prescriptions, was it?

**Mr Stevens**—What was the last part of your question?

**Senator WEST**—Transparency in relation to profit mark-ups added to private prescriptions; there is no requirement for that to be declared?

**Mr Stevens**—No. This relates only to items that are listed on the Pharmaceutical Benefits Scheme that are below the general patient contribution. The amount that is charged, or part of the amount that is charged, can count towards a patient’s safety net on the PBS.

**Senator WEST**—Why wasn’t that requirement put in? It would have given more transparency.

**Mr Stevens**—We have no control over private prescriptions at all—they are totally up to the commercial arena—but we do have some control over what gets counted towards the safety net arrangements under the PBS.

**Senator WEST**—Am I understanding it correctly that in this situation you have a maximum contribution that can be made? If a doctor can prescribe something more cheaply and put a patient charge on because it is already ready made, then there is no requirement for them to disclose that, but that basically gets charged to the government as part of the patient’s contribution?

**Mr Stevens**—I will go back and explain the amount that is charged by pharmacists, what the patient will pay and what the government will pay. For a concessional beneficiary the patient is charged a contribution of \$3.30 and any excess over and above that is paid by the Commonwealth. The general patient contribution is \$20.60, and for any amount below that the total amount is paid by the patient. The government does not pay any of that. However, for an item listed on the Pharmaceutical Benefits Scheme, the amount of payment that is equal to

the Commonwealth dispensed price of that drug, plus a dispensing/recording fee of 87c, can count towards the safety net arrangement. Once they trip that safety net arrangement, they enter into a different phase of payment altogether.

**Senator WEST**—It seems to me that there is the ability to trip the safety net arrangement earlier than maybe would have happened if there were some transparency in relation to pharmacists' profit mark-ups.

**Mr Stevens**—What we are talking about is PBS items, and there is transparency there because you can see what the PBS dispensed price is through the schedule of benefits. What we do not have transparency on is purely private prescriptions, which do not get counted towards the safety net at all.

**Senator WEST**—This budget outlines the better medication management system. There is a proposal there to include the full cost of medications, together with the government's subsidy, on the record. Am I correct in my interpretation?

**Mr Lennon**—I am sorry, Senator?

**Senator WEST**—I am being told that, as part of the better medication management system, there is a proposal to include the full cost of medication, together with the government's subsidy, on the records.

**Mr Lennon**—No, there is a proposal under the better medication management system for there to be a facility for automatic calculation of safety net entitlements, which arises from the introduction of the better medication management system and the associated system of electronic prescribing and individual patient medication records. At the moment safety net calculations have to be done manually—either by the patient or by the pharmacist on the patient's behalf. For those patients who enter into the new better medication management system arrangements it is envisaged that, with the new electronic facility, we in time will be able to do automatic calculation of safety net entitlements for them.

**Senator WEST**—Within this system there is a proposal to include the full cost of medications, together with the government subsidy on the records.

**Dr Morauta**—I am not sure that that is the case.

**Senator WEST**—Can you check, please?

**Dr Morauta**—Yes. We will take it on notice.

**Senator WEST**—And if it is to be the case, will it be extended also to include the pharmacist's profit mark-up on private prescriptions?

**Dr Morauta**—We will take it on notice. I am not conscious myself—I do not think Mr Lennon is—that that is part of the proposal.

**Senator WEST**—I understand that the agreement allows for pharmacists to sell prescription items priced below the maximum general patient contribution at less than the list price, passing the savings on to customers.

**Dr Morauta**—Yes.

**Mr Stevens**—Yes, that is correct.

**Senator WEST**—How does that fit under the National Health Act? I understood that it was illegal for pharmacists to pass on discounts to consumers.

**Mr Stevens**—Under the National Health Act it is illegal for pharmacists not to charge the co-payment—they cannot discount the co-payment—but for items that are priced below the \$20.60 general patient contribution they are not strictly a pharmaceutical benefit, because there is no subsidy involved by the Commonwealth. Pharmacists to date have always been able to discount those items.

**Senator WEST**—So it is not illegal for the pharmacist to pass on the discount to the consumers?

**Mr Stevens**—For items priced underneath the general co-payment dispensed to those general beneficiaries.

**Senator WEST**—A measure and share initiative has been added to the agreement that allows for savings made through pharmacy initiatives to be shared by the government and pharmacies; is that correct?

**Dr Morauta**—Yes. It is a provision in principle. It is an opportunity rather than something in which there is a specific proposition at the moment.

**Senator WEST**—This sounds somewhat similar to a proposal that was announced in the last budget for general practitioners, doesn't it?

**Dr Morauta**—It has some similarity. They are both measure and share arrangements.

**Senator WEST**—What has happened to the one with general practitioners?

**Mr Lennon**—The incentives for quality prescribing measure, which was announced in the 1999-2000 budget, has been the subject of consultation with the medical profession for some time now. The medical profession had some difficulties in principle with the proposal. The Commonwealth has taken the position that it will go back and have detailed consultations with the profession to try to get to a common understanding in relation to the proposal, bearing in mind that at the end of the day for the proposal to be successful it will require the cooperation and ownership of the measure by the medical profession.

The measure has been worked up by a working group of the General Practice Finance Group, which is a peak medical body. That working group included a wide range of stakeholders, including consumers and all the medical representatives. The proposal from the working group was then brought back to the General Practice Finance Group. The General Practice Finance Group at this point is out consulting with its constituency in relation to the proposal and a final decision on the proposal, as to whether the medical profession is now comfortable with it, will be taken at the General Practice Finance Group meeting in August of this year.

**Senator WEST**—How long do you think it is going to be before you can get the pharmacy one up and going, given that it has taken you this long to get the medical one up and going?

**Dr Morauta**—I do not think there is a specific proposition in mind at the moment. The pharmacists are very interested in the idea that such a thing might exist. We look forward to them bringing forward proposals that might yield benefits of that type.

**Senator WEST**—So it is very much in its preliminary—

**Dr Morauta**—It is more of an opportunity than anything else—the willingness of government to look at this issue if there are proposals there.

**Senator WEST**—Willingness of government. We do not yet know whether there is a willingness on the part of the profession?

**Dr Morauta**—It is kind of mutual in that respect. It is an opportunity if people want to take it up.

**Senator WEST**—What would they be required to do under a measure and share initiative?

**Dr Morauta**—If any group in any of the professions that we deal with comes up with something which really had a benefit to consumers and also produced savings to government and they had to do some hard work to get there, the proposition under a measure and share arrangement would be that they would get some share of the savings because of the effort that they had to put in to help government achieve it. That is the sort of concept it is.

**Senator WEST**—Would there be a requirement, under this proposal, for a declaration to government into share profits gained from selling free bonus stocks at a below listed price? Would that be required?

**Dr Morauta**—No, I do not think it is linked to that. That is a more broader statement.

**Senator WEST**—What measures are being taken to ensure that the practice of substituting generic products for brand products without the doctor's permission and approval is not becoming more widespread?

**Mr Stevens**—That has been an issue of concern for some time. The profession is quite aware of that and has been putting out notices to its members and will continue to make members quite clear on that aspect.

**Senator WEST**—So there are not really any measures being put in place?

**Mr Stevens**—Any measures?

**Senator WEST**—If you are going to get into measure and share schemes, would there not be a bit of an incentive for people to be unscrupulous by substituting generic products for brand products and charge accordingly, without disclosing everything?

**Mr Stevens**—I do not think it is an issue for a measure and share approach, bearing in mind that the Commonwealth's subsidised price is based on the lowest price brand of a particular item. We only pay for the lowest price brand in any case. If the doctor prescribes a higher price brand and that is dispensed to the patient, the patient pays the difference. So there would be no savings to the government at all under that kind of approach.

**Senator WEST**—There are some situations where patients can be prescribed a brand product quite legally by the doctor and you pick up the bill while there is a generic product there—

**Mr Stevens**—I am not aware of that. There is an arrangement under the therapeutic group premium arrangements which relates to different chemical entities. If a patient is not able to tolerate one of the lower priced drugs, the doctor can ask through the Health Insurance Commission for prior approval to dispense the higher priced one without paying the premium. But it does not apply to brands. And there is no substitution available under those arrangements.

**Senator WEST**—I would still like it checked out, if you do not mind. One of the things under the first agreement about which there was a kerfuffle—and I think a couple of members here have been around long enough to remember it—is the old two kilometre rule, that is, two kilometres via a lawful access route; is that not correct?

**Mr Lennon**—Certainly that was the arrangement in the second agreement. In terms of the long relocation rules, a pharmacy was able every two years to pick up and relocate anywhere

in Australia as long as they did not get closer than two kilometres from another pharmacy by the shortest lawful access route.

**Senator WEST**—Am I right in understanding that that has been changed to 1.5 kilometres in a straight line from door to door?

**Mr Lennon**—Yes, that is correct, from 1 July 2002.

**Senator WEST**—Has anybody looked at the fact that this might lead to increased travel distances for consumers?

**Dr Morauta**—Yes, there would be circumstances occasionally where that was the case.

**Senator WEST**—What is going to happen in that situation?

**Mr Lennon**—The arrangements in relation to moving from shortest lawful access to door to door—

**Senator WEST**—A straight line?

**Mr Lennon**—A straight line. These are provisions that have been introduced in this agreement not completely across the board but in a large number of cases to simplify the provisions. The shortest lawful access was subject to quite a deal of litigation in regard to the second agreement. The door-to-door provision simplified things considerably. It is true that in relation to some long relocations it could involve extra distance. Equally, in relation to short relocations where door to door is also to replace shortest lawful access, it can well work the other way. Our assessment of the situation was that the change from shortest lawful access to door to door across the board and particularly the fact that it applied to both long and short relocations was basically distance neutral in the broader scheme of things, but it would considerably simplify provisions.

**Senator WEST**—How will it simplify provisions? Will you just get a pencil and a map—

**Mr Lennon**—Shortest lawful access, as I mentioned, is a provision that as a matter of record has been subject to considerable litigation as to what is the shortest lawful access in particular situations. The advice we have received from our legal people is that door to door is a lot less likely to be subject to litigation. It is a lot clearer and more objective.

**Senator WEST**—It might be a lot clearer, but I am not sure about this when it comes to the consumer. This is unusual for me, but I can think of places in the city where there are railway lines and it is pretty hard to get across them, and the stations might be miles apart. I am concerned whether anyone has looked at the fact that this might lead to increased travelling distances for consumers. What will be the impact on the consumer? It is fine for you to speak about the technicalities for administration, but I want to bring this back to the consumer.

**Dr Morauta**—I think Mr Lennon has answered the question. Broadly, it is budget neutral and distance neutral overall. I think there will be a small number of cases where it is a plus for consumers and a small number of cases where it is a minus. In general, we think it is about where it was before.

**Senator WEST**—I will let you know when I find the ones it is negative for.

**Dr Morauta**—Thank you.

**Senator WEST**—I am sure you expected that I would. When therapeutic group premiums were introduced in 1996-97, the guild was given \$4 million to conduct patient education and

to help implement the system. I understand it has been given an extra \$11 million. What is that for?

**Dr Morauta**—That is a commencement bonus.

**Senator WEST**—Sorry?

**Dr Morauta**—I think it is the commencement bonus in the agreement.

**Senator WEST**—But I thought therapeutic group premiums were all about saving money?

**Dr Morauta**—Sorry, I am not sure how this question fits together.

**Senator WEST**—When therapeutic group premiums were introduced in 1996-97, the guild was given \$4 million to conduct patient education and to help implement the system.

**Dr Morauta**—Yes.

**Senator WEST**—Now I understand it is receiving an extra \$11 million. What is that for? Am I right?

**Dr Morauta**—Yes. I think I want to go back a step. This will sound a funny answer, but I will explain how it fits. This pharmacy agreement does not show in the PBS, because it was signed after the budget. As a result, you cannot see what the agreement is overall. Overall, the agreement, leaving aside the rural pharmacy measure, is a small savings measure. There is \$23 million over four or \$27 million over five in savings to the budget. You asked what this extra \$11 million or whatever is. It is in the context of a readjustment of funding, not a net spend by government. That is just a general point that I wanted to make about the agreement.

**Senator WEST**—Would you like to take it on notice and give it to me in detail? Then I can peruse it at my leisure. It might get held up in the minister's office after it has left you people.

**Dr Morauta**—We can give you some more detail of the budget measure.

**Senator WEST**—I would like to know how the budget measure and the agreement link in. Part of the problem is that I have tried to read through this and I can get half a story and then I see things in the media, and I am not sure that I can link the two.

**Dr Morauta**—That is why I wanted to make that statement. I think it is quite easy for the people who are selling it to say, 'There is more here and more here. Why on earth did the Commonwealth sign this agreement? There is all of this extra spending.' But this is within the context of an overall reduction in the forward estimates for pharmacy remuneration and for a considerable curtailing of their prescriptions, the fencing fee and the take-up on the mark-up.

**Senator CHRIS EVANS**—I think this is one of those occasions where a written explanation might well be helpful.

**Dr Morauta**—Yes. We will provide that.

**Senator WEST**—As I say, I know the department will get the explanation out very quickly, but we just cannot be sure what will happen when it gets to the minister's office. It might rest there for a few days.

**Senator CHRIS EVANS**—Maybe if we make it a question on notice, you might ask the secretary of the department to undertake to provide a written explanation instead. That might be a better process. I think I understand what you are saying, but it is something that—

**Dr Morauta**—You want an overview of the financing of the agreement? Is that what you are after?

**Senator WEST**—Yes.

**Dr Morauta**—We are happy to provide that.

**Senator WEST**—Thank you. That will do for that.

**CHAIR**—Senator Crowley?

**Senator CROWLEY**—I want to look at budget provisions to claw back the GST in two areas, which I am advised and which we understand are not disclosed in the budget papers. One is payment under the MBS to specialists, which will be discounted. Can you take me through this? As I understand it, it will be discounted by 0.9 per cent per annum for each of the next two years, but not applying to GPs, radiology and pathology, which have capped agreements. Can you tell me how the department arrived at that estimate?

**Dr Morauta**—I am not sure what general points were made, but in the earlier introduction on the GST the government has observed that the removal of wholesale sales tax will reduce the cost of medical practice and, while the ongoing value of this might be higher, took a decision that there would be an 0.9 per cent reduction in November—that is in the first year—and another 0.9 in the second year, bringing it to a 1.8 per cent reduction ongoing. Both of these are within the indexation envelope. There is no nominal reduction in the rebate; it is just a reduction in indexation in each of those two years. Mr McRae might want to add something; I do not know.

**Mr McRae**—I think that Dr Morauta has basically covered what has happened. The broad logic, I guess, is that there is some phasing-in cost. So, rather than take the whole cut—‘cut’ is the wrong word—the whole reduction in one hit, put it across two parts so that any initial compliance costs faced by the industry are to some degree accommodated by the fact that it is phased in over a period of time.

**Senator CROWLEY**—The next question I was going to ask you is: did the implementation cost take into account the increased administrative burden, and I guess you have just said: yes.

**Mr McRae**—Yes.

**Senator CHRIS EVANS**—Are you saying that the 1.8 per cent is a fully detailed, fully costed assessment of the costs of the practice, or are you saying that it is a back of the envelope average?

**Dr Morauta**—I think the shape of the saving is consistent with there being higher compliance costs at the beginning.

**Senator CHRIS EVANS**—No, but the total 1.8 per cent; is that a Health agreement indexation figure or is it a detailed analysis by an accounting firm of the costs of the GST on practices? Where does the 1.8 come from?

**Dr Morauta**—I think the government had broad modelling for the medical sector and this is consistent in broad terms with the modelling that was done.

**Senator CHRIS EVANS**—So you cannot point us to the Ernst and Young report that says, ‘This is why it is 1.8 per cent’? I am trying to pick up what is the basis for the 1.8 per cent. Is it a highly researched figure, or is it an indicative figure?

**Mr McRae**—As Dr Morauta was saying, there was modelling done—obviously not just for Health but for everywhere—and the figure which came out of that modelling, which is done basically for Treasury, for the government, for medical services was 1.8 per cent.

**Senator CHRIS EVANS**—That was the original figure they came up to? They have revised a number of those CPI figures, et cetera. Is the 1.8 per cent the one in the original package of the cost of the GST?

**Mr McRae**—That was the one which we were faced with. I am sorry, I do not know the answer to that question.

**Senator CHRIS EVANS**—You have been working with that one for some time, though, the 1.8?

**Mr McRae**—Yes.

**Senator CROWLEY**—Can you explain why groups of doctors with capped agreements have been exempted from the arrangement when, presumably, they will have the same wholesale sales tax removal benefits?

**Mr McRae**—I can talk to the general practitioners rather than the others. With the general practitioners, we have a signed agreement between the government and the profession as to the actual number of dollars that we will apply to the rebates for them over the next three years. That was an agreement to spend \$7.6 billion over that period of time. The agreement has no explicit scope within it to make adjustments of this nature.

**Dr Morauta**—And the same would apply to the radiology and pathology agreements. They were commitments by government and the government considered that it should honour them.

**Senator CROWLEY**—When was that agreement signed?

**Mr McRae**—It was signed on 6 August last year.

**Senator CROWLEY**—If you had your time over, would you do it again?

**Mr McRae**—I would certainly sign the agreement again. Sorry, I did not sign the agreement, the minister did.

**Senator CROWLEY**—The idea is, if you signed a fixed agreement that actually duds you of 1.8 per cent over three years, most people would give you the thumbs down, wouldn't they?

**Dr Morauta**—There are a number of ways you could assess or evaluate the merits of these agreements. They might go to cooperative work with the profession on new initiatives, relations, and on their ability to use the MBS in a more interesting way to support the benefits to the consumer. There are a whole lot of ons and offs in the agreements. It is not just a financial calculation.

**Senator CROWLEY**—So there are other parts of the agreement that do, in fact, take account of these presumed benefits?

**Dr Morauta**—The government signed the agreements because they believed there were a number of benefits which are not just locking them out of these savings but also delivering benefits to the community.

**Senator CROWLEY**—I think today we got it clear that there are tax rulings about grants now available to the department. I was just wanting to follow the final tax rulings, or tax rulings at all, on grants from the department or the HIC. As I understand it, you passed that around and said 'yes' to us this morning and gave us the HIC assessment anyhow.

**Mr Podger**—It was material the department had done and the HIC had it on a particular document, but, yes, we had done it for them.



**Senator CROWLEY**—Thank you, Mr Podger. Payments from other health agencies for services: have you got clear guidelines on that?

**Dr Morauta**—Sorry, is it in the table?

**Senator CHRIS EVANS**—Services by doctors from other health agencies.

**Mr McRae**—I am sorry. I think most of these things that we circulated this morning related to payments by either the department or the commission. So you are taking us beyond that to payments by—could you give us an example?

**Senator CROWLEY**—Another example would be payments from hospitals as a visiting medical officer.

**Mr McRae**—Okay. I am sorry, I will not be able to help here because they are not our payments. They are not Commonwealth payments.

**Senator CROWLEY**—They are not your payments.

**Mr Podger**—This document is to do with the rules to apply to payments made basically by the HIC. That is what this table is.

**Senator CHRIS EVANS**—I think Senator Crowley is following through in terms of the impact on doctors and medical practitioners of the GST and, if that is beyond the scope of the officers, perhaps you could take it on notice.

**Mr Podger**—Some of those issues the department has been involved in, and the officer who was here this morning was taking the role for the department across that broader impact of the tax changes to the health industry more generally, but I suggested this morning that when we get on to detailed questions around the programs the officers will be able to talk about only actual payments from the department or the HIC.

**Senator CROWLEY**—Could I ask you if you could take those two questions on notice?

**Mr Podger**—Yes.

**Senator CROWLEY**—Thank you very much. Is it the case that in some situations, indeed many situations, the doctors will have to collect the GST and send it off to the tax office, and the body making the payment will then have to claim the GST rebate for that part of the service which relates to the GST-free health service?

**Mr McRae**—I am sorry, I am afraid my role is really in relation to Commonwealth payments. You are again talking about payments by doctors. So you have got into that part of the world which is not our part of the world; I am sorry.

**Dr Morauta**—Are you talking, for example, hospital doctors, Senator, or general practitioners, or where are we?

**Senator CROWLEY**—Let me use ‘the HIC’ instead of ‘body’. Is it the case that doctors will have to collect the GST, send it to the Taxation Office and the HIC, which makes the payment, will then have to claim the GST rebate for that part of the service? Is it related to a GST-free health service?

**Mr McRae**—Yes. In terms of programs like the PIP, the practice incentive program, that is what will happen. The commission will have added to it an amount of money which will go to the doctors. The doctors will take that amount out as the GST and give it to the Taxation Office and it will come back to the commission.

**Senator CROWLEY**—Are the detailed rules for all of this in place yet?

**Mr McRae**—On the face of it, again, I realise I keep saying that I am the wrong person, but it is the commission who is actually doing this. We know how it is working. I cannot actually answer that question precisely. We certainly know that it is to happen. We know how much money is being moved around.

**Senator CROWLEY**—It does not sound like a simplification.

**Ms Paul**—For the GST-free payments, this does not apply. As Mr McRae described, for a payment which is taxable like the incentive payments, that is what happens. We add 10 per cent and it tracks around the system. As Mr McRae described it, that is correct. Yes, we do have our systems in place now to be able to track those payments through.

**Senator CROWLEY**—Can you tell me, and I suggest you take this on notice, how much that has cost to set up and what you anticipate will be the compliance costs year in, year out from here on in.

**Ms Paul**—The main cost is a one-off cost. I do not have that figure, so we could take that on notice. The main cost is in setting up the IT systems to be able to record the ABNs and so on. We had to develop an ABN repository to follow that taxation system through. We have done that. We are ready. I would need to get the figuring for you.

**Senator CROWLEY**—Thank you, Ms Paul. I ask you to take that on notice. That might be something we will need to pursue as it emerges more clearly. I now turn to the GST clawback on the PBS. Is it the case that on 10 May, the day following the budget, pharmaceutical companies supplying the PBS were faxed a letter from the department of health outlining a one per cent price cut to all PBS products as of 1 August as a result of GST savings?

**Mr Stevens**—That is correct.

**Senator CROWLEY**—Is it your estimate that the calculations behind this cut conflict with the ACCC's GST guidelines and the Trade Practices Act?

**Mr Stevens**—The decision was one of government. The reduction itself is a short-term measure. I will go back one step. The government decision was in two stages. The initial stage was a one per cent cut for the short term—that is, the first year. The second stage was to have the Pharmaceutical Benefits Pricing Authority and the industry look at the actual savings that would be achieved and to get savings on the ongoing arrangement.

**Senator CROWLEY**—That is to be done still?

**Mr Stevens**—Yes.

**Senator CROWLEY**—This year?

**Mr Stevens**—Now for the future.

**Mr Lennon**—The decision this year is one per cent.

**Senator CROWLEY**—Will it be done from now on or only after 1 August this year to be ready for 1 August in 12 months?

**Mr Stevens**—A process is being developed now. The pricing authority will be meeting with the industry to develop a process. That process will involve the ACCC and all pharmaceutical companies.

**Senator CHRIS EVANS**—What authority does this letter you have sent out have?

**Mr Lennon**—Companies were requested to take the one per cent price reduction.

**Senator CHRIS EVANS**—Were requested to?

**Mr Lennon**—Yes, that is right.

**Senator CHRIS EVANS**—So that means that they obviously have the option of not taking it.

**Dr Morauta**—That is correct.

**Senator CHRIS EVANS**—So we will have some companies taking the one per cent and others what—applying their own analysis of cost savings and passing that on?

**Mr Stevens**—One would imagine that that will be the case.

**Senator CHRIS EVANS**—Have you taken any advice as to whether or not companies that follow your advice are protected from the ACCC in its new formal role under the Trade Practices Act for not passing on the full savings if they are greater than one per cent?

**Mr Stevens**—We have not taken specific advice on that. One would expect that, with the ongoing arrangement that is going to be in place, the pricing authority and the industry will look precisely at those figures.

**Senator CHRIS EVANS**—Sure, but they are liable from 1 July to be playing the game, are they not?

**Mr Stevens**—That is correct.

**Senator CHRIS EVANS**—Some people have raised this with us—that is, whether or not by complying with the request they are in fact breaking other directions or laws in terms of passing on the savings to their consumers. I wondered whether that was an issue you had dealt with and thought about.

**Mr Lennon**—That is not an issue we have dealt with at this point in time.

**Senator CROWLEY**—Where was the decision made? Was it made by the department of health or the pharmaceutical benefits branch?

**Dr Morauta**—It was made by the government.

**Mr Lennon**—It was a decision made in the context of the budget by the government.

**Senator CROWLEY**—The government? If the government is not the department of health, what is it—the ERC?

**Dr Morauta**—The entire budget is a product of a process of government in the whole.

**Senator CHRIS EVANS**—I guess what Senator Crowley is trying to get to is: where did the consultation occur? Which department provided the advice on what to do, because you are obviously the relevant department, or was this something done out of Treasury? We are just trying to track down how this came about.

**Mr Podger**—It is not usual to provide all the details of the ins and outs of the process. There was a decision which was taken by ministers through the cabinet process. Through that process, there was input from various agencies.

**Senator CROWLEY**—But you were the people who got to write the letter.

**Mr Podger**—Yes. It is not unusual that we write letters to do with our programs based on decisions taken by cabinet.

**Senator CHRIS EVANS**—Mr Podger, one of the issues we are raising is the question of the legality of the letter you have sent out. The reason I was trying to come back to the

decision-making process is to understand who consulted with whom, where the advice was taken and whether advice was sought as to how this interfaces with the Trade Practices Act, for instance. I gather you are telling me that that may not have been a function solely carried out inside your department and you cannot help. I am not trying to take you down the line as to who provided which advice, Mr Podger. I understand that different departments do. If you have not done the work on this, in relation to me asking you about whether you have legal opinions about such issues, I may as well ask somebody else. Are you the people we ought to be asking about that?

**Mr Lennon**—Yes, we are.

**Senator CHRIS EVANS**—You are. Can we take it, therefore, that the government has not got advice on the Trade Practices Act and ACCC regulations regarding this measure if you do not have it?

**Dr Morauta**—I think it is fair to say that they could reduce by more than one per cent if they wished to. If they felt that the savings they were facing were over one per cent, they could reduce it by more than that. I do not think we would stand in their way. I am not quite sure where we are binding them in the manner that might be illegal.

**Senator CHRIS EVANS**—Are you saying that they just have to do it by at least one per cent?

**Dr Morauta**—No. I am just saying that, if they chose, they could come back in response to a letter like that and say that they have done their sums and they think the number should be larger. There is nothing to stop them doing that.

**Senator CROWLEY**—Was the industry consulted about this price cut?

**Mr Lennon**—It was a budgetary decision.

**Senator CROWLEY**—Yes, I know that. Was the industry consulted?

**Senator CHRIS EVANS**—We have just spent some hours dealing with budgetary discussions and where they were at in terms of consultation. I do not think it necessarily rules out the possibility.

**Dr Morauta**—It would certainly be true to say that the industry speculated on the possibly of something like this happening and that caused a certain amount of discussion.

**Senator CHRIS EVANS**—Here we go again.

**Senator CROWLEY**—I am not sure. Are you drawing breath there, Senator Evans?

**Senator CHRIS EVANS**—I do not know whether Dr Morauta will want to look at the *Hansard* on that particular use of words.

**Dr Morauta**—It is getting late, Senator.

**Senator CHRIS EVANS**—You might look at that in the morning and say, ‘Did I really say that?’

**Mr Podger**—I do not think the industry was consulted directly in this process. If I am wrong, I will correct that in our answers to questions on notice and so on.

**Senator CHRIS EVANS**—Sure.

**Senator CROWLEY**—What happens if the individual pharmaceutical companies refuse to take the price cut? Will the PBB be taking any measures to deal with this? For example, would you delist any products?

**Mr Lennon**—No, it is not our intention to delist any products.

**Senator CROWLEY**—What will you do?

**Mr Stevens**—Quite a number of products under the scheme are subject to either the brand premium policy or the therapeutic group premium policy. Under either of these measures the government subsidises to the level of the lowest priced product in there. Where one of the sponsors of a particular brand has reduced the price, we will be asking the other sponsors what they wish to do in response to that, whether they wish to reduce their price or place a premium on the product or something in between, but that would be a choice for the individual sponsor of those products.

**Senator CROWLEY**—But no matter what, you would not be delisting?

**Mr Stevens**—That is correct.

**Senator CROWLEY**—Never ever under those circumstances?

**Dr Morauta**—In response to this sort of activity.

**Senator CROWLEY**—In response to this. So I can assure people that nothing will be delisted; they should not fret. We will keep an open eye on this. What will the PBB be doing to keep an eye on all of this? Are you going to be price watching?

**Mr Stevens**—I think that role is for some other body to carry out. Certainly the Pharmaceutical Benefit Pricing Authority will be involved in future analysis of this through the decision of government.

**Senator CHRIS EVANS**—The other bodies are on the look-out for people encouraging industries to price-set like this. What you are effectively doing is setting the price, isn't it?

**Mr Stevens**—We always set the price.

**Senator CROWLEY**—Do you have an assessment of how much money pharmacists will lose as a result of this measure?

**Mr Stevens**—How much pharmacists will lose? That will depend largely on the amount of the decrease in manufacturers' prices.

**Mr Lennon**—It will feed through to the value of pharmacists' mark-up. The major saving will come as a result of the reduction in the price at the manufacturer's level, but there will be some feed-through because the value of the mark-up for both the wholesaler and the retailer will fall as the average price at the manufacture level falls.

**Senator CROWLEY**—Can you assure yourself that the benefits will not be recouped by passing on increased prices or keeping the same price to the consumer?

**Dr Morauta**—Are you talking about in the pharmacy or not?

**Mr Lennon**—If they are products under the Pharmaceutical Benefits Scheme, the price that the consumer pays is usually set. If they are a concessional patient, they pay \$3.30 until the safety net cuts in and then additional Pharmaceutical Benefits Scheme scripts are free of charge. If they are a general patient, they pay up to \$20.60 until the safety net cuts in and after that they pay at the concessional rate of \$3.30 per prescription.

**Dr Morauta**—The only exceptions to that are where there are the brand premiums.

**Senator CHRIS EVANS**—You are saying by that that there are no price implications for consumers at all?

**Dr Morauta**—I think it is likely that, with all the ons and offs that might occur, you may get some adjustments in the premiums.

**Mr Lennon**—That is correct. There will be some situations where there are increased brand premiums or there are group premiums charged, but the consumer will always have access to the lowest reference price product, as is the situation now under the Pharmaceutical Benefits Scheme. You can avoid payment of that brand or therapeutic group premium.

**Senator CROWLEY**—If the pharmacists suffer any loss as a result of this under that third agreement, will there be any compensation to them?

**Dr Morauta**—No, the figures have already been taken into account in the agreement estimates.

**Senator CHRIS EVANS**—Can I ask whether you have got any further work done on how we are going to pay the FBT compensation grants to hospitals?

**Dr Morauta**—Mr Maskell-Knight will come and assist us with this one.

**Senator CHRIS EVANS**—It is fair to say that Minister Kemp did not have much clue when we were debating the bill the other day.

**Mr Maskell-Knight**—I think the short answer to your question is no, not yet.

**Senator CHRIS EVANS**—Thanks for joining us today, Mr Maskell-Knight. I will play the game. Do you have any idea when we will know? There is obviously a great deal of interest in how that is going to work and there is some concern about it. What is happening? Are you consulting with the states?

**Mr Maskell-Knight**—First of all, we are developing a position between ourselves and Treasury and the Australian Taxation Office. We have indicated to the various hospital associations that we will be discussing with them the proposals we come up with to make sure that they are workable and that there are no inequities that we have not seen.

**Senator CHRIS EVANS**—That is pretty well at the early stages, is it?

**Mr Maskell-Knight**—Yes. Clearly the beneficiaries are anxious to get money flowing from 1 July, so I think they will be pushing us to bring matters to a speedy resolution.

**Senator CHRIS EVANS**—Thanks for that. I want to ask a couple of questions about corporatisation and HIC's role. One of the dangers of my son playing soccer in the same team as a boy whose father is a doctor is that I get hit about corporatisation of health, so I am wondering if you can help me. What powers does the HIC have to deal with this trend towards corporatisation of medicine and the emergence of companies that might have medical, pathology and radiology services as an integrated operation? I would like to have a bit of HIC's perspective on the development, what the concerns are and what powers you have at your disposal to deal with any concerns about practices such as requiring doctors to use the related companies, et cetera. That is a big question.

**Mr Watzlaff**—Certainly this is an issue that we have looked at in terms of managing the risk throughout the program. It is from time to time put that there is heightened risk in relation to those that practise from medical centres. So in the past we have on occasion counselled a number of providers from particular medical centres, and we have done that in the context of counselling them about inappropriate practice and excessive servicing. In that sense, our neural net will not differentiate between those who are sole practitioners as opposed to those who are in medical centres where there may be opportunities for requesting around from

different providers to share the load, as it were, and perhaps in some ways to design profiles that would not look to us to be unusual but in point of fact might be.

So from our neural net, which is basically individual provider based, we have been looking at developing a revision of that to look at those in corporate practices to see whether or not there is a sharing of requesting and things of that kind. For example, it was put to me in the last week that someone had gone to a medical centre and they found they were getting test results that they had not requested. So that would seem to be indicative of people who wanted the test done putting forward someone else's provider number as being a requester. So in that way the sharing, if you like, of the requesting could be spread over a greater number of providers and therefore it could not trigger our ordinary mechanisms for excessive servicing. So that is one area where we are looking at revising our targeting to try to address this issue of GPs within medical centres and that issue of excessive requesting. But there may be other issues.

**Senator CHRIS EVANS**—What about the issue of whether or not they are required as part of their obligation to use a related service?

**Mr Watzlaff**—Under the legislation there is a requirement that parties are at arm's length in the requesting for both pathology and diagnostic imaging. So issues to do with prohibited practices where there were incentives being offered back would certainly be of concern to us.

**Senator CHRIS EVANS**—How do you know? I am told a lot of these arrangements are treated as commercial-in-confidence and there are disclosure rules put on the doctors not to reveal, even after they have left, what arrangements they might have had in place.

**Mr Watzlaff**—Certainly we have spent quite some time trying to get evidence of inducements in a number of cases and we have found the process very difficult. But we do have part 2D powers which we can use to extract information from people. We do have some cases that we are intending to take through the Medicare participation review committee where we believe we have evidence of inducements being paid to requesters. There are also some issues that we have had in relation to diagnostic imaging, too, where we have looked at structuring arrangements. There was a case within the last 12 months of two practitioners that were found to have engaged in prohibited practices. There are some issues that we do get on to from time to time that are suggestive of inappropriate behaviour in the sense of prohibited practices being done.

**Senator CHRIS EVANS**—I appreciate that. What if a doctor is required as part of his or her contractual obligations and conditions of employment to use a particular in-house provider or related providers of other services? Is that regarded as an inducement, given that he may not be getting a bonus payment or a fee associated with that? That is just the way the place works; if you work there, you use those diagnostic services. Is that contrary to the act?

**Mr Watzlaff**—No, in that case, on the facts you have given, I do not think there would be any inducement at all.

**Senator CHRIS EVANS**—It is a condition of employment?

**Mr Watzlaff**—There may be questions of whether or not there is any flow of funds between the pathology laboratory and the owner of the medical centre. The inducement provisions catch medical entrepreneurs also. That is defined as being an entity that controls the requesters. If there was evidence of inducements being made to the owner of the medical centre, that would be within the prohibition under the act.

**Senator CHRIS EVANS**—What if it is the same person or the same company who owns both services? That is what I am trying to work out.

**Mr Watzlaff**—Yes, the integration question. I do not think our legislation would strike that down at all.

**Senator CHRIS EVANS**—It has been put to me that arrangements are being entered into now such that, if you like, doctors are employees and that their contracts of employment state that they have to use particular services. I was not sure whether that was caught by—

**Mr Watzlaff**—No, not in that sense. But if there was any advantage that accrued by requesting at particular levels, we would certainly have concerns about that.

**Senator CHRIS EVANS**—At particular levels. But in terms of nominating the provider, you are saying to me there is no inducement?

**Mr Watzlaff**—No. In one sense, if there is no change in the profile and the requesting is at a moderate level, it would not excite our interest.

**Senator CHRIS EVANS**—I am not suggesting necessarily that there would be any requirement for them to order services at any unusual level other than practising medicine in the way they normally would. I am suggesting that there is a contractual relationship in the sense that, as an employee, they are required to use a particular service when they have to use it. I am just trying to clarify that that is not necessarily something that would contravene the act; is that what you are saying to me?

**Dr Harmer**—Given the significance of that—and I think Mr Watzlaff is probably right—I think I would like to take it on notice and double-check that our act does not cover that and let you know. It is a significant issue and I would like to be helpful. We should perhaps take it on notice.

**Senator CHRIS EVANS**—Certainly, in Western Australia it seems to be an emerging issue of practices being purchased and people placed into more of a traditional employment relationship by companies. Then there is a question about the relationship with the services they offer. Perhaps you would like to take on notice as well, Dr Harmer, whether the current laws are adequate to deal with vertically integrated medical services and whether you have the powers to deal with some of those issues?

**Dr Morauta**—I think we would like to take on notice the question of the arm's-length requirement and exactly how it works in these new situations. I think we need to work that through in relation to the legislation. There are a couple of issues that I would like to think through. We are also doing quite a bit of work in this area in one way or another. We have a review of the pathology legislation going on, which obviously will encompass this issue, among others.

**Senator CHRIS EVANS**—Have there been any legislative or regulatory changes in recent times that would have impacted on this area?

**Dr Morauta**—Sorry, changes in the industry?

**Senator CHRIS EVANS**—No, any legislative or regulatory changes that would have affected the HIC's work in this area in recent times?

**Dr Morauta**—I think it is more the case that we are reviewing legislation and—



**Senator CHRIS EVANS**—No, I know what you said. That is fine. But I have moved on. The next question was: have there been any changes in terms of legislation or regulations which have impacted on the HIC's capacities or powers to deal with issues in this area?

**Dr Morauta**—No. It is an emerging issue. We are now looking carefully at the legislation in order to check that we can use it to do what we want it to.

**Senator CHRIS EVANS**—Someone put to me a suggestion that some sort of minor changes recently might have limited the HIC's power to deal with this area.

**Dr Morauta**—Do you have the details?

**Senator CHRIS EVANS**—No, it was just one of those things that somebody said to me. That is why I asked the question. They are not all loaded. There was a genuine—

**Dr Morauta**—That is why I asked whether, if you had the details, you could write them down; we could have a look at it.

**Senator CHRIS EVANS**—In relation to improved PBS entitlement monitoring, can somebody please explain that to me and what it means for the HIC's role?

**Dr Morauta**—The proposal as a whole is a broad proposal to introduce an electronic medications record which is optional for patients and which doctors and pharmacists may choose to take part in. In that we expect to have a system of governance for this new system which is in the hands of doctors, pharmacists and consumers, but the HIC will provide technical inputs and support for the process.

**CHAIR**—Is that encryption of some kind for access?

**Senator CHRIS EVANS**—Don't you have a secret unique identifier already behind the Medicare number or something?

**Dr Harmer**—We do. We have an underlying PIN number, which uniquely identifies individuals, under the Medicare number. We have had that. We need to have that, because people can change family situations from time to time and we need to be able to track them through.

**Senator CHRIS EVANS**—How is this different from that?

**Dr Morauta**—Sorry, are we talking about the Medicare number on the scripts or about the better medication management system?

**Senator CHRIS EVANS**—About the Medicare number on the scripts and tracking. But as I understood it, this will largely fall to the HIC as a management issue, won't it? Am I right?

**Dr Harmer**—Yes, it will.

**Senator CHRIS EVANS**—I do not pretend to understand it. I am just trying to learn about it. So the HIC has the job of working up the system?

**Dr Harmer**—As Dr Morauta said, we are working it up in collaboration with the department and the other key players—the doctors, the pharmacists and consumers. We will provide, as Dr Morauta said, a significant amount of the technical advice and infrastructure.

**Senator CHRIS EVANS**—Where are we at? Is there a public consultation period to follow this announcement, or has that already occurred?

**Dr Morauta**—No, we are working through the issues of the introduction of the Medicare number on the script now with various stakeholder groups to get a proposition that will work

and look after consumers through the transition. We are developing the legislative proposal now.

**Senator CHRIS EVANS**—So this could well be quite a long term—

**Dr Morauta**—No, we are hoping we can bring the legislation in relatively quickly, but we have to do some more work on the mechanics of introducing it.

**Senator CHRIS EVANS**—I gather there are going to be quite a number of privacy type issues involved in all this?

**Dr Morauta**—There are not quite as many issues concerning putting the Medicare number on prescriptions. People are used to having the Medicare number in the HIC system. I do not think that is such a big issue. When we get to the medication records, there is a lot more work to be done there.

**Senator CHRIS EVANS**—It sounds like this might be one to follow through when you are a bit further advanced.

**Dr Morauta**—Yes.

**Senator CROWLEY**—Mr Watzlaff, in answer to questions I asked before, you provided me with information about how much the Health Insurance Commission had clawed back from various institutions that had claimed eligibility for payments under the HIC/MBF when they were not eligible due to the health care agreement. You also cited one example of a psychiatric hospital in South Australia which contracted to a private radiology firm for routine X-rays. You gave me a figure of \$20,000 for clawback of wrong claims. The other day in the South Australian *Advertiser* I read an article about this matter wherein you were quoted as saying that this figure is now \$100,000.

**Mr Watzlaff**—Yes, it is \$115,000.

**Senator CROWLEY**—My goodness. What has happened?

**Mr Watzlaff**—I guess that illustrates the nature of the process we go through. We did have some information about cost shifting in relation to those services. Our initial estimation was that the extent of it was \$20,000 worth of services. As we worked through the whole process, we found there was a lot more. The final recovery was something in the order of \$115,000. I guess it illustrates the fact that when you work through these cases there might be a lot more than first meets the eye.

**Senator CROWLEY**—Do you have any other figures you can give me?

**Mr Watzlaff**—Not really. I have provided some answers to the questions you asked last time, and you have those.

**Senator CROWLEY**—There are three lots of info which were very useful—half a million plus \$20,000 plus nearly half a million. I just wonder whether anything else besides the \$20,000 had been significantly increased.

**Mr Watzlaff**—No, not at the moment, but we are working on it.

**Senator CROWLEY**—Is that right? How soon will you be able to give us an answer?

**Mr Watzlaff**—There are quite a number of different issues we are looking at. As we work those through we will see whether there is any substance in our concerns or not.

**Senator CROWLEY**—I guess I can come back to estimates and regularly keep asking, but I would like to ask about this on notice. If information comes to light about amounts—you

are not telling us which institutions—or there is any further information of that sort, along the lines of the last questions, that would be very useful indeed.

**Mr Watzlaff**—I will certainly do that. I would prefer to disclose names after we have finished the negotiation rather than on an ongoing basis.

**Senator CROWLEY**—So it is not usual to be told \$20,000 and then \$115,000?

**Mr Watzlaff**—That is unusual, yes.

**CHAIR**—I thank the minister, Mr Podger and all of the officers.

**Committee adjourned at 9.22 p.m.**

